



**NATIONAL CENTER ON PHILANTHROPY
AND THE LAW, INC.**

(a wholly controlled entity)

FINANCIAL STATEMENTS

AUGUST 31, 2012 and 2011

INDEPENDENT AUDITORS' REPORT

Board of Directors
National Center on Philanthropy and the Law, Inc.
New York, New York

We have audited the accompanying statements of financial position of the National Center on Philanthropy and the Law, Inc. (a wholly controlled entity) (the "Center") as of August 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Center'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements enumerated above present fairly, in all material respects, the financial position of the National Center on Philanthropy and the Law, Inc. as of August 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

EisnerAmper LLP

New York, New York
April 4, 2013

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.
(a wholly controlled entity)

Statements of Financial Position

	August 31,	
	<u>2012</u>	<u>2011</u>
ASSETS		
Cash held by New York University	\$ 346,238	\$ 248,356
Investments (see Note B)	5,744,664	5,716,643
Contributions receivable, net (see Note C)	<u>300,000</u>	<u>95,674</u>
	<u>\$ 6,390,902</u>	<u>\$ 6,060,673</u>
NET ASSETS		
Unrestricted	3,457,913	3,431,460
Temporarily restricted (see Note F)	647,589	343,813
Permanently restricted (see Note G)	<u>2,285,400</u>	<u>2,285,400</u>
Total net assets	<u>\$ 6,390,902</u>	<u>\$ 6,060,673</u>

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.

(a wholly controlled entity)

Statements of Activities

	Year Ended August 31,							
	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Contributions	\$ 22,816	\$ 604,326		\$ 627,142	\$ 50,500	\$ 300,951		\$ 351,451
Investment earnings	56,291	35,845		92,136	155,898	97,487		253,385
Net realized and unrealized gains on investments	134,950	85,935		220,885	207,656	129,851		337,507
Other income (see Note E)	<u>270,000</u>			<u>270,000</u>	<u>270,000</u>			<u>270,000</u>
Support and revenue before release from restrictions	484,057	726,106		1,210,163	684,054	528,289		1,212,343
Net assets released from restrictions	386,785	(386,785)		0	391,267	(391,267)		0
Recovery of funds with deficiencies	<u>35,545</u>	<u>(35,545)</u>		<u>0</u>	<u>136,625</u>	<u>(136,625)</u>		<u>0</u>
Total support and revenue	<u>906,387</u>	<u>303,776</u>		<u>1,210,163</u>	<u>1,211,946</u>	<u>397</u>		<u>1,212,343</u>
Expenses:								
Program services	769,014			769,014	789,189			789,189
General and administrative	54,089			54,089	60,185			60,185
Fund-raising	<u>56,831</u>			<u>56,831</u>	<u>65,759</u>			<u>65,759</u>
Total expenses	<u>879,934</u>			<u>879,934</u>	<u>915,133</u>			<u>915,133</u>
Increase in net assets	26,453	303,776		330,229	296,813	397		297,210
Net assets - September 1	<u>3,431,460</u>	<u>343,813</u>	<u>\$ 2,285,400</u>	<u>6,060,673</u>	<u>3,134,647</u>	<u>343,416</u>	<u>\$ 2,285,400</u>	<u>5,763,463</u>
Net assets - August 31	<u>\$ 3,457,913</u>	<u>\$ 647,589</u>	<u>\$ 2,285,400</u>	<u>\$ 6,390,902</u>	<u>\$ 3,431,460</u>	<u>\$ 343,813</u>	<u>\$ 2,285,400</u>	<u>\$ 6,060,673</u>

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.

(a wholly controlled entity)

Statement of Functional Expenses**Year Ended August 31, 2012**

(with summarized financial information for 2011)

