

AMERICAN INSTITUTE OF PHILANTHROPY

***FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008***

AMERICAN INSTITUTE OF PHILANTHROPY

CHICAGO, ILLINOIS

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INDEPENDENT AUDITORS' REPORT



Board of Directors

AMERICAN INSTITUTE OF PHILANTHROPY

We have audited the accompanying statements of financial position of American Institute of Philanthropy (a non-profit corporation) as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 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 our audits provide 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 American Institute of Philanthropy at December 31, 2009 and 2008, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Botz, Deal & Company

May 25, 2009

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AMERICAN INSTITUTE OF PHILANTHROPY

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2009 AND 2008

ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 660,205	\$ 306,037
Pledges receivable	5,640	5,371
Prepaid expenses	8,351	8,602
Certificates of deposit	325,097	622,121
TOTAL CURRENT ASSETS	<u>999,293</u>	<u>942,131</u>
FIXED ASSETS		
Office furniture and equipment	16,779	15,976
Less: accumulated depreciation	12,646	12,202
NET FIXED ASSETS	<u>4,133</u>	<u>3,774</u>
OTHER ASSETS		
Security deposit	<u>700</u>	<u>700</u>
TOTAL ASSETS	<u>\$ 1,004,126</u>	<u>\$ 946,605</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 1,575	\$ 2,062
Accrued salaries	12,125	10,121
Accrued vacation	55,220	49,172
TOTAL CURRENT LIABILITIES	<u>68,920</u>	<u>61,355</u>
NET ASSETS - UNRESTRICTED	<u>935,206</u>	<u>885,250</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,004,126</u>	<u>\$ 946,605</u>

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

AMERICAN INSTITUTE OF PHILANTHROPY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
PUBLIC SUPPORT, REVENUE, AND OTHER INCOME		
PUBLIC SUPPORT		
Contributions/memberships	\$ 479,074	\$ 455,271
REVENUE		
Sales of publications	3,378	6,479
OTHER INCOME		
Interest income	20,127	24,009
Gain on disposal of asset	-	14
TOTAL OTHER INCOME	20,127	24,023
 TOTAL PUBLIC SUPPORT, REVENUE, AND OTHER INCOME	 502,579	 485,773
 EXPENSES		
Program	371,440	360,163
General and administrative	61,815	59,837
Fundraising	19,368	17,650
TOTAL EXPENSES	452,623	437,650
 INCREASE IN NET ASSETS	 49,956	 48,123
 UNRESTRICTED NET ASSETS - BEGINNING OF YEAR	 885,250	 837,127
 UNRESTRICTED NET ASSETS - END OF YEAR	 \$ 935,206	 \$ 885,250

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

AMERICAN INSTITUTE OF PHILANTHROPY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Public support and donations received	\$ 478,805	\$ 459,383
Cash received from revenue sources	3,378	6,479
Cash paid to suppliers and employees	(443,372)	(432,489)
Interest received	20,127	24,009
NET CASH PROVIDED BY OPERATING ACTIVITIES	58,938	57,382
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(1,794)	(393)
Proceeds from disposal of assets	-	330
Net proceeds (purchase) of certificates of deposit	297,024	(302,877)
NET CASH USED BY INVESTING ACTIVITIES	295,230	(302,940)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	354,168	(245,558)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	306,037	551,595
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 660,205	\$ 306,037

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

**RECONCILIATION OF INCREASE IN NET ASSETS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

	2009	2008
INCREASE IN NET ASSETS	\$ 49,956	\$ 48,123
 ADJUSTMENTS TO RECONCILE INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	1,435	1,971
Gain on disposal of asset	-	(14)
(Increase) decrease in assets:		
Pledges receivable	(269)	4,112
Prepaid expenses	251	(1,074)
Increase (decrease) in liabilities:		
Accounts payable	(487)	(417)
Accrued salaries	2,004	1,746
Accrued vacation	6,048	2,935
TOTAL ADJUSTMENTS	8,982	9,259
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 \$ 58,938	 \$ 57,382

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

AMERICAN INSTITUTE OF PHILANTHROPY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

1. **DESCRIPTION OF OPERATIONS**

American Institute of Philanthropy (the Organization) aids and advances the nonprofit sector by promoting wise charitable giving. This is accomplished by educating the public and the media about the nonprofit field and the practices of specific charities through the publication of the *Charity Rating Guide & Watchdog Report* and the www.charitywatch.org Internet site. Over 95% of the Organization's revenue is comprised of donations and membership dues.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958, Not-for-Profit Entities. Under Topic 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2009 and 2008, the Organization did not have any temporarily or permanently restricted net assets.

