

ASSOCIATION OF SMALL FOUNDATIONS

DBA EXPONENT PHILANTHROPY

AUDITED FINANCIAL STATEMENTS

December 31, 2014

**ASSOCIATION OF SMALL FOUNDATIONS
DBA EXPONENT PHILANTHROPY
AUDITED FINANCIAL STATEMENTS
December 31, 2014**

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Board of Directors
Association of Small Foundations
DBA Exponent Philanthropy
Washington, DC

Independent Auditor's Report

We have audited the accompanying financial statements of the Association of Small Foundations, DBA Exponent Philanthropy, (the Organization), which comprise the statement of financial position as of December 31, 2014, 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.

Independent Auditor's Report
Association of Small Foundations
DBA Exponent Philanthropy

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2014, 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 Organization's 2013 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated August 7, 2014. In our opinion, the summarized comparative information presented herein as and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Councilor, Buchanan + Mitchell, P.C.

Washington, DC
May 28, 2015

Certified Public Accountants

**ASSOCIATION OF SMALL FOUNDATIONS
DBA EXPONENT PHILANTHROPY
STATEMENT OF FINANCIAL POSITION
December 31, 2014
(With Summarized Financial Information for December 31, 2013)**

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,490,000	\$ 1,392,698
Grants receivable	278,750	144,085
Accounts receivable	248,100	37,875
Donated office space receivable	431,112	431,112
Investments	800,061	699,940
Prepaid expenses and other current assets	22,922	20,776
TOTAL CURRENT ASSETS	3,270,945	2,726,486
FIXED ASSETS, net	68,681	32,493
GRANTS RECEIVABLE, net of current portion	90,000	25,000
DONATED OFFICE SPACE RECEIVABLE, net of current portion	174,403	587,886
TOTAL ASSETS	\$ 3,604,029	\$ 3,371,865
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 123,703	\$ 139,375
Deferred revenue	194,963	-0-
Deferred membership dues	819,050	788,864
TOTAL CURRENT LIABILITIES	1,137,716	928,239
NET ASSETS		
Unrestricted	1,467,864	1,252,878
Temporarily restricted	998,449	1,190,748
TOTAL NET ASSETS	2,466,313	2,443,626
TOTAL LIABILITIES AND NET ASSETS	\$ 3,604,029	\$ 3,371,865

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

**ASSOCIATION OF SMALL FOUNDATIONS
DBA EXPONENT PHILANTHROPY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014
(With Summarized Financial Information for the Year Ended December 31, 2013)**

	Unrestricted	Temporarily Restricted	2014 Total	2013 Total
REVENUE				
Membership dues	\$ 1,566,920		\$ 1,566,920	\$ 1,662,270
Grants	1,087,612	\$ 356,500	1,444,112	800,376
Registration fees	677,059		677,059	218,020
Rental income	188,366		188,366	195,515
Publications and other revenue	120,874		120,874	146,425
Contribution - donated office space	17,629		17,629	29,686
Interest income	4,629		4,629	4,216
Net assets released from restrictions	548,799	(548,799)	-0-	-0-
TOTAL REVENUE	4,211,888	(192,299)	4,019,589	3,056,508
EXPENSES				
Program services	3,348,825		3,348,825	2,757,802
General and administrative	263,002		263,002	255,619
Fundraising	385,075		385,075	367,487
TOTAL EXPENSES	3,996,902	-0-	3,996,902	3,380,908
CHANGE IN NET ASSETS	214,986	(192,299)	22,687	(324,400)
NET ASSETS, BEGINNING OF YEAR	1,252,878	1,190,748	2,443,626	2,768,026
NET ASSETS, END OF YEAR	\$ 1,467,864	\$ 998,449	\$ 2,466,313	\$ 2,443,626

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

**ASSOCIATION OF SMALL FOUNDATIONS
DBA EXPONENT PHILANTHROPY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014**

(With Summarized Financial Information for the Year Ended December 31, 2013)

