

CENTER FOR DISASTER PHILANTHROPY, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2015 AND 2014



**Halt Buzas &
Powell, LTD**

CERTIFIED PUBLIC ACCOUNTANTS • MANAGEMENT CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Center for Disaster Philanthropy, Inc.
Washington, D.C.

We have audited the accompanying financial statements of Center for Disaster Philanthropy, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2015 and 2014, 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 audit 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 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 Organization as of December 31, 2015 and 2014, 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.

Halt, Buzas & Powell, Ltd.

Alexandria, Virginia

March 31, 2016

(except for Note 10, as to which the date is

May 20, 2016)

CENTER FOR DISASTER PHILANTHROPY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 2,129,423	\$ 1,546,228
Contributions receivable	961,094	1,334,719
Accounts receivable	52,288	63,709
Prepaid expenses	1,263	1,339
Website, net	5,845	10,845
 Total assets	 \$ 3,149,913	 \$ 2,956,840
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 97,184	\$ 129,026
Deferred revenue	-	4,445
 Total liabilities	 97,184	 133,471
 Net assets:		
Unrestricted	1,226,713	409,566
Temporarily restricted	1,826,016	2,413,803
Total net assets	3,052,729	2,823,369
 Total liabilities and net assets	 \$ 3,149,913	 \$ 2,956,840

See accompanying notes to the financial statements.

CENTER FOR DISASTER PHILANTHROPY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Contributions	\$ 1,288,131	\$ 1,648,939	\$ 2,937,070
Advisory service fees	95,697	-	95,697
Other	2,370	2,717	5,087
Net assets released from restrictions:			
Satisfaction of donor restrictions	<u>2,239,443</u>	<u>(2,239,443)</u>	<u>-</u>
Total revenues	<u>3,625,641</u>	<u>(587,787)</u>	<u>3,037,854</u>
Expenses:			
Program services	<u>2,438,017</u>	<u>-</u>	<u>2,438,017</u>
Support services:			
Management and general	203,448	-	203,448
Fundraising	<u>167,029</u>	<u>-</u>	<u>167,029</u>
Total support services	<u>370,477</u>	<u>-</u>	<u>370,477</u>
Total expenses	<u>2,808,494</u>	<u>-</u>	<u>2,808,494</u>
Change in net assets	817,147	(587,787)	229,360
Net assets, beginning of year	<u>409,566</u>	<u>2,413,803</u>	<u>2,823,369</u>
Net assets, end of year	<u>\$ 1,226,713</u>	<u>\$ 1,826,016</u>	<u>\$ 3,052,729</u>

See accompanying notes to the financial statements.

CENTER FOR DISASTER PHILANTHROPY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Contributions	\$ 842,264	\$ 2,510,037	\$ 3,352,301
Advisory service fees	84,440	-	84,440
Other	2,735	-	2,735
Net assets released from restrictions:			
Satisfaction of donor restrictions	631,802	(631,802)	-
Total revenues	1,561,241	1,878,235	3,439,476
Expenses:			
Program services	1,186,391	-	1,186,391
Support services:			
Management and general	125,238	-	125,238
Fundraising	110,095	-	110,095
Total support services	235,333	-	235,333
Total expenses	1,421,724	-	1,421,724
Change in net assets	139,517	1,878,235	2,017,752
Net assets, beginning of year	270,049	535,568	805,617
Net assets, end of year	\$ 409,566	\$ 2,413,803	\$ 2,823,369

See accompanying notes to the financial statements.

CENTER FOR DISASTER PHILANTHROPY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ <u>229,360</u>	\$ <u>2,017,752</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization	5,000	3,507
Decrease (increase) in assets:		
Contributions receivable	373,625	(1,334,719)
Accounts receivable	11,421	(19,141)
Prepaid expenses	76	(1,339)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(31,842)	70,143
Deferred revenue	<u>(4,445)</u>	<u>4,445</u>
Total adjustments	<u>353,835</u>	<u>(1,277,104)</u>
Net cash provided by operating activities	<u>583,195</u>	<u>740,648</u>
Cash flows from investing activities:		
Development of website	<u>-</u>	<u>(8,333)</u>
Net cash used in investing activities	<u>-</u>	<u>(8,333)</u>
Net increase in cash and cash equivalents	583,195	732,315
Cash and cash equivalents, beginning of year	<u>1,546,228</u>	<u>813,913</u>
Cash and cash equivalents, end of year	<u>\$ 2,129,423</u>	<u>\$ 1,546,228</u>

See accompanying notes to the financial statements.

