



**ASSOCIATION OF SMALL FOUNDATIONS
DBA EXPONENT PHILANTHROPY**

FINANCIAL STATEMENTS

DECEMBER 31, 2022

**ASSOCIATION OF SMALL FOUNDATIONS
DBA EXPONENT PHILANTHROPY**

**TABLE OF CONTENTS
DECEMBER 31, 2022**

	<u>Pages</u>
Independent Auditor's Report	3-4
Financial Statements	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9-16



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Independent Auditor's Report

Board of Directors
Association of Small Foundations
DBA Exponent Philanthropy
Washington, D.C.

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated May 24, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
October 26, 2023

Certified Public Accountants

**ASSOCIATION OF SMALL FOUNDATIONS
DBA EXPONENT PHILANTHROPY**

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022**

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2021)

	2022	2021
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 588,396	\$ 2,140,836
Grants and Contributions Receivable	62,000	129,666
Accounts Receivable	146,750	139,265
Donated Office Space Receivable	207,039	207,039
Investments	3,302,618	2,898,947
Prepaid Expenses and Other Current Assets	56,135	45,221
Total Current Assets	4,362,938	5,560,974
Fixed Assets, Net	-	-
Grants Receivable, Net of Current Portion	-	62,000
Donated Office Space Receivable, Net of Current Portion	788,341	975,862
Total Assets	\$ 5,151,279	\$ 6,598,836
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 147,972	\$ 113,021
Deferred Revenue	122,304	115,633
Deferred Membership Dues	728,593	785,542
Total Current Liabilities	998,869	1,014,196
Net Assets		
Without Donor Restrictions	2,950,790	4,036,323
With Donor Restrictions	1,201,620	1,548,317
Total Net Assets	4,152,410	5,584,640
Total Liabilities and Net Assets	\$ 5,151,279	\$ 6,598,836

See accompanying Notes to Financial Statements.

**ASSOCIATION OF SMALL FOUNDATIONS
DBA EXPONENT PHILANTHROPY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)**

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenues				
Membership Dues	\$ 1,274,946	\$ -	\$ 1,274,946	\$ 1,304,280
Grants and Contributions	292,889	69,670	362,559	3,370,976
Sponsorships	75,500	-	75,500	24,500
Sustaining Partner Fees	213,789	-	213,789	88,600
Registration Fees	446,009	-	446,009	271,533
Rental Income	106,435	-	106,435	131,420
Publications and Other Revenue	144,004	-	144,004	135,004
Contribution - Donated Office Space	-	19,518	19,518	23,195
Investment Income	24,772	-	24,772	2,033
Net Assets Released from Restrictions	435,885	(435,885)	-	-
Total Revenues	3,014,229	(346,697)	2,667,532	5,351,541
Expenses				
Program Services	3,117,503	-	3,117,503	2,496,194
General and Administrative	626,351	-	626,351	298,879
Fundraising	355,908	-	355,908	339,726
Total Expenses	4,099,762	-	4,099,762	3,134,799
Change in Net Assets	(1,085,533)	(346,697)	(1,432,230)	2,216,742
Net Assets, Beginning of Year	4,036,323	1,548,317	5,584,640	3,367,898
Net Assets, End of Year	\$ 2,950,790	\$ 1,201,620	\$ 4,152,410	\$ 5,584,640

See accompanying Notes to Financial Statements.

**ASSOCIATION OF SMALL FOUNDATIONS
DBA EXPONENT PHILANTHROPY**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	Program Services	General and Administrative	Fundraising	2022 Total	2021 Total
Salaries, Payroll Taxes, and Benefits	\$ 1,338,519	\$ 354,308	\$ 238,604	\$ 1,931,431	\$ 1,946,386
Meetings	559,393	859	627	560,879	13,202
Amortization of Donated Rent	166,750	23,851	16,438	207,039	207,039
Consultants	620,132	28,182	36,923	685,237	398,918
Occupancy	194,970	50,428	34,755	280,153	264,720
Travel	39,132	3,111	2,904	45,147	-
Legal and Accounting	3,250	125,797	-	129,047	111,545
Printing	46,706	940	4,168	51,814	37,986
Postage and Delivery	19,105	1,172	1,704	21,981	16,161
Telephone and Fax	23,196	5,999	4,135	33,330	33,654
Depreciation and Amortization	-	-	-	-	7,918
Office Equipment and Maintenance	8,360	2,162	1,490	12,012	13,158
Website	5,266	608	419	6,293	8,147
Design	3,815	-	-	3,815	5,212
Merchant and Bank Charges	21,589	5,584	3,848	31,021	22,006
Dues and Publications	26,981	3,804	3,097	33,882	24,526
Office Supplies	3,757	1,001	690	5,448	4,886
Insurance	14,961	3,870	2,667	21,498	8,815
Conference Registration Fees	11,470	2,242	1,786	15,498	6,892
Staff Meetings	3,188	825	568	4,581	772
Temporary Help	5,004	1,324	892	7,220	-
Miscellaneous	1,959	10,284	193	12,436	2,856
Total Expenses	\$ 3,117,503	\$ 626,351	\$ 355,908	\$ 4,099,762	\$ 3,330,131

