GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

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Independent Auditors' Report

To the Board of Directors
Grantmakers for Effective Organizations
Washington, D.C.

We have audited the accompanying financial statements of Grantmakers for Effective Organizations (the Organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 auditors consider 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 Grantmakers for Effective Organizations as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
May 15, 2017

Certified Public Accountants

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
Assets		
Cash and Cash Equivalents	**$ 3,138,304**	$ 2,811,231
Grants and Contributions Receivable	**923,860**	921,199
Other Receivables	**2,536**	18,176
Investments	**1,397,086**	1,262,711
Prepaid Expenses	**43,056**	107,634
Deposits	**22,961**	27,136
Property and Equipment, Net	**209,986**	133,640
Total Assets	**$ 5,737,789**	$ 5,281,727
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	**$ 37,542**	$ 45,335
Accrued Leave	**62,278**	51,347
Deferred Revenue	**13,000**	65,000
Deferred Rent	**110,706**	116,844
Total Liabilities	**223,526**	278,526
Net Assets		
Unrestricted		
Undesignated	**2,597,437**	2,105,896
Board Designated	**1,400,000**	1,250,000
Total Unrestricted	**3,997,437**	3,355,896
Temporarily Restricted	**1,516,826**	1,647,305
Total Net Assets	**5,514,263**	5,003,201
Total Liabilities and Net Assets	**$ 5,737,789**	$ 5,281,727

See accompanying Notes to Financial Statements.

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues and Support			
Member Contributions	$ 1,723,712	$ 145,678	$ 1,869,390
Grants and Contributions	457,786	1,708,380	2,166,166
Conference Registration	665,041	-	665,041
Conference Sponsorship	-	233,500	233,500
Peer Learning	132,380	-	132,380
Investment Income	15,179	-	15,179
Consulting	24,536	-	24,536
Other Income	59	-	59
Net Assets Released from Restrictions			
Satisfaction of Purpose Restrictions	592,059	(592,059)	-
Expiration of Time Restrictions	1,625,978	(1,625,978)	-
Total Revenues and Support	5,236,730	(130,479)	5,106,251
Expenses			
Program Services			
Conferences	787,077	-	787,077
Communications	827,767	-	827,767
Member Programs	1,266,487	-	1,266,487
Evaluation and Learning	144,117	-	144,117
Total Program Services	3,025,448	-	3,025,448
Supporting Services			
Management and General	1,264,522	-	1,264,522
Fundraising	305,219	-	305,219
Total Supporting Services	1,569,741	-	1,569,741
Total Expenses	4,595,189	-	4,595,189
Change in Net Assets	641,541	(130,479)	511,062
Net Assets, Beginning of Year	3,355,896	1,647,305	5,003,201
Net Assets, End of Year	$ 3,997,437	$ 1,516,826	$ 5,514,263

See accompanying Notes to Financial Statements.

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues and Support			
Member Contributions	$ 1,472,874	$ 189,020	$ 1,661,894
Grants and Contributions	756,176	1,763,960	2,520,136
Conference Registration	406,760	-	406,760
Conference Sponsorship	-	508,500	508,500
Peer Learning	42,095	-	42,095
Investment Income	9,021	-	9,021
Consulting	6,022	-	6,022
Other Income	2,500	-	2,500
Net Assets Released from Restrictions			
Satisfaction of Purpose Restrictions	749,987	(749,987)	-
Expiration of Time Restrictions	790,850	(790,850)	-
Total Revenues and Support	4,236,285	920,643	5,156,928
Expenses			
Program Services			
Conferences	695,055	-	695,055
Communications	524,793	-	524,793
Member Programs	1,119,907	-	1,119,907
Evaluation and Learning	45,568	-	45,568
Total Program Services	2,385,323	-	2,385,323
Supporting Services			
Management and General	854,441	-	854,441
Fundraising	272,994	-	272,994
Total Supporting Services	1,127,435	-	1,127,435
Total Expenses	3,512,758	-	3,512,758
Change in Net Assets	723,527	920,643	1,644,170
Net Assets, Beginning of Year	2,632,369	726,662	3,359,031
Net Assets, End of Year	$ 3,355,896	$ 1,647,305	$ 5,003,201

See accompanying Notes to Financial Statements.