CENTER FOR DISASTER PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

1. Organization

The Center for Disaster Philanthropy, Inc. (the Organization) was incorporated and effectively received its 501(c)(3) determination on March 7, 2012. The Organization's mission is to transform disaster giving by providing timely and thoughtful strategies to increase donors' impact during domestic and international disasters. This includes increasing the effectiveness of contributions given to disasters, bringing greater attention to the life cycle of disasters, providing timely and relevant advice from experts with deep knowledge of disaster philanthropy, conducting due diligence so donors can give with confidence, and creating plans for informed giving for individuals, corporations and foundations. The efforts of the Organization were previously conducted under the New Venture Fund, its former fiscal sponsor. In January 2013, the Organization began operating independently of the New Venture Fund.

2. Summary of significant accounting policies

Basis of presentation

The Organization's financial statements are presented in accordance with generally accepted accounting principles for nonprofit organizations. Under those principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets represent resources that are not subject to donor imposed stipulations and are available for operations at management's discretion.

Temporarily Restricted Net Assets represent resources restricted by donors as to purpose or by the passage of time.

Permanently Restricted Net Assets represent resources whose use by the Organization is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by action of the Organization. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

The Organization has no permanently restricted net assets at December 31, 2015 and 2014.

CENTER FOR DISASTER PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Basis of accounting

The Organization's financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses when obligations are incurred.

Use of 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 of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and their functional allocation during the reporting period. Actual results could differ from those estimates.

Income taxes

The Organization is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on income derived from activities related to its exempt purpose. This code section enables the Organization to accept donations that qualify as charitable contributions to the donor. The Organization is subject to income taxes on taxable income from unrelated business activities. For the years ended December 31, 2015 and 2014, the Organization did not recognize income tax expense in the accompanying financial statements as there was no unrelated business taxable income.

The Organization is not aware of any activities that would jeopardize its tax-exempt status that would require recognition in the accompanying financial statements. Generally, tax returns are subject to examination by taxing authorities for up to three years from the date a completed return is filed. If material omissions of income exist, tax returns may be subject to examination for up to six years. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in the accompanying financial statements. As of December 31, 2015 and 2014, the Organization had no uncertain tax positions which should be recognized as a liability.

CENTER FOR DISASTER PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Cash and cash equivalents

For financial statement purposes, the Organization classifies demand deposits and short-term investments with an original maturity of three months or less as cash equivalents.

Contributions receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at their net realizable value. Amounts that are expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. The cash flows are discounted at a discount rate commensurate with the risk involved. Amortization of the resulting discount is recognized as additional contribution revenue. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. At December 31, 2015 and 2014, management believes that all contributions receivable are fully collectible, therefore, no allowance for doubtful accounts has been recognized.

Accounts receivable

Accounts receivable, are due in less than one year and stated at their net realizable value. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. At December 31, 2015 and 2014, management estimates that all receivables are fully collectible, therefore, no allowance for doubtful accounts has been recognized.

Property and equipment, net

Website development costs are recorded in the financial statements at cost, net of accumulated amortization. Amortization expense is computed using the straight-line method over an estimated three year useful life.

The Organization's policy is to capitalize major additions and improvements over \$1,000. Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred.

CENTER FOR DISASTER PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Revenue recognition

Contributions

Contributions and certain foundation grants are recognized as revenue when received or promised and are recorded net of any current year allowance or discount activity. The Organization reports gifts of cash and other assets as temporarily restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to the Organization's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Advisory service fees

Advisory service fees are recognized as revenue in the period in which services are provided. Fees received relating to future periods are recorded 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 statements of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

3. Concentrations of credit risk

The Organization maintains bank deposits that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At December 31, 2015 and 2014, the Organization had bank deposits in excess of FDIC limits of \$1,897,046 and \$1,162,618, respectively.

CENTER FOR DISASTER PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

4. Contributions receivable

Contributions receivable consist of unconditional promises to give and are summarized as follows:

	2015	2014
Amounts expected to be collected in:		
Less than one year	\$ 462,094	\$ 1,039,625
One to five years	499,000	295,094
Total	961,094	1,334,719

The discount to recognize long-term contributions receivable at their present value of estimated future cash flows was considered, however, management elected not to record a discount due to immateriality to the financial statements at December 31, 2015 and 2014.

