



ASSOCIATION OF SMALL FOUNDATIONS

for foundations with few or no staff

Financial Statements

For the Year Ended December 31, 2007

(With Summarized Financial Information for the Year Ended December 31, 2006)



**and
Report Thereon**





INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Association of Small Foundations

CONSULTING
ACCOUNTING
TECHNOLOGY

*Certified Public
Accountants*

We have audited the accompanying statement of financial position of the Association of Small Foundations (the Association) as of December 31, 2007, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Association's 2006 financial statements and, in our report dated May 8, 2007, we expressed an unqualified opinion on those financial statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Raffa, P.C.

RAFFA, P.C.

Washington, DC
May 1, 2008

ASSOCIATION OF SMALL FOUNDATIONS
STATEMENT OF FINANCIAL POSITION
December 31, 2007
(With Summarized Financial Information as of December 31, 2006)

	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,155,852	\$ 787,252
Accounts receivable	39,912	33,992
Grants receivable, current portion	92,750	503,380
Donated office space receivable, current portion	431,112	431,112
Investments, current portion	1,107,492	911,262
Prepaid expenses and other assets	28,758	66,072
Total Current Assets	2,855,876	2,733,070
Donated office space receivable, net of current portion	805,731	1,236,843
Grants receivable, net of current portion	25,000	-
Investments, net of current portion	113,402	111,959
Furniture and equipment, net of accumulated depreciation of \$72,811 and \$60,448	32,210	36,161
TOTAL ASSETS	\$ 3,832,219	\$ 4,118,033
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 126,514	\$ 79,035
Accrued expenses	-	5,000
Deferred dues	621,918	582,634
TOTAL LIABILITIES	748,432	666,669
Net Assets		
Unrestricted		
Undesignated	677,875	747,861
Board designated	250,000	250,000
Total Unrestricted	927,875	997,861
Temporarily restricted	2,155,912	2,453,503
TOTAL NET ASSETS	3,083,787	3,451,364
TOTAL LIABILITIES AND NET ASSETS	\$ 3,832,219	\$ 4,118,033

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

ASSOCIATION OF SMALL FOUNDATIONS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2007

(With Summarized Financial Information for the Year Ended December 31, 2006)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2007 Total</u>	<u>2006 Total</u>
REVENUE AND SUPPORT				
Grants	\$ 790,178	\$ 561,640	\$ 1,351,818	\$ 1,424,921
Membership dues	1,306,921	-	1,306,921	1,190,676
Registration fees	195,085	-	195,085	378,471
Publications and other revenue	105,357	-	105,357	89,877
Rental income	72,992	-	72,992	-
Investment income	71,880	-	71,880	62,554
Contribution - donated office space	32,856	-	32,856	1,955,363
Net assets released from restrictions:				
Satisfaction of time restrictions	506,112	(506,112)	-	-
Satisfaction of program restrictions	353,119	(353,119)	-	-
TOTAL REVENUE AND SUPPORT	<u>3,434,500</u>	<u>(297,591)</u>	<u>3,136,909</u>	<u>5,101,862</u>
EXPENSES				
Program services	3,105,059	-	3,105,059	2,741,444
General and administrative	90,241	-	90,241	133,696
Fundraising	309,186	-	309,186	232,758
TOTAL EXPENSES	<u>3,504,486</u>	<u>-</u>	<u>3,504,486</u>	<u>3,107,898</u>
Change in Net Assets	(69,986)	(297,591)	(367,577)	1,993,964
NET ASSETS, BEGINNING OF YEAR	<u>997,861</u>	<u>2,453,503</u>	<u>3,451,364</u>	<u>1,457,400</u>
NET ASSETS, END OF YEAR	<u>\$ 927,875</u>	<u>\$ 2,155,912</u>	<u>\$ 3,083,787</u>	<u>\$ 3,451,364</u>

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, 2007

(With Summarized Financial Information for the Year Ended December 31, 2006)