See accompanying Notes to Financial Statements.

**ASSOCIATION OF SMALL FOUNDATIONS
DBA EXPONENT PHILANTHROPY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)**

	2022	2021
Cash Flows from Operating Activities		
Change in Net Assets	\$ (1,432,230)	\$ 2,216,742
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Depreciation and Amortization	-	7,918
Loss on Investments	14,806	383
Change in Present Value Discount for Donated Office Space Receivable	(19,518)	(23,195)
<u>(Increase) Decrease in Assets</u>		
Grants and Contributions Receivable	129,666	(24,334)
Accounts Receivable	(7,485)	(122,250)
Donated Office Space Receivable	207,039	207,039
Prepaid Expenses and Other Current Assets	(10,914)	3,265
Investments for Deferred Compensation	-	28,245
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	34,951	(7,296)
PPP Refundable Advance	-	(376,696)
Deferred Revenue	6,671	69,990
Deferred Membership Dues	(56,949)	70,539
Deferred Compensation Payable	-	(28,245)
	(1,133,963)	2,022,105
Net Cash (Used in) Provided by Operating Activities		
Cash Flows from Investing Activities		
Purchases of Investments	(5,318,477)	(4,950,122)
Proceeds from Sales of Investments	4,900,000	3,352,333
	(418,477)	(1,597,789)
Net Cash Used in Investing Activities		
Net (Decrease) Increase in Cash and Cash Equivalents	(1,552,440)	424,316
Cash and Cash Equivalents, Beginning of Year	2,140,836	1,716,520
Cash and Cash Equivalents, End of Year	\$ 588,396	\$ 2,140,836

See accompanying Notes to Financial Statements.

**ASSOCIATION OF SMALL FOUNDATIONS
DBA EXPONENT PHILANTHROPY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

1. 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 lean philanthropy by providing high-quality programs, services, and resources to grantmakers with few or no staff. The Organization is a membership organization, recognized for peer-to-peer information sharing and the production of practical tools that improve, simplify, and reduce the cost of administering grants. The Organization's activities are funded primarily through membership dues, grants and contributions, and registration fees.

The Organization provides opportunities for members and prospective members to become increasingly knowledgeable in core competencies and leadership through research-informed education programs and a rich library of publications, tools, and resources, including: Essentials magazine, an annual Foundation Operations and Management Report, Foundation Guidebook, Trustee Handbook, digital reports, assessments, Q&A service, Annual Conference, webinars, and cohorts.

The Organization also provides opportunities to foster meaningful connections for its members throughout the year via virtual roundtables and dine-arounds, peer coaching, volunteer committees, and the online Member Directory and discussion communities while lifting up the stories of our members through blogs, news stories, and our member-led awards program.

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 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 using readily available pricing sources for comparable investments.

Grants and Contributions Receivable

Unconditional promises to give that have not been collected as of year-end are recorded as grants and contributions receivable in the accompanying statement of financial position. Grants and contributions receivable over multiple years are discounted to their net present value using the applicable interest rate if such discount would be material. Management reviews the collectability of the grants and contributions receivable on a periodic basis.

ASSOCIATION OF SMALL FOUNDATIONS
DBA EXPONENT PHILANTHROPY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contributions Receivable (Continued)

No reserve for doubtful accounts has been established because management believes all amounts are fully collectible.

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. Leasehold improvements are amortized over the shorter of the related donated office space agreement term or the useful value of the asset. 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.

Accounts Receivable

Accounts receivable consists primarily of amounts due at year end for rental income and sustaining partner 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 the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes, and benefits. These expenses are allocated on the basis of estimates of time and effort by employees. Base level indirect costs are attributed to general and administrative functions with remaining indirect costs allocated among programs, general and administrative, and fundraising based on salaries. Expenses directly identifiable to specific programs and supporting activities are presented accordingly.

