ASSOCIATION OF SMALL FOUNDATIONS

AUDITED FINANCIAL STATEMENTS

December 31, 2013

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Board of Directors
Association of Small Foundations
Washington, DC

Independent Auditor's Report

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, 2013, 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, 2013, 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 2012 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated May 21, 2013. In our opinion, the summarized comparative information presented herein as and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Drolet + Associates, PLLC

Washington, DC
August 7, 2014

ASSOCIATION OF SMALL FOUNDATIONS
STATEMENT OF FINANCIAL POSITION
December 31, 2013
(With Summarized Financial Information for December 31, 2012)

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 1,392,698**	$ 1,025,721
Grants receivable	**144,085**	187,547
Accounts receivable	**37,875**	1,037
Donated office space receivable	**431,112**	431,112
Investments	**699,940**	1,055,016
Prepaid expenses and other current assets	**20,776**	20,710
TOTAL CURRENT ASSETS	**2,726,486**	2,721,143
FIXED ASSETS, net	**32,493**	30,245
GRANTS RECEIVABLE, net of current portion	**25,000**	-0-
DONATED OFFICE SPACE RECEIVABLE, net of current portion	**587,886**	989,312
TOTAL ASSETS	**$ 3,371,865**	$ 3,740,700
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	**$ 139,375**	$ 209,420
Deferred membership dues	**788,864**	763,254
TOTAL CURRENT LIABILITIES	**928,239**	972,674
NET ASSETS		
Unrestricted	**1,252,878**	1,142,980
Temporarily restricted	**1,190,748**	1,625,046
TOTAL NET ASSETS	**2,443,626**	2,768,026
TOTAL LIABILITIES AND NET ASSETS	**$ 3,371,865**	$ 3,740,700

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

ASSOCIATION OF SMALL FOUNDATIONS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013
(With Summarized Financial Information for the Year Ended December 31, 2012)

	Unrestricted	Temporarily Restricted	2013 Total	2012 Total
REVENUE				
Membership dues	**$ 1,662,270**		**$ 1,662,270**	$ 1,631,554
Grants	**652,376**	**$ 148,000**	**800,376**	1,023,440
Registration fees	**218,020**		**218,020**	523,065
Rental income	**195,515**		**195,515**	175,358
Publications and other revenue	**146,425**		**146,425**	118,194
Contribution - donated office space	**29,686**		**29,686**	41,379
Interest income	**4,216**		**4,216**	7,620
Net assets released from restrictions	**582,298**	**(582,298)**	**-0-**	-0-
TOTAL REVENUE	**3,490,806**	**(434,298)**	**3,056,508**	3,520,610
EXPENSES				
Program services	**2,757,802**		**2,757,802**	3,237,961
General and administrative	**255,619**		**255,619**	258,969
Fundraising	**367,487**		**367,487**	471,662
TOTAL EXPENSES	**3,380,908**	**-0-**	**3,380,908**	3,968,592
CHANGE IN NET ASSETS	**109,898**	**(434,298)**	**(324,400)**	(447,982)
NET ASSETS, BEGINNING OF YEAR	**1,142,980**	**1,625,046**	**2,768,026**	3,216,008
NET ASSETS, END OF YEAR	**$ 1,252,878**	**$ 1,190,748**	**$ 2,443,626**	$ 2,768,026

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, 2013
(With Summarized Financial Information for the Year Ended December 31, 2012)

	Networking and Connection	Learning	Member Committees	Educational Outreach	Total Program Services	General and Administrative	Fundraising	2013 Total	2012 Total
Salaries and benefits	**$ 522,661**	**$ 547,541**	**$ 137,928**	**$ 341,689**	**$ 1,549,819**	**$ 29,999**	**$ 267,644**	**$ 1,847,462**	$ 1,822,320
Meetings	**109,551**	**2,411**	**3,560**	**2,401**	**117,923**	**-0-**	**1,500**	**119,423**	572,667
Amortization of donated rent	**59,663**	**217,584**	**15,549**	**38,835**	**331,631**	**68,978**	**30,502**	**431,111**	431,112
Consultants	**35,751**	**86,299**	**55,037**	**27,879**	**204,966**	**5,464**	**2,416**	**212,846**	260,784
Occupancy	**41,652**	**151,900**	**10,855**	**27,112**	**231,519**	**48,155**	**21,294**	**300,968**	262,367
Travel	**18,410**	**18,063**	**9,864**	**6,388**	**52,725**	**31**	**17,280**	**70,036**	126,446
Legal and accounting					**-0-**	**70,780**	**-0-**	**70,780**	70,517
Printing	**12,714**	**41,744**	**170**	**21,654**	**76,282**	**104**	**1,093**	**77,479**	88,005
Postage and delivery	**12,045**	**11,082**	**174**	**15,370**	**38,671**	**576**	**1,553**	**40,800**	38,618
Telephone and fax	**9,108**	**7,680**	**2,774**	**4,735**	**24,297**	**7,894**	**3,688**	**35,879**	43,725
Depreciation and amortization	**3,658**	**3,825**	**953**	**2,381**	**10,817**	**4,230**	**1,870**	**16,917**	44,487
Office equipment and maintenance	**5,354**	**5,598**	**1,395**	**3,485**	**15,832**	**6,189**	**2,814**	**24,835**	29,739
Website	**357**	**374**	**93**	**31,683**	**32,507**	**413**	**995**	**33,915**	38,586
Design	**5,586**	**7,685**	**349**	**1,115**	**14,735**	**-0-**	**872**	**15,607**	29,382
Merchant and bank charges	**4,432**	**4,634**	**1,155**	**2,885**	**13,106**	**5,124**	**2,266**	**20,496**	28,748
Dues and publications		**8,224**	**286**	**715**	**9,225**	**1,270**	**562**	**11,057**	14,804
Office supplies	**3,726**	**3,581**	**753**	**3,589**	**11,649**	**2,962**	**3,774**	**18,385**	16,144
Temporary help	**342**				**342**	**-0-**	**-0-**	**342**	13,526
Insurance	**2,086**	**2,181**	**544**	**1,358**	**6,169**	**2,411**	**1,066**	**9,646**	12,091
Conference registration fees	**1,229**	**7,875**	**73**	**4,551**	**13,728**	**325**	**5,982**	**20,035**	20,227
Staff meetings	**533**	**558**	**139**	**347**	**1,577**	**617**	**273**	**2,467**	2,542
Miscellaneous	**84**	**122**	**22**	**54**	**282**	**97**	**43**	**422**	1,755
Total expenses	**$ 848,942**	**$ 1,128,961**	**$ 241,673**	**$ 538,226**	**$ 2,757,802**	**$ 255,619**	**$ 367,487**	**$ 3,380,908**	$ 3,968,592