	Program Services				Total Program Services	General and Administrative	Fundraising	2007 Total	2006 Total
	Information Services and Resources	Educational Programs	Board	Educational Outreach					
Salaries and benefits	\$ 813,426	\$ 168,824	\$ 122,781	\$ 168,824	\$ 1,273,855	\$ 25,423	\$ 153,477	\$ 1,452,755	\$ 1,273,310
Consultants	228,492	35,781	2,333	132,120	398,726	9,042	29,467	437,235	350,541
Meetings	13,701	108,887	5,060	9,262	136,910	227	593	137,730	287,954
Printing	90,870	14,705	4,210	24,087	133,872	1,727	11,169	146,768	168,884
Travel	23,365	47,282	35,792	17,931	124,370	2,075	5,997	132,442	157,560
Legal and accounting	50,889	10,562	7,681	10,562	79,694	29,765	9,602	119,061	52,500
Postage and delivery	47,927	26,803	4,470	43,939	123,139	275	2,849	126,263	116,831
Occupancy	182,210	37,817	27,503	37,817	285,347	5,698	34,379	325,424	208,347
Amortization of donated rent	241,388	50,099	36,436	50,099	378,022	7,545	45,545	431,112	287,408
Office supplies	13,942	8,806	2,520	6,624	31,892	397	2,436	34,725	21,165
Telephone and fax	17,956	3,725	3,225	5,444	30,350	482	2,939	33,771	37,829
Office equipment and maintenance	26,743	5,436	3,954	5,436	41,569	819	4,942	47,330	43,876
Temporary help	15,426	5,102	2,218	3,189	25,935	459	3,677	30,071	4,806
Miscellaneous	85	913	13	18	1,029	54	16	1,099	4,932
Depreciation	5,439	1,129	821	1,129	8,518	3,181	1,026	12,725	16,270
Insurance	4,169	4,038	629	865	9,701	2,438	787	12,926	15,257
Merchant and bank charges	-	12,827	-	-	12,827	-	-	12,827	15,915
Dues/Publications	4,226	20	-	224	4,470	-	80	4,550	31,583
Website	4,219	225	164	225	4,833	634	205	5,672	12,930
TOTAL EXPENSES	\$ 1,784,473	\$ 542,981	\$ 259,810	\$ 517,795	\$ 3,105,059	\$ 90,241	\$ 309,186	\$ 3,504,486	\$ 3,107,898

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, 2007

(With Summarized Financial Information for the Year Ended December 31, 2006)

Increase in Cash and Cash Equivalents

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (367,577)	\$ 1,993,964
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	12,725	16,270
Realized loss on disposition of fixed assets	-	3,098
Realized gain on sale or redemption of investments	-	(270)
Unrealized gain on investments	(266)	(167)
Change in the present value discount for donated space receivable	(32,856)	236,123
Changes in assets and liabilities:		
Accounts receivable	(5,920)	27,531
Grants receivable	385,630	(103,380)
Donated space receivable	463,968	(1,904,078)
Prepaid expenses and other assets	37,314	(51,553)
Accounts payable	47,479	(26,158)
Accrued expenses	(5,000)	2,937
Deferred dues	39,284	64,084
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>574,781</u>	<u>258,401</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	-	5,500
Acquisition of furniture and equipment	(8,774)	(18,963)
Proceeds from sale of investments	1,429,194	1,028,709
Purchase of investments	(1,626,601)	(1,128,455)
NET CASH USED IN INVESTING ACTIVITIES	<u>(206,181)</u>	<u>(113,209)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	368,600	145,192
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>787,252</u>	<u>642,060</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,155,852</u></u>	<u><u>\$ 787,252</u></u>

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

ASSOCIATION OF SMALL FOUNDATIONS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

1. 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 grantmaking foundation. The Association's activities are funded primarily through membership dues and grants.

Cash and Cash Equivalents

The Association considers demand deposits, money market funds, other than amounts held as part of the short-term investment portfolio, and investments purchased with an original maturity of three months or less to be cash and cash equivalents.

Investments

Investments are comprised of certificates of deposits and are recorded in the financial statements at fair value. Investments held for current operating needs are classified as short-term investments.

Grants Receivable

Unconditional promises to give are recorded as grants receivable when the promise is made. Grants receivable over multiple years are discounted to their net present value using the applicable interest rate if such discount would be significant.

Furniture, Equipment and Related Depreciation

Furniture and equipment are stated at cost and are depreciated using the straight-line method over estimated useful lives of three to seven years, with no salvage value. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in revenue or expenses, as appropriate.

ASSOCIATION OF SMALL FOUNDATIONS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

1. Organization and Summary of Significant Accounting Policies (continued)

Classification of Net Assets

The net assets of the Association are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the Association's operations. Included in unrestricted net assets is a board designated reserve to fund future expenditures. As of December 31, 2007, the board designated reserve was \$250,000.
- Temporarily restricted net assets are specifically restricted by donors for various programs or future periods.