Donated Office Space

The Organization receives the use of office space and furniture and equipment free of charge. The Organization records the fair value of the donated office space as donated office space and donor-restricted revenue at the net present value of the estimated fair value of the lease when the contribution is made. Donated office space that has been committed to the Organization as of December 31, 2022, through a formal lease agreement has been recorded as donated office space receivable in the accompanying statement of financial position.

**ASSOCIATION OF SMALL FOUNDATIONS
DBA EXPONENT PHILANTHROPY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Organization reports unconditional grants and contributions as without donor restrictions and available for general operations, unless specifically restricted by the donor. If such unconditional grants and contributions 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 net assets with donor restrictions. When the stipulated time restriction ends or the purpose of the restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Grants and contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Sustaining partner fees, which are noncancellable, is contract income which is generally recognized at the point in time that the underlying event occurs and/or over the contract period for benefits available throughout the contract. The portion of fees that have not been recognized as income are included in the statement of financial position as accounts receivable and deferred revenue since the noncancellable contracts provide an unconditional right to consideration.

Membership dues, which are nonrefundable, are recognized ratably over the membership period because the benefits to members are consistent throughout the year. The portion of dues that relates to a membership period extending beyond year end is reported as deferred membership dues.

Registration fees and related sponsorships and exhibit fees are recognized at the point in time that the seminar or conference is held. Publications and other revenue are recognized over the contract period as performance obligations are satisfied.

Approximately \$787,000 of deferred revenue and deferred membership dues as of December 31, 2021, were recognized as revenue during the year ended December 31, 2022.

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. No provision for federal or state income taxes is required as of December 31, 2022, for net unrelated business income.

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 IRS Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by taxing authorities generally for three years after filing.

ASSOCIATION OF SMALL FOUNDATIONS
DBA EXPONENT PHILANTHROPY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021. 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, 2021, from which the summarized information was derived.

Reclassifications

Certain 2021 amounts have been reclassified for comparative purposes.

2. LIQUIDITY AND AVAILABLE RESOURCES

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity management, the Organization invests cash in excess of daily requirements in certificates of deposits on a rotating schedule, such that one or more matures each month and is available for general expenditure.

As of December 31, 2022, the following financial assets and liquidity sources are available for general operating expenditures for the year ending December 31, 2023:

Financial Assets

Cash and Cash Equivalents	\$ 588,396
Current Portion of Grants and Contributions Receivable	62,000
Accounts Receivable	146,750
Investments	<u>3,302,618</u>
Subtotal	4,099,764
Less Amounts Not Available for General Operating Expenditure	
Board Designated Net Assets	<u>(104,517)</u>
Financial Assets Available to Meet Cash	
Needs for General Expenditures within One Year	<u><u>\$ 3,995,247</u></u>

As of December 31, 2022, the balance of the board designated funds raised through the 20th Anniversary Campaign, approximately \$105,000, is being considered a general operational reserve and could be made available by the Board of Directors, as necessary.

**ASSOCIATION OF SMALL FOUNDATIONS
DBA EXPONENT PHILANTHROPY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

3. CONCENTRATIONS AND FINANCIAL RISK

The Organization maintains cash balances at financial institutions in the Washington, D.C., 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 these situations to be minimal.

As of December 31, 2022, approximately 69% of grants and contributions and accounts receivable was due from three donors.

4. EMPLOYEE BENEFIT PLAN

The Organization sponsors a qualified profit-sharing pension plan (the Plan) with a 401(k) feature for all eligible employees. Employees, who have reached age 21, 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, 2022, the Organization made a contribution to the Plan on behalf of its employees of approximately \$166,000, which is included in salaries, payroll taxes, and benefits in the accompanying statement of functional expenses.

5. FIXED ASSETS

Fixed assets consisted of the following as of December 31, 2022:

<u>Description</u>	<u>Amount</u>
Furniture and Equipment	\$ 15,295
Website	146,719
Leasehold Improvements	<u>52,137</u>
	214,151
Less Accumulated Depreciation and Amortization	<u>(214,151)</u>
Fixed Assets, Net	<u><u>\$ -</u></u>

6. COMMITMENTS AND CONTINGENCIES

The Organization has entered into contracts with facilities and related service providers 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, or any risk of significant financial loss.