	Networking and Connection	Learning	Member Committees	Educational Outreach	Total Program Services	General and Administrative	Fundraising	2014 Total	2013 Total
Salaries and benefits	\$ 562,853	\$ 568,077	\$ 74,794	\$ 382,329	\$ 1,588,053	\$ 24,800	\$ 277,501	\$ 1,890,354	\$ 1,847,462
Meetings	658,569	4,465	8,275	10,880	682,189	10	10,002	692,201	119,423
Amortization of donated rent	62,434	218,213	8,296	42,409	331,352	68,979	30,781	431,112	431,111
Consultants	28,359	45,326	41,414	53,852	168,951	4,249	5,896	179,096	212,846
Occupancy	41,783	146,038	5,552	28,382	221,755	46,163	20,600	288,518	300,968
Travel	17,743	14,888	12,183	10,378	55,192	815	14,748	70,755	70,036
Legal and accounting						79,064	-0-	79,064	70,780
Printing	23,779	17,220	24,932	14,408	80,339	335	950	81,624	77,479
Postage and delivery	7,957	8,359	3,470	11,515	31,301	871	1,986	34,158	40,800
Telephone and fax	8,612	6,690	2,753	4,287	22,342	6,905	3,502	32,749	35,879
Depreciation and amortization	6,659	6,720	885	4,523	18,787	7,356	3,283	29,426	16,917
Office equipment and maintenance	4,184	4,223	556	2,842	11,805	4,622	2,063	18,490	24,835
Website	770	606	742	31,040	33,158	663	296	34,117	33,915
Design	12,850	8,865	9,085	359	31,159	-0-	1,053	32,212	15,607
Merchant and bank charges	7,745	7,817	1,029	5,261	21,852	8,557	3,818	34,227	20,496
Dues and publications	2,088	2,137	876	1,418	6,519	2,307	2,925	11,751	11,057
Office supplies	3,882	3,640	3,252	3,076	13,850	3,393	1,614	18,857	18,385
Temporary help	735				735	-0-	528	1,263	342
Insurance	4,992	2,295	302	1,545	9,134	2,512	1,121	12,767	9,646
Conference registration fees	1,404	7,885	61	8,179	17,529	504	2,007	20,040	20,035
Staff meetings	1,106	581	77	391	2,155	636	284	3,075	2,467
Miscellaneous	237	239	31	161	668	261	117	1,046	422
Total expenses	\$ 1,458,741	\$ 1,074,284	\$ 198,565	\$ 617,235	\$ 3,348,825	\$ 263,002	\$ 385,075	\$ 3,996,902	\$ 3,380,908

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

**ASSOCIATION OF SMALL FOUNDATIONS
DBA EXPONENT PHILANTHROPY
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014
(With Summarized Financial Information for the Year Ended December 31, 2013)**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
CHANGE IN NET ASSETS	\$ 22,687	\$ (324,400)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	29,426	16,918
(Gain) loss on investments	(118)	111
Change in present value discount for donated office space receivable	(17,629)	(29,686)
(Increase) decrease in grants receivable	(199,665)	18,462
Increase in accounts receivable	(210,225)	(36,838)
Decrease in donated office space receivable	431,112	431,112
Increase in prepaid expenses and other current assets	(2,146)	(66)
Decrease in accounts payable and accrued expenses	(15,672)	(70,045)
Increase in deferred revenue	194,963	-0-
Increase in deferred membership dues	30,186	25,610
NET CASH PROVIDED BY OPERATING ACTIVITIES	262,919	31,178
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(2,700,500)	(1,500,100)
Proceeds from sales of investments	2,600,497	1,855,065
Purchases of fixed assets	(65,614)	(19,166)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(165,617)	335,799
NET INCREASE IN CASH AND CASH EQUIVALENTS	97,302	366,977
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,392,698	1,025,721
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,490,000	\$ 1,392,698

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

**ASSOCIATION OF SMALL FOUNDATIONS
DBA EXPONENT PHILANTHROPY
NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization	The Association of Small Foundations (the Organization) is a nonprofit organization incorporated under the laws of the State of Delaware. Since March 2014, the Organization has been doing business as Exponent Philanthropy. The Organization builds and strengthens small foundation philanthropy by providing high-quality programs, services and resources to charitable foundations with few or no staff. The Organization 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 Organization'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 Organization 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 a 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 Organization 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 Organization'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
DBA EXPONENT PHILANTHROPY
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014**

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

**Accounts
Receivable**

Accounts receivable consists primarily of amounts due for rental income and mission partnership fees. Management reviews the collectability 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 Organization receives the use of office space and furniture and equipment free of charge. However, as part of the agreement, the Organization pays the operating expenses for the building, including maintenance, utilities, real estate taxes, and a management fee. The Organization 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 Organization as of December 31, 2014 through the formal lease agreement has been recorded as donated office space receivable in the accompanying statement of financial position.