Cash and Cash Equivalents - The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents for purposes of the statement of cash flows.

Concentration of Cash - The Organization maintains its cash in commercial and internet banks. Accounts at each bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. A summary of the total insured and uninsured cash balances follows:

Total cash held in banks	\$ 981,045
Less: portion insured by FDIC	<u>(981,045)</u>
Uninsured cash balance	<u>\$ -</u>

Pledges Receivable - Pledges receivable are recorded as received. Pledges due within the next year are reflected as current pledges receivable and are recorded at their fair value at the date of the pledge. The Organization expects to collect all pledges receivable within the next year; therefore, has not recorded an allowance for uncollectible pledges.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

Depreciation - All acquisitions of property and equipment in excess of \$300 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated service lives of the asset as follows:

<u>Major Group</u>	<u>Method</u>	<u>Life</u>
Office furniture and equipment	Straight-line	5 - 7 years

Depreciation expense was \$1,435 and \$1,971 for the years ended December 31, 2009 and 2008, respectively.

Functional Allocation of Expenses - Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of management's analysis of time and expense. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

3. **LEASES**

The Organization leases office space for \$2,440 per month. Effective April 1, 2010, the lease increases to \$2,470 per month. The lease expires March 31, 2011. Rent expense was \$29,130 and \$28,395 for the years ended December 31, 2009 and 2008, respectively. The future minimum lease payments are as follows:

2010	29,550
2011	7,410

4. **INCOME TAX**

The Organization adopted the provisions of FASB Accounting Standards Codification Topic 740, Income Taxes, relating to unrecognized tax benefits on January 1, 2009. There was no effect on the accompanying financial statements. For the years ended December 31, 2009 and 2008, management believes there are no material uncertain tax positions. The Organization files form 990 Return of Organization Exempt From Income Tax. Returns prior to 2005 are closed to audit by the IRS.

5. **SUBSEQUENT EVENTS**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through May 25, 2010, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

AMERICAN INSTITUTE OF PHILANTHROPY
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 252,834	\$ 31,461	\$ 1,307	\$ 285,602
Payroll taxes	21,415	2,665	111	24,191
Bank charges	-	7,262	-	7,262
Conferences and meetings	2,958	-	-	2,958
Depreciation	1,270	158	7	1,435
Dues and subscriptions	1,629	-	-	1,629
General insurance	4,547	375	2	4,924
Health insurance	10,399	1,294	54	11,747
Mail service	3,745	624	4,062	8,431
Miscellaneous	188	311	-	499
Occupancy costs	26,994	3,358	140	30,492
Office	3,265	406	17	3,688
Online services	1,381	171	7	1,559
Parking	2,078	232	12	2,322
Postage and delivery	11,012	2,796	6,538	20,346
Printing	18,448	996	7,095	26,539
Professional fees	420	5,332	-	5,752
Recruitment	-	125	-	125
Registrations	-	3,315	-	3,315
Research	137	-	-	137
Telephone	2,991	372	16	3,379
Training	2,245	562	-	2,807
Travel and meals	3,484	-	-	3,484
TOTAL EXPENSES	<u>\$ 371,440</u>	<u>\$ 61,815</u>	<u>\$ 19,368</u>	<u>\$ 452,623</u>

See Independent Auditors' Report.

AMERICAN INSTITUTE OF PHILANTHROPY
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 236,562	\$ 31,768	\$ 1,238	\$ 269,568
Payroll taxes	19,157	2,572	100	21,829
Bank charges	-	5,899	-	5,899
Conferences and meetings	4,188	-	-	4,188
Depreciation	1,730	232	9	1,971
Dues and subscriptions	1,570	-	-	1,570
General insurance	4,444	311	2	4,757
Health insurance	11,235	1,508	59	12,802
Mail service	4,962	892	3,250	9,104
Miscellaneous	-	450	5	455
Occupancy costs	25,865	3,699	144	29,708
Office	4,193	335	13	4,541
Online services	1,343	180	7	1,530
Parking	2,000	225	20	2,245
Postage and delivery	11,740	2,713	6,019	20,472
Printing	22,341	760	6,768	29,869
Professional fees	570	4,642	-	5,212
Recruitment	-	170	-	170
Registrations	-	2,390	-	2,390
Research	13	-	-	13
Telephone	2,946	395	16	3,357
Training	2,086	696	-	2,782
Travel and meals	3,218	-	-	3,218
TOTAL EXPENSES	<u>\$ 360,163</u>	<u>\$ 59,837</u>	<u>\$ 17,650</u>	<u>\$ 437,650</u>

See Independent Auditors' Report.