Revenue Recognition

The Association reports gifts of cash and other assets as temporarily restricted if they are received with donor or grantor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Association reports gifts of cash and other assets as unrestricted and available for general operations unless specifically restricted by the donor. Conditional promises to give have been recorded in the financial statements if there is only a remote possibility that the condition on which it depends will not be met.

Dues revenue is recognized ratably over the membership period of one year, which begins in the month dues are paid. The portion of dues which relates to a membership period extending beyond December 31, 2007, is reported as deferred dues in the accompanying statement of financial position.

Publications and other revenue primarily include publication sales and advertising revenue. Publications revenue is recognized when the related publication is shipped and is reported in the accompanying statement of activities net of any discounts. Advertising revenue is recognized in the year the advertisement is published.

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

Continued

ASSOCIATION OF SMALL FOUNDATIONS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

1. Organization and Summary of Significant Accounting Policies (continued)

Donated Office Space

Beginning in May 2006, the Association received the use of office space and furniture and equipment free of charge. The fair market value of the office space was approximately \$431,112 for 2007 and has been reflected as amortization of donated rent in the accompanying statement of functional expenses. Donated office space which has been committed to the Association as of December 31, 2007 through a formal lease agreement has been recorded as donated office space receivable in the accompanying statement of financial position.

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 functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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.

2. Grants Receivable

As of December 31, 2007, \$117,750 of grants receivable consisted of unconditional promises to give from foundations to be used for particular programs and general support in the coming years. The promised contributions are due as follows:

Less than one year	\$ 92,750
One to five years	<u>25,000</u>
Total	<u>\$ 117,750</u>

Continued

ASSOCIATION OF SMALL FOUNDATIONS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

3. Donated Office Space Receivable

On May 26, 2006, the Association entered a five-year agreement with a private foundation for its office space in Washington, DC. 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 was recorded as temporarily restricted revenue for the year ended December 31, 2007. In addition, \$431,112 is included in release from restrictions in the accompanying statement of activities, which is equivalent to the amount of the rent – donated office space recognized in the accompanying statement of functional expenses.

The donated office space receivable as of December 31, 2007 represents the net present value of the donated office space promised through May 31, 2011 which is to be received as follows:

Less than one year	\$ 431,112
One to five years	<u>1,041,854</u>
Total donated office space receivable	1,472,966
Less: discount to present value (8.25%)	<u>236,123</u>
Net donated office space receivable	1,236,843
Less: current portion	<u>431,112</u>
Long-term portion	<u>\$ 805,731</u>

The Association leases office space in their office building to various related and unrelated entities.

As of December 31, 2007, future minimum rentals under all of these leases are as follows:

For the Years Ending <u>December 31,</u>	
2008	\$ 154,247
2009	70,064
2010	29,511
2010	<u>7,466</u>
Total	<u>\$ 261,288</u>

The Association earned \$72,992 in rental income during the year ended December 31, 2007.

Continued

ASSOCIATION OF SMALL FOUNDATIONS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

4. Investments

As of December 31, 2007, investments held by the Association consisted of certificates of deposits with a market value of \$1,220,894.

5. Temporarily Restricted Net Assets

The Association's temporarily restricted net assets as of December 31, 2007 are available for the following purposes and future periods:

Donated office space for future years	\$ 1,236,843
Innovation fund	588,375
Information services and resources program	280,694
Time restricted for future use	<u>50,000</u>
Total	<u>\$ 2,155,912</u>

6. Concentration of Credit Risk

The Association's cash is held in accounts at various financial institutions. Although the amount at a given institution at times exceeds the amount guaranteed by the Federal Deposit Insurance Corporation (FDIC) and, therefore bears some risk, the Association has neither experienced nor anticipates any losses on its funds. At December 31, 2007, the excess of amounts guaranteed by FDIC was \$1,065,938.

7. Pension Plan

The Association sponsors a qualified profit sharing pension 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 based on a predetermined formula based on the benefits package selected by the employee. For the year ended December 31, 2007, the Association made a contribution on behalf of its employees of \$154,038, which is included in salaries and benefits in the accompanying statement of functional expenses.

Continued

ASSOCIATION OF SMALL FOUNDATIONS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2007

8. Income Taxes

Under section 501(c)(3) of the Internal Revenue Code, the Association is exempt from income taxes on income other than net unrelated business income. The Association received certain unrelated business income from advertising. No provision for income taxes has been made in the financial statements for the year ended December 31, 2007, as the Association had no net unrelated business income.

9. Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class and functional area. 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 Association's financial statements for the year ended December 31, 2006 from which the summarized information was derived.