5. Website, net

The following is a summary of website development costs at December 31:

	2015	2014
Website	\$ 15,000	\$ 15,000
Accumulated amortization	(9,155)	(4,155)
Total website, net	\$ 5,845	\$ 10,845

Amortization expense for the years ended December 31, 2015 and 2014 was \$5,000 and \$3,507, respectively.

CENTER FOR DISASTER PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

6. Related party transactions

The Organization leases office space from Arabella Advisors, LLC (the LLC), whose principal and senior managing director serves on the Board of Directors of the Organization. During the years ended December 31, 2015 and 2014, the Organization paid \$15,655 and \$21,871, respectively, to the LLC. As indicated in Note 7, the multi-year agreement ended on June 30, 2013, however, the Organization continues to lease the space on a month-to-month basis.

In addition, the Organization receives payroll services from its previous fiscal sponsor, the New Venture Fund. Such payroll services includes the disbursement and accounting of salaries and related expenses for the employees of the Organization, which is reimbursed by the Organization to the New Venture Fund. The New Venture Fund is an entity exempt under Section 501(c)(3) of the Internal Revenue Code, and is under the control of the LLC with which the Organization leases office space. The principal and senior managing director of the LLC is also the chairman of the board of the New Venture Fund. During the year ended December 31, 2015, the Organization paid \$7,000 to the New Venture Fund for payroll services rendered.

Lastly, the Organization approved a board member to represent the Organization at an international conference and reimbursed the board member for travel expenses from funds earmarked for this purpose. When participation in the conference was canceled, \$15,826 was recorded as an accounts receivable as of December 31, 2014 and was reimbursed to the Organization in 2015.

7. Commitment

Operating leases

In May 2012, the Organization entered into an agreement for office space with Arabella Advisors, LLC. The multi-year agreement expired on June 30, 2013, however, the Organization continues to lease the same space on a month-to-month basis at the rate of \$1,363 per month. The monthly rate decreased to \$1,263 on June 1, 2015.

CENTER FOR DISASTER PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

8. Temporarily restricted net assets

Net assets were released from donor restrictions during the years ended December 31, 2015 and 2014 for the following purposes:

	<u>2015</u>	<u>2014</u>
Midwest Early Recovery Fund	\$ 860,515	\$ 66,812
Nepal Earthquake Recovery Fund	632,537	-
Rockefeller Foundation	250,000	-
State of Disaster Philanthropy	207,966	159,556
Business Plan Grant	91,000	-
Playbook	88,596	44,414
Gulf Coast Resilience Innovation Fund	60,000	-
FJC Earmarked Fund	25,000	-
Refugee Crisis Fund	12,919	-
Ebola Fund	10,910	-
Typhoon Haiyan Recovery Fund	-	341,003
Hurricane Sandy Disaster Fund	<u>-</u>	<u>20,017</u>
Total net assets released from restrictions	<u>\$ 2,239,443</u>	<u>\$ 631,802</u>

At December 31, 2015 and 2014, temporarily restricted net assets were available for the following purposes:

	<u>2015</u>	<u>2014</u>
Midwest Early Recovery Fund	\$ 1,175,614	\$ 2,033,877
Refugee Crisis Fund	245,458	-
FJC Earmarked Fund	176,476	201,011
Gulf Coast Resilience Innovation Fund	140,000	-
Playbook	65,990	112,586
State of Disaster Philanthropy	22,478	55,444
Ebola Fund	<u>-</u>	<u>10,885</u>
Total temporarily restricted net assets	<u>\$ 1,826,016</u>	<u>\$ 2,413,803</u>

CENTER FOR DISASTER PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

9. Concentrations of revenue risk

As part of an effort to secure more long-term financial sustainability, the Organization received two multi-year grants in 2015 and 2014. This resulted in approximately 54% and 63% of contributions from two donors and one donor, respectively, for the years ended December 31, 2015 and 2014, and 90% and 88% of receivables from two donors and one donor, respectively, as of December 31, 2015 and 2014.

10. Auditors' report opinion date

After the issuance of the financial statements, a reclassification was made to the allocation of certain expenses. As a result of this reclassification, program expenses were increased by \$50,836, management and general expenses were decreased by \$50,265 and fundraising expenses were decreased by \$571, accordingly.

11. Subsequent events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 31, 2016, which is the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.