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities		
Change in Net Assets	**$ 511,062**	$ 1,644,170
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	**99,805**	42,472
Unrealized Loss on Investments	**3,210**	5,450
Change in Operating Assets and Liabilities		
(Increase) Decrease in		
Grants and Contributions Receivable	**(2,661)**	(297,096)
Other Receivables	**15,640**	(15,863)
Prepaid Expenses	**64,578**	(60,766)
Deposits	**4,175**	(7,250)
Increase (Decrease) in		
Accounts Payable and Accrued Expenses	**(7,793)**	(40,332)
Accrued Leave	**10,931**	12,242
Deferred Revenue	**(52,000)**	65,000
Deferred Rent	**(45,278)**	(32,102)
Net Cash Provided by Operating Activities	**601,669**	1,315,925
Cash Flows from Investing Activities		
Purchases of Investments	**(157,814)**	(14,461)
Proceeds from Sales of Investments	**20,230**	-
Purchases of Property and Equipment	**(137,012)**	(53,433)
Net Cash Used in Investing Activities	**(274,596)**	(67,894)
Net Increase in Cash and Cash Equivalents	**327,073**	1,248,031
Cash and Cash Equivalents, Beginning of Year	**2,811,231**	1,563,200
Cash and Cash Equivalents, End of Year	**$ 3,138,304**	$ 2,811,231

See accompanying Notes to Financial Statements.

1. NATURE OF OPERATIONS

Grantmakers for Effective Organizations (the Organization) is a nonprofit organization, incorporated in 2002, that represents a coalition of grantmakers committed to building strong and effective nonprofit organizations. Understanding that grantmakers are successful only to the extent that their grantees achieve meaningful results, the Organization promotes strategies and practices that contribute to grantee success. The Organization provides philanthropy's change agents with the resources, ideas, and connections they need to make the greatest contribution to the nonprofits they invest in.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization's financial statements are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Organization considers all highly liquid investments, including money market funds, with original maturities of three months or less, when purchased, to be cash equivalents.

Grants and Contributions Receivable

Grants and contributions receivable represent amounts due from the Organization's various contributors. The balance of grants and contributions receivable at December 31, 2016 and 2015, has been deemed by management to be fully collectible. If an amount becomes uncollectible, it is written-off when that determination is made.

Other Receivables

Other receivables consist primarily of amounts due for services which were not collected prior to year end. There is no allowance for doubtful accounts recorded at December 31, 2016 and 2015, as the entire balance has been deemed by management to be fully collectible.

Investments

Investments are stated at fair value, based on quoted market prices. All realized and unrealized gains and losses are included in investment income in the accompanying statements of activities.

Property and Equipment

Property and equipment costing over $1,000 with a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for minor and routine repairs and maintenance are expensed as incurred. Leasehold improvements are capitalized and amortized over the term of the lease, or estimated useful life, whichever is shorter.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Rent

The Organization's lease for office space includes predetermined annual increases in the amount of rent. Generally accepted accounting principles require that lease expense for such operating leases be recognized on a straight-line basis over the life of the lease. Accordingly, a deferred rent liability has been established for this predetermined annual increase which will be amortized over the life of the lease through October 2018.

Classification of Net Assets

- *Unrestricted net assets* represent funds that are not subject to donor-imposed restrictions and are available for support of the Organization's general operations.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of the Organization or the passage of time.

Revenue Recognition

All member contributions, grants, and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization reports grants and contributions as temporarily restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, 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 statements of activities as net assets released from restrictions.

Registration fees for conferences received in advance are deferred until the conference is held and reflected as deferred revenue in the accompanying statements 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 statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Use of 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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt under Section 501(c)(3) of the Internal Revenue Code (the Code) from the payment of taxes on income other than on net unrelated business income. No provision for income tax is required for the years ended December 31, 2016 and 2015, as the Organization had no net unrelated business income. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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 the taxing authorities, generally for three years after it is filed.

Reclassifications

Certain amounts from the 2015 financial statements have been reclassified to conform to the 2016 financial statement presentation.

3. CONCENTRATION OF CREDIT RISK

The Organization maintains cash deposits and investments with various financial institutions that may, from time to time, exceed insurable limits. Management believes that the risk of any loss is minimal.

For the year ended December 31, 2015, approximately 16% of grants and contributions revenue was from one donor.

Approximately 53% of grants and contributions receivable were due from three donors for the year ended December 31, 2016. Approximately 52% of grants and contributions receivable were due from two donors for the year ended December 31, 2015.

4. 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 mutual funds);

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 into the determination of fair value require significant management judgment (examples include certain private equity securities and split-interest agreements).