In April 2022, the Organization entered into an employment agreement (the Agreement) with the Chief Executive Officer (CEO) which commenced on June 27, 2022, and expires on June 25, 2025. The Agreement specifies that if the Organization terminates the Agreement without cause, the CEO is entitled to severance. The amount of severance varies depending on the amount of notice given.

**ASSOCIATION OF SMALL FOUNDATIONS
DBA EXPONENT PHILANTHROPY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

6. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The spread of COVID-19 (coronavirus disease) has had a disruptive impact on the daily life and operations of individuals, businesses, and nonprofit organizations around the world. There is uncertainty about financial and economic impacts in all sectors of the economy. The financial markets have experienced significant volatility, and this may continue for an extended period of time. In light of these circumstances, management continues to assess how best to adapt to changed circumstances.

7. DONOR RESTRICTED NET ASSETS

Donor restricted net assets were available for the following purposes as of December 31, 2022:

Description	Amount
Donated Office Space for Future Years	\$ 995,380
Time-Restricted	206,240
Total Donor Restricted Net Assets	\$ 1,201,620

Amounts released from donor restricted net assets during the year ended December 31, 2022, were as follows:

Description	Amount
Donated Office Space for Future Years	\$ 207,039
Diversity	10,000
Time-Restricted	218,846
Total Amounts Released from Restrictions	\$ 435,885

8. 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 the Organization's investments measured at fair value as of December 31, 2022:

Description	Fair Value	Level 1	Level 2	Level 3
Certificates of Deposit	\$ 3,302,618	\$ -	\$ 3,302,618	\$ -

**ASSOCIATION OF SMALL FOUNDATIONS
DBA EXPONENT PHILANTHROPY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

8. FAIR VALUE MEASUREMENTS (CONTINUED)

The Organization's Level 2 investments are valued based on readily available pricing sources for comparable investments.

9. DONATED OFFICE SPACE RECEIVABLE

The Organization has a contract with a not-for-profit corporation (the Corporation) for its office space, including furnishings, in Washington, D.C., through 2027. The Board Vice-Chair of the Organization also serves as the Chief Operating Officer of the Corporation. The contract arrangement specifies that the contract will automatically extend for two-year periods unless either party elects to terminate. The contract provides for no annual fixed rent, but the Organization is obligated to pay all taxes, costs, operating expenses, and utilities.

The donated office space receivable was discounted to the net present value using a discount rate of 2%. The amount of the amortization of donated rent for the year ended December 31, 2022, of approximately \$207,000, is recognized in the accompanying statement of functional expenses.

The donated office space receivable as of December 31, 2022, represents the net present value of donated office space promised through 2027 which is to be received as follows:

<u>For the Years Ending December 31,</u>	<u>Amount</u>
2023	\$ 207,039
2024	207,039
2025	207,039
2026	207,039
Thereafter	<u>207,031</u>
Total Donated Office Space Receivable	1,035,187
Less Discount to Present Value	<u>(39,807)</u>
Net Donated Office Space Receivable	<u><u>\$ 995,380</u></u>

The Organization subleases a portion of its donated office space to various unrelated entities.

10. ADOPTION OF ACCOUNTING STANDARDS CODIFICATION TOPIC 842

During the year ended December 31, 2022, the Organization adopted the Financial Accounting Standards Board's (FASB) Accounting Standard Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes the leasing guidance in *Topic 840*. The Organization also adopted the following ASUs, which amend and clarify *Leases (Topic 842)*: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2021-05, *Leases (Topic 842): Lessors - Certain Leases with Variable Lease Payments*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. The most significant change in the new lease guidance is the requirement to recognize right-of-use assets and lease liabilities for operating leases on the statement of financial position.

**ASSOCIATION OF SMALL FOUNDATIONS
DBA EXPONENT PHILANTHROPY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

10. ADOPTION OF ACCOUNTING STANDARDS CODIFICATION TOPIC 842 (CONTINUED)

The donated office space contract does not qualify as a lease since there is not an obligation. The expenses paid by the Organization related to the lease are considered to be nonlease components and therefore do not qualify for treatment under Topic 842.

11. RELATED PARTY TRANSACTIONS

For approximately three months during the year ended December 31, 2022, the Board Vice-Chair served as the Interim CEO of the Organization and received approximately \$57,000 in compensation and reimbursements in relation to this role. During that period, the Board Vice-Chair was the Organization's Board Chair.

12. SUBSEQUENT EVENTS

Subsequent events were evaluated through October 26, 2023, which is the date the financial statements were available to be issued.