

ASSOCIATION OF SMALL FOUNDATIONS

AUDITED FINANCIAL STATEMENTS

December 31, 2012

**ASSOCIATION OF SMALL FOUNDATIONS
AUDITED FINANCIAL STATEMENTS
December 31, 2012**

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Board of Directors
Association of Small Foundations
Washington, DC

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the Association of Small Foundations (the Association), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Association's 2011 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated June 7, 2012. In our opinion, the summarized comparative information presented herein as and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Drolet + Associates, P.L.L.C.

Washington, DC
May 21, 2013

ASSOCIATION OF SMALL FOUNDATIONS
STATEMENT OF FINANCIAL POSITION
December 31, 2012
(With Summarized Financial Information for December 31, 2011)

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,025,721	\$ 1,008,087
Grants receivable	187,547	327,563
Accounts receivable	1,037	-0-
Donated office space receivable	431,112	431,112
Investments	1,055,016	606,295
Prepaid expenses and other current assets	20,710	15,447
TOTAL CURRENT ASSETS	2,721,143	2,388,504
FIXED ASSETS, net	30,245	66,371
DONATED OFFICE SPACE RECEIVABLE, net of current portion	989,312	1,379,045
INVESTMENTS, net of current portion	-0-	252,213
TOTAL ASSETS	\$ 3,740,700	\$ 4,086,133
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 209,420	\$ 113,802
Deferred membership dues	763,254	756,323
TOTAL CURRENT LIABILITIES	972,674	870,125
NET ASSETS		
Unrestricted	1,142,980	1,034,365
Temporarily restricted	1,625,046	2,181,643
TOTAL NET ASSETS	2,768,026	3,216,008
TOTAL LIABILITIES AND NET ASSETS	\$ 3,740,700	\$ 4,086,133

The accompanying notes are an integral part of these financial statements.

ASSOCIATION OF SMALL FOUNDATIONS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012
(With Summarized Financial Information for the Year Ended December 31, 2011)

	Unrestricted	Temporarily Restricted	2012 Total	2011 Total
REVENUE				
Membership dues	\$ 1,631,554		\$ 1,631,554	\$ 1,534,203
Grants	880,440	\$ 143,000	1,023,440	1,069,696
Registration fees	523,065		523,065	170,383
Rental income	175,358		175,358	174,546
Publications and other revenue	118,194		118,194	111,582
Contribution - donated office space	41,379		41,379	52,721
Interest income	7,620		7,620	9,741
Net assets released from restrictions	699,597	(699,597)	-0-	-0-
TOTAL REVENUE	4,077,207	(556,597)	3,520,610	3,122,872
EXPENSES				
Program services	3,237,961		3,237,961	2,640,647
General and administrative	258,969		258,969	273,709
Fundraising	471,662		471,662	458,089
TOTAL EXPENSES	3,968,592	-0-	3,968,592	3,372,445
CHANGE IN NET ASSETS	108,615	(556,597)	(447,982)	(249,573)
NET ASSETS, BEGINNING OF YEAR	1,034,365	2,181,643	3,216,008	3,465,581
NET ASSETS, END OF YEAR	\$ 1,142,980	\$ 1,625,046	\$ 2,768,026	\$ 3,216,008

The accompanying notes are an integral part of these financial statements.

ASSOCIATION OF SMALL FOUNDATIONS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2012
(With Summarized Financial Information for the Year Ended December 31, 2011)

	Networking and Connection	Learning	Member Committees	Educational Outreach	Total Program Services	General and Administrative	Fundraising	2012 Total	2011 Total
Salaries and benefits	\$ 581,541	\$ 388,448	\$ 150,764	\$ 327,294	\$ 1,448,047	\$ 27,301	\$ 346,972	\$ 1,822,320	\$ 1,770,751
Meetings	558,427	4,059	2,615	7,516	572,617		50	572,667	125,235
Amortization of donated rent	67,041	199,982	17,380	37,731	322,134	68,978	40,000	431,112	398,255
Consultants	52,450	62,189	115,892	22,421	252,952	1,855	5,977	260,784	251,175
Occupancy	40,800	121,705	10,577	22,963	196,045	41,979	24,343	262,367	266,393
Travel	42,787	19,602	31,696	13,186	107,271	524	18,651	126,446	132,437
Legal and accounting					-0-	70,517		70,517	72,967
Printing	21,237	20,667	790	43,667	86,361	595	1,049	88,005	85,930
Postage and delivery	10,645	6,096	254	20,015	37,010	823	785	38,618	42,819
Telephone and fax	11,788	6,879	3,432	6,094	28,193	9,810	5,722	43,725	33,692
Depreciation and amortization	10,486	7,004	2,718	7,235	27,443	10,788	6,256	44,487	44,595
Office equipment and maintenance	7,226	4,827	1,873	4,067	17,993	7,435	4,311	29,739	22,140
Website	393	4,219	102	33,232	37,946	405	235	38,586	46,194
Design	6,260	18,338	1,500	3,115	29,213		169	29,382	5,440
Merchant and bank charges	6,985	4,666	1,811	3,931	17,393	7,187	4,168	28,748	12,880
Dues and publications	2,043	8,550	239	576	11,408	950	2,446	14,804	12,039
Office supplies	4,898	2,292	810	2,814	10,814	3,186	2,144	16,144	19,982
Temporary help	3,418	2,117	822	1,784	8,141	3,261	2,124	13,526	1,885
Insurance	5,350	1,445	561	1,218	8,574	2,226	1,291	12,091	8,880
Conference registration fees	1,824	8,939	39	4,914	15,716	156	4,355	20,227	16,350
Staff meetings	539	645	140	304	1,628	554	360	2,542	1,951
Miscellaneous	426	285	111	240	1,062	439	254	1,755	455
Total expenses	\$ 1,436,564	\$ 892,954	\$ 344,126	\$ 564,317	\$ 3,237,961	\$ 258,969	\$ 471,662	\$ 3,968,592	\$ 3,372,445