4. FAIR VALUE MEASUREMENTS (CONTINUED)

As of December 31, 2016, the Organization's assets measured at fair value on a recurring basis consisted of the following investments:

	Fair Value	**Level 1 Inputs**
Vanguard Short-Term Federal Admiral	**$ 748,095**	**$ 748,095**
Vanguard Short-Term Treasury Admiral	**648,991**	**648,991**
Total Investments	**$ 1,397,086**	**$ 1,397,086**

As of December 31, 2015, the Organization's assets measured at fair value on a recurring basis consisted of the following investments:

	Fair Value	Level 1 Inputs
Vanguard Short-Term Federal Admiral	$ 758,871	$ 758,871
Vanguard Short-Term Treasury Admiral	503,840	503,840
Total Investments	$ 1,262,711	$ 1,262,711

5. INVESTMENT INCOME

Investment income consisted of the following for the years ended December 31:

	2016	2015
Interest and Dividends	**$ 14,574**	$ 11,220
Unrealized Loss	**(3,210)**	(5,450)
Realized Gain	**3,815**	3,251
Total Investment Income	**$ 15,179**	$ 9,021

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2016	2015
Leasehold Improvements	**$ 413,200**	$ 319,659
Equipment	**94,598**	120,608
Furniture and Fixtures	**148,513**	103,607
Software	**95,518**	65,765
Total Property and Equipment	**751,829**	609,639
Less Accumulated Depreciation	**(541,843)**	(475,999)
Property and Equipment, Net	**$ 209,986**	$ 133,640

7. COMMITMENTS

Commitments for Meeting Spaces

The Organization is committed under agreements for hotel and conference facilities through 2017. The total commitment under the agreements is not determinable as it depends upon attendance and other unknown factors. In the event the Organization cancels the agreements, the Organization may be liable for damages. Management believes no material liability is likely.

Operating Leases

In January 2013, the Organization signed a lease extension agreement for office space commencing on June 1, 2013. The lease term is for five years and five months and calls for annual rental payments of $180,570, with a 2.5% annual escalation clause. The lease also provided rent abatements for the first five months of the lease period. The Organization is required to pay its prorata share of operating expenses and real estate taxes over the base amount.

In December 2015, the Organization amended its lease agreement to provide for additional office space, commencing February 1, 2016, and ending on October 31, 2018. The lease provides for rent abatement of one month and a leasehold improvement allowance of $39,140. These amounts will be amortized over the term of the lease.

Rent expense under these leases was approximately $225,000 and $173,000 for the years ended December 31, 2016 and 2015, respectively.

Future minimum lease payments for the lease are as follows:

For the Years Ending December 31,	
2017	$ 279,483
2018	236,667
Total Future Minimum Lease Payments	$ 516,150

8. PENSION PLAN

The Organization currently has a Section 403(b) defined contribution pension plan (the Plan), which covers employees after six months of service who are over age 21. Under the Plan, the Organization makes a contribution equal to five percent of the employee's salary into a retirement account on the employee's behalf. The Organization made contributions to the Plan totaling approximately $82,000 and $68,000 for the years ended December 31, 2016 and 2015, respectively. Employees are 100% vested upon entering the Plan and may also elect to make their own salary deferrals.

9. NET ASSETS

Board Designated Net Assets

Board designated net assets were designated for the following at December 31:

	2016	2015
Strategic Reserve	**$ 750,000**	$ 750,000
Contingency Reserve	**650,000**	500,000
Total Board Designated Net Assets	**$ 1,400,000**	$ 1,250,000

Temporarily Restricted Net Assets

As of December 31, 2016 and 2015, temporarily restricted net assets were available for the following purposes:

	2016	2015
Time Restricted	**$ 1,224,372**	$ 1,403,792
Learning Conference	**105,248**	-
Change Incubator	**97,930**	-
Equity and Effectiveness	**51,776**	-
Capacity Building	**37,500**	25,179
National Conference	**-**	168,334
Change in Philanthrophy Initiative	**-**	50,000
Total Temporarily Restricted Net Assets	**$ 1,516,826**	$ 1,647,305

For the years ended December 31, 2016 and 2015, net assets were released from restrictions by incurring expenses satisfying the purpose or time restrictions as follows:

	2016	2015
Time Restricted	**$ 1,625,978**	$ 790,850
National Conference	**194,334**	89,166
Capacity Building	**137,678**	24,821
Learning Conference	**74,752**	170,000
Change Incubator	**67,071**	-
Change in Philanthropy Initiative	**50,000**	315,000
Leading Change Conference	**27,501**	-
Sr Leader Meeting	**25,000**	-
Equity and Effectiveness	**10,724**	-
Professional Development	**5,000**	-
Collaboration Conference	**-**	81,000
Action Learning	**-**	50,000
Human Centered Design Training	**-**	20,000
Total Net Assets Released from Restrictions	**$ 2,218,037**	$ 1,540,837

10. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2016 and 2015, the Organization had grants and contributions receivable due as follows:

	2016	2015
Due in Less Than One Year	**$ 852,953**	$ 758,994
Due in One to Five Years	**75,000**	166,666
Total Grants and Contributions Receivable	**927,953**	925,660
Less Discount to Net Present Value (Approximately 1%)	**(4,093)**	(4,461)
Total Grants and Contributions Receivable	**$ 923,860**	$ 921,199

11. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 15, 2017, the date the financial statements were available to be issued.