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, 2013
(With Summarized Financial Information for the Year Ended December 31, 2012)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
CHANGE IN NET ASSETS	**$ (324,400)**	$ (447,982)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**16,918**	44,487
Loss on investments	**111**	81
Change in present value discount for donated office space receivable	**(29,686)**	(41,379)
Decrease in grants receivable	**18,462**	140,016
Increase in accounts receivable	**(36,838)**	(1,037)
Decrease in donated office space receivable	**431,112**	431,112
Increase in prepaid expenses and other current assets	**(66)**	(5,263)
(Decrease) increase in accounts payable and accrued expenses	**(70,045)**	95,618
Increase in deferred membership dues	**25,610**	6,931
NET CASH PROVIDED BY OPERATING ACTIVITIES	**31,178**	222,584
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	**(1,500,100)**	(655,159)
Proceeds from sales of investments	**1,855,065**	458,570
Purchases of fixed assets	**(19,166)**	(8,361)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**335,799**	(204,950)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**366,977**	17,634
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**1,025,721**	1,008,087
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 1,392,698**	$ 1,025,721

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

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 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 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.

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

Accounts Receivable

Accounts receivable consists primarily of amounts due for rental income and referral 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 Association receives the use of office space and furniture and equipment free of charge. However, as part of the agreement, the Association pays the operating expenses for the building, including maintenance, utilities, real estate taxes, and a management fee. 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, 2013 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.

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 and referral fees. No provision for federal or state income taxes is required as of December 31, 2013 for 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 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, 2012. 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, 2012, from which the summarized information was derived.

Reclassifications Certain 2012 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, 2013, approximately 65% of the grants receivable was due from two donors.

NOTE C – EMPLOYEE BENEFIT PLAN

The Association 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 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, 2013, the Association made a contribution to the Plan on behalf of its employees of approximately $173,000, 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, 2013:

Description	Amount
Furniture and equipment	$ 57,978
Website	135,803
	193,781
Less: accumulated depreciation	(161,288)
Fixed assets, net	**$ 32,493**

NOTE E – GRANTS RECEIVABLE

As of December 31, 2013, the Association 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:

June 30,	Amount
2014	$ 144,085
2015	25,000
Total grants receivable	**$ 169,085**

NOTE F – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes as of December 31, 2013:

Description	Amount
Donated office space for future years	**$ 1,018,998**
Staff development	**20,000**
Youth initiative	**11,500**
Future conferences	**87,750**
Time-restricted	**52,500**
Total temporarily restricted net assets	**$ 1,190,748**

Amounts released from temporarily restricted net assets during the year ended December 31, 2013 were:

Description	Amount
Information services and resources programs	**$ 49,622**
Donated office space for future years	**401,426**
Time-restricted	**50,000**
Future conferences	**81,250**
Total amounts released from restriction	**$ 582,298**

NOTE G – 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).

NOTE G – FAIR VALUE MEASUREMENTS (Continued)

The following presents investments carried at fair value as of December 31, 2013:

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	**$ 699,940**		**$ 699,940**	

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

NOTE H – 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, 2013 of approximately $431,000 is recognized in the accompanying statement of functional expenses.

The donated office space receivable as of December 31, 2013 represents the net present value of the donated office space promised through 2016, which is to be received as follows:

June 30,	**Amount**
2014	**$ 431,112**
2015	**431,112**
2016	**179,630**
Total donated office space receivable	**1,041,854**
Less: discount to present value	**(22,856)**
Net donated office space receivable	**$ 1,018,998**

The Association subleases a portion of its donated office space to various unrelated entities. The Association recognized approximately $196,000 in rental income related to these subleases during the year ended December 31, 2013. A total of $81,000 is due under non-cancellable subleases with terms through December 31, 2014.

NOTE I – COMMITMENTS

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

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

NOTE J– SUBSEQUENT EVENTS

Subsequent events were evaluated through August 7, 2014, which is the date the financial statements were available to be issued.

In March 2014, the Association began doing business under the name "Exponent Philanthropy".