The accompanying notes are an integral part of these financial statements.

ASSOCIATION OF SMALL FOUNDATIONS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012
(With Summarized Financial Information for the Year Ended December 31, 2011)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
CHANGE IN NET ASSETS	\$ (447,982)	\$ (249,573)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	44,487	44,595
Loss on investments	81	170
Loss on disposal of fixed assets	-0-	297
Change in present value discount for donated office space receivable	(41,379)	(52,721)
Decrease in grants receivable	140,016	192,891
Increase in accounts receivable	(1,037)	-0-
Decrease in donated office space receivable	431,112	398,256
(Increase) decrease in prepaid expenses and other current assets	(5,263)	6,468
Increase in accounts payable and accrued expenses	95,618	3,743
Increase in deferred membership dues	6,931	111,549
NET CASH PROVIDED BY OPERATING ACTIVITIES	222,584	455,675
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(655,159)	(1,500,920)
Proceeds from sales of investments	458,570	889,631
Purchases of fixed assets	(8,361)	(15,900)
NET CASH USED IN INVESTING ACTIVITIES	(204,950)	(627,189)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,634	(171,514)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,008,087	1,179,601
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,025,721	\$ 1,008,087

The accompanying notes are an integral part of these financial statements.

ASSOCIATION OF SMALL FOUNDATIONS
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization The Association of Small Foundations (the Association) is a nonprofit organization incorporated under the laws of the State of Delaware. The Association builds and strengthens small foundation philanthropy by providing high-quality programs, services and resources to charitable foundations with few or no staff. The Association is a membership organization, recognized for peer-to-peer information sharing, and recognized for the production of practical tools that improve, simplify, and reduce the cost of administering a grant making foundation. The Association’s activities are funded primarily through membership dues and grants.

Basis of Presentation The accompanying financial statements are presented on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

Cash and Cash Equivalents The Association considers demand deposits, money market funds and investments purchased with a maturity of three months or less, when purchased, to be cash and cash equivalents.

Investments Investments with original maturities of less than one year are classified as short-term investments. Investments are comprised of short-term brokered certificates of deposit, valued based on broker quotes, and, as of December 31, 2011, a long-term bank certificate of deposit, stated at cost plus accrued interest, which approximated market value.

Grants Receivable Unconditional promises to give that have not been collected as of year-end are recorded as grants receivable in the accompanying statement of financial position. Grants receivable over multiple years are discounted to their net present value using the applicable interest rate if such discount would be material. All grants receivable are assumed to be collectible; therefore, no allowance for doubtful accounts is necessary.

Fixed Assets The Association capitalizes all fixed asset acquisitions of \$2,000 and above. Fixed assets are stated at cost and are depreciated using the straight-line method over estimated useful lives of three to five years, with no salvage value. Direct costs incurred during the application stage of the development of the Association’s website are capitalized and amortized over an estimated useful life of three years. Maintenance and repairs, including planned major maintenance activities, are charged to expense when incurred; major renewals and betterments are capitalized. Donated fixed assets are recorded at fair market value at the date of donation.

ASSOCIATION OF SMALL FOUNDATIONS
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2012

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Accounts

Receivable

Accounts receivable consists of amounts due for rental income. Management reviews the collectibility of the accounts receivable on a periodic basis. No reserve for doubtful accounts has been established because management believes all amounts are fully collectible.

**Functional
Allocation of
Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Donated
Office Space**

The Association receives the use of office space and furniture and equipment free of charge. The Association recorded the fair value of the donated office space as donated office space and temporarily restricted revenue at the net present value of the estimated fair value of the lease at the inception of the lease. Donated office space that has been committed to the Association as of December 31, 2012 through the formal lease agreement has been recorded as donated office space receivable in the accompanying statement of financial position.

**Revenue
Recognition**

The Association reports grants as unrestricted and available for general operations, unless specifically restricted by the donor. If such contributions and grants are received with donor stipulations that limit the use of the donated funds for a particular purpose or for a specific period of time, they are reported as temporarily restricted. When the stipulated time restriction ends or the purpose of the restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Membership dues revenue is recognized ratably over the membership period of one year, which begins in the month dues are paid. The portion of dues that relates to a membership period extending beyond year end is reported as deferred membership dues.

Registration fees are recognized in the year in which the seminar or conference is held.