	Program Services	General and Administrative	Fund-Raising	Total Expenses	
				2012	2011
Salaries	\$ 362,528	\$ 34,942	\$ 39,311	\$ 436,781	\$ 437,037
Stipends	94,000			94,000	94,000
Employee benefits	53,996	5,204	5,855	65,055	62,583
Payroll taxes	16,519	1,592	1,791	19,902	20,296
Pension contribution	30,103	2,902	3,264	36,269	37,695
Professional fees	4,145	3,573		7,718	7,912
Accounting	13,000			13,000	15,000
Library services	13,360			13,360	13,360
Books and periodicals	21,885			21,885	25,918
Office supplies and equipment	2,506	241	272	3,019	2,931
Postage	232	23	25	280	650
Stationery and printing	2,997			2,997	3,609
Telephone	96	9	10	115	386
Travel	54,885			54,885	53,440
Meals and meetings	32,565			32,565	33,310
Information technology services	5,229	504	567	6,300	6,300
Rent	52,290	5,040	5,670	63,000	63,000
Memberships	3,068			3,068	4,569
Awards	499	48	54	601	744
Honoraria	5,000			5,000	6,420
Miscellaneous expenses	<u>111</u>	<u>11</u>	<u>12</u>	<u>134</u>	<u>25,973</u>
Total expenses	<u>\$ 769,014</u>	<u>\$ 54,089</u>	<u>\$ 56,831</u>	<u>\$ 879,934</u>	<u>\$ 915,133</u>

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.

(a wholly controlled entity)

**Statement of Functional Expenses
Year Ended August 31, 2011**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund-Raising</u>	<u>Total Expenses</u>
Salaries	\$ 358,370	\$ 34,963	\$ 43,704	\$ 437,037
Stipends	94,000			94,000
Employee benefits	51,318	5,007	6,258	62,583
Payroll taxes	16,643	1,624	2,029	20,296
Pension contribution	30,910	3,015	3,770	37,695
Professional fees	5,296	2,616		7,912
Accounting	10,039	4,961		15,000
Library services	13,360			13,360
Books and periodicals	25,918			25,918
Office supplies and equipment	2,403	235	293	2,931
Postage	533	52	65	650
Stationery and printing	3,609			3,609
Telephone	317	30	39	386
Travel	53,440			53,440
Meals and meetings	33,310			33,310
Information technology services	5,166	504	630	6,300
Rent	51,660	5,040	6,300	63,000
Memberships	4,569			4,569
Awards	610	60	74	744
Honoraria	6,420			6,420
Miscellaneous expenses	<u>21,298</u>	<u>2,078</u>	<u>2,597</u>	<u>25,973</u>
Total expenses	<u>\$ 789,189</u>	<u>\$ 60,185</u>	<u>\$ 65,759</u>	<u>\$ 915,133</u>

The accompanying notes are an integral part of these financial statements

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.
(a wholly controlled entity)

Statements of Cash Flows

	<u>Year Ended August 31,</u>	
	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Increase in net assets	\$ 330,229	\$ 297,210
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Unrealized gains on investments	(93,842)	(360,469)
Realized (gains) losses on sales of investments	(127,043)	22,962
Changes in operating assets and liabilities:		
Contributions receivable, net	(204,326)	19,049
Accounts payable and accrued expenses	<u> </u>	<u>(37,800)</u>
Net cash used in operating activities	<u>(94,982)</u>	<u>(59,048)</u>
Cash flows from investing activities:		
Purchases of investments	(797,338)	(1,396,918)
Proceeds from sales of investments	<u>990,202</u>	<u>1,447,754</u>
Net cash provided by investing activities	<u>192,864</u>	<u>50,836</u>
Net change in cash held by New York University	97,882	(8,212)
Cash held by New York University at beginning of year	<u>248,356</u>	<u>256,568</u>
Cash held by New York University at end of year	<u>\$ 346,238</u>	<u>\$ 248,356</u>

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.
(a wholly controlled entity)

Notes to Financial Statements
August 31, 2012 and 2011

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

The National Center for Philanthropy and the Law, Inc. (the Center) was incorporated in New York in July 1996. The Center operates exclusively for charitable and educational purposes, including the promotion, encouragement and sponsorship of study, research, and other educational activities in the area of philanthropy and the law. The Center achieves its purpose by (i) conducting or supporting activities for the benefit of New York University (the University), (ii) performing various functions of the University, or (iii) carrying out the purposes of the University. Members of the Board of Directors of the Center are appointed by the New York University School of Law Foundation, and, accordingly, it is a wholly controlled entity of the University.