**Revenue
Recognition**

The Organization 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.

**ASSOCIATION OF SMALL FOUNDATIONS
DBA EXPONENT PHILANTHROPY
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014**

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

**Revenue
Recognition
(Continued)**

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

Income Taxes

The Organization 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 Organization is exempt from the payment of taxes on income other than net unrelated business income. The Organization received certain unrelated business income from advertising and mission partnership fees. No provision for federal or state income taxes is required as of December 31, 2014 for net unrelated business income.

**Accounting for
Uncertain Tax
Positions**

The Organization 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 Organization does not believe its financial statements include, or reflect, any uncertain tax positions. The Organization's Forms 990, 990T, and DC D-20 are generally 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, 2013. 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, 2013, from which the summarized information was derived.

Reclassifications

Certain 2013 amounts have been reclassified for comparative purposes.

**ASSOCIATION OF SMALL FOUNDATIONS
DBA EXPONENT PHILANTHROPY
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014**

NOTE B – CONCENTRATIONS

The Organization 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 Organization's cash balance exceeded the FDIC insurance amount. Management believes the risk in this situation to be minimal.

As of December 31, 2014, approximately 87% of the grants receivable was due from three donors.

NOTE C – EMPLOYEE BENEFIT PLAN

The Organization sponsors a qualified profit sharing pension plan (the Plan) with a 401(k) feature 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 Organization 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, 2014, the Organization made a contribution to the Plan on behalf of its employees of approximately \$189,000, 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, 2014:

Description	Amount
Furniture and equipment	\$ 40,927
Website	200,664
	241,591
Less: accumulated depreciation	(172,910)
	Fixed assets, net
	\$ 68,681

NOTE E – COMMITMENTS

The Organization has entered into contracts with facilities in connection with future meetings and conferences. In the event of cancellation by the Organization or if attendance is less than agreed-upon minimum levels, the Organization would be responsible for certain fees. Management does not anticipate cancellation of these events or attendance below minimum levels.

The Organization has an employment agreement with the Chief Executive Officer (CEO) that expires on December 31, 2015. If the Organization terminates the agreement, the CEO is entitled to 90 days of paid compensation, excluding benefits.

**ASSOCIATION OF SMALL FOUNDATIONS
DBA EXPONENT PHILANTHROPY
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014**

NOTE F – GRANTS RECEIVABLE

As of December 31, 2014, the Organization had grants receivable consisting of unconditional promises to give from foundations to be used for particular programs or general support for a future period. The promised grants are considered fully collectible and are due as follows:

Description	Amount
Due in less than one year	\$ 278,750
Due in one to five years	90,000
Total grants receivable	\$ 368,750

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes as of December 31, 2014:

Description	Amount
Donated office space for future years	\$ 605,515
Staff development	8,138
Youth initiative	3,296
Future conferences	146,000
Time-restricted	235,500
Total temporarily restricted net assets	\$ 998,449

Amounts released from temporarily restricted net assets during the year ended December 31, 2014 were:

Description	Amount
Staff development	\$ 11,862
Youth initiative	8,204
Donated office space for future years	413,483
Time-restricted	27,500
Future conferences	87,750
Total amounts released from restriction	\$ 548,799

**ASSOCIATION OF SMALL FOUNDATIONS
DBA EXPONENT PHILANTHROPY
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014**

NOTE H – 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, 2014:

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	\$ 800,061		\$ 800,061	

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

NOTE I – DONATED OFFICE SPACE RECEIVABLE

On July 17, 2010, the Organization 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 Organization 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, 2014 of approximately \$431,000 is recognized in the accompanying statement of functional expenses.

**ASSOCIATION OF SMALL FOUNDATIONS
DBA EXPONENT PHILANTHROPY
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014**

NOTE I – DONATED OFFICE SPACE RECEIVABLE (Continued)

The donated office space receivable as of December 31, 2014 represents the net present value of the donated office space promised through 2016, which is to be received as follows:

<i>December 31,</i>	Amount
2015	\$ 431,112
2016	179,630
Total donated office space receivable	610,742
Less: discount to present value	(5,227)
Net donated office space receivable	\$ 605,515

The Organization subleases a portion of its donated office space to various unrelated entities. The Organization recognized approximately \$188,000 in rental income related to these subleases during the year ended December 31, 2014.

NOTE J – SUBSEQUENT EVENTS

Subsequent events were evaluated through May 28, 2015, which is the date the financial statements were available to be issued.