ASSOCIATION OF SMALL FOUNDATIONS
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2012

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Income Taxes The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined by the Internal Revenue Service not to be a private foundation within the meaning of section 509(a) of the Code. The Association is exempt from the payment of taxes on income other than net unrelated business income. The Association received certain unrelated business income from advertising. No provision for federal or state income taxes is required as of December 31, 2012, as the Association had no taxable net unrelated business income.

**Accounting for
Uncertain Tax
Positions** The Association requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. The Association does not believe its financial statements include, or reflect, any uncertain tax positions. The Association's Forms 990, 990T, and DC D-20 are subject to examination by the taxing authorities for three years after filing.

Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Prior Year
Information** The financial statements include certain prior year summarized comparative totals as of and for the year ended December 31, 2011. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2011, from which the summarized information was derived.

Reclassifications Certain 2011 amounts have been reclassified for comparative purposes.

NOTE B – CONCENTRATIONS

The Association maintains cash balances at financial institutions in the Washington, DC metropolitan area. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times during the year, the Association's cash balance exceeded the FDIC insurance amount. Management believes the risk in this situation to be minimal.

As of December 31, 2012, approximately 27% of the grants receivable was due from one donor.

ASSOCIATION OF SMALL FOUNDATIONS
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2012

NOTE C – EMPLOYEE BENEFIT PLAN

The Association sponsors a qualified profit sharing pension plan with a 401(k) feature (the Plan) for all eligible employees. Employees are eligible to participate in the Plan after one year of service and are fully vested immediately upon entering the Plan. The Association contributes up to 21% of each employee's salary to the Plan on a predetermined formula based on the benefits package selected by the employee. For the year ended December 31, 2012, the Association made a contribution to the Plan on behalf of its employees of approximately \$195,000, which is included in salaries and benefits in the accompanying statement of functional expenses.

NOTE D – FIXED ASSETS

Fixed assets consisted of the following as of December 31, 2012:

Description	Amount
Furniture and equipment	\$ 57,978
Website	116,999
	174,977
Less: accumulated depreciation	(144,732)
Fixed assets, net	\$ 30,245

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes as of December 31, 2012:

Description	Amount
Donated office space for future years	\$ 1,420,424
Information services and resources programs	49,622
Future conferences	105,000
Time-restricted	50,000
Total temporarily restricted net assets	\$ 1,625,046

ASSOCIATION OF SMALL FOUNDATIONS
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2012

NOTE E – TEMPORARILY RESTRICTED NET ASSETS (Continued)

Amounts released from temporarily restricted net assets during the year ended December 31, 2012 were:

Description	Amount
Information services and resources programs	\$ 66,055
Donated office space for future years	389,733
Time-restricted	26,500
Early childhood development	15,965
Future conferences	74,500
Strategic planning	126,844
Total amounts released from restriction	\$ 699,597

NOTE F – FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include equity securities);

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate or municipal bonds);

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment (examples include certain private equity securities).

The following presents investments carried at fair value as of December 31, 2012:

Description	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 1,055,016		\$ 1,055,016	

Level 2 investments are valued based on readily available pricing sources for comparable investments.

ASSOCIATION OF SMALL FOUNDATIONS
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2012

NOTE G – DONATED OFFICE SPACE RECEIVABLE

On July 17, 2010, the Association entered into an agreement with a private foundation for its office space, including furnishings, in Washington, DC, for five-year period from June 2011 through May 2016. The lease provides for no annual fixed rent. However, the Association is obligated to pay all taxes, costs, operating expenses and utilities. The net present value of the donated office space related to the lease, \$2,008,918 was recorded as temporarily restricted revenue during the year ended December 31, 2010. The donated office space receivable was discounted to the net present value using a discount rate of 3%.

The amount of the amortization of donated rent for the year ended December 31, 2012 of approximately \$431,000 is recognized in the accompanying statement of functional expenses.

The donated office space receivable as of December 31, 2012 represents the net present value of the donated office space promised through 2016, which is to be received as follows:

<i>June 30,</i>	Amount
2013	\$ 431,112
2014	431,112
2015	431,112
2016	179,630
Total donated office space receivable	1,472,966
Less: discount to present value	(52,542)
Net donated office space receivable	\$ 1,420,424

The Association subleases a portion of its donated office space to various unrelated entities. The Association recognized approximately \$175,000 in rental income related to these subleases during the year ended December 31, 2012. A total of \$194,000 is due under non-cancellable subleases with terms through December 31, 2014.

NOTE H – COMMITMENTS

The Association has entered into contracts with facilities in connection with future meetings and conferences. In the event of cancellation of these agreements by the Association, the Association would be responsible for certain fees. Management does not anticipate cancellation of these events.

In 2012, the Association entered into a three-year employment agreement with the Chief Executive Officer (CEO). If the Association terminates the agreement, the CEO is entitled to 90 days of paid compensation, excluding benefits.

ASSOCIATION OF SMALL FOUNDATIONS
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2012

NOTE I- SUBSEQUENT EVENTS

Subsequent events were evaluated through May 21, 2013, which is the date the financial statements were available to be issued.