As a wholly controlled entity of the University, the Center has been determined by the Internal Revenue Service to qualify as a Type I supporting organization under Section 509(a)(3) of the Internal Revenue Code of 1986, as amended (the Code), is exempt under 501(c)(3) of the Code from federal income taxes, and has been classified as an organization that is not a private foundation under Section 509(a) of the Code. In addition, the Center is exempt from state and local income taxes under comparable laws. The Center qualifies for the maximum charitable contribution deduction by donors.

[2] Financial reporting:

(a) Basis of accounting:

The accompanying financial statements of the Center have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit entities.

(b) Applicability of NYPMIFA:

The terms of the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), are applicable to the Center. NYPMIFA principally addresses (i) the management and investment of all of a not-for-profit entity's "institutional funds" (which are mainly the financial assets of the entity and which exclude programmatic assets such as buildings or operating facilities), and (ii) the appropriations by the governing board of earnings derived from both donor-restricted and board-designated endowment funds. In essence, NYPMIFA requires all of the financial resources of the entity to be used in a "prudent" fashion, with the express approval and action of the governing board.

(c) Cash and cash equivalents:

Cash and cash equivalents includes all highly-liquid debt instruments with a maturity of three months or less when purchased. The Center's cash is held by the University in one of its operating accounts.

(d) Functional allocation of expenses:

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.

(a wholly controlled entity)

Notes to Financial Statements

August 31, 2012 and 2011

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[2] Financial reporting: (continued)

(e) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

(f) Investments:

Investments in mutual funds consist of underlying investments with readily determinable market values such as global stocks and commodities. Additionally, the Center invests in mutual funds backed by debt securities which are reported at fair value in the accompanying statements of financial position.

(g) Net assets:

(i) *Unrestricted:*

Unrestricted net assets are the remaining net assets of the Center that are used to carry out the Center's mission and are not subject to donor restrictions.

(ii) *Temporarily restricted:*

Temporarily restricted net assets represent those resources that are subject to the requirements of NYPMIFA and the use of which has been restricted by donors to specific purposes and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends, a purpose restriction is accomplished, or funds are appropriated through an action of the Board of Directors, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

(iii) *Permanently restricted:*

Permanently restricted net assets include gifts, pledges, trusts, and gains explicitly required by donors to be retained in perpetuity, while allowing the use of the investment return for general or specific purpose, in accordance with donor provisions. Under the terms of NYPMIFA, those earnings are classified as temporarily restricted in the accompanying statements of activities, pending appropriation by the Board of Directors.

(h) Revenue recognition:

Contributions:

Unconditional promises to contribute to the Center are recognized as revenue in the period the promise is received. Contributions receivable not expected to be collected within a year are reported at their discounted present values.

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.

(a wholly controlled entity)

Notes to Financial Statements August 31, 2012 and 2011

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[2] Financial reporting: (continued)

(i) Income taxes:

The Center is subject to the provisions of the Financial Accounting Standards Board's Accounting Standards Codification (ASC) Topic 740-10-05 relating to accounting and reporting for uncertainty in income taxes. Because of the Center's general tax-exempt status, ASC Topic 740-10-05 has not had, and is not anticipated to have, a material impact on the Center's financial statements.

(j) Fair-value measurements:

The Center is subject to ASC Topic 820-10-05 relating to fair-value measurement. Accordingly, the Center reports a fair-value measurement of all applicable financial assets, including contributions receivable and investments (as further described in Note B).

(k) Subsequent events:

The Center considers the accounting treatments, and the related disclosures in the current fiscal-year's financial statements, that may be required as the result of all events or transactions that occur after the fiscal year-end through the date of the independent auditors' report.

NOTE B - INVESTMENTS

At each fiscal year-end, investments at fair value consisted of the following:

	August 31,	
	2012	2011
Money-market funds	\$ 4,203	\$ 4,198
Mutual funds	<u>5,740,461</u>	<u>5,712,445</u>
	<u>\$ 5,744,664</u>	<u>\$ 5,716,643</u>

For each fiscal year, investment earnings consisted of the following:

	Year Ended August 31,	
	2012	2011
Interest and dividends	\$ 92,136	\$ 253,385
Realized gains (losses)	127,043	(22,962)
Unrealized gains	<u>93,842</u>	<u>360,469</u>
	<u>\$ 313,021</u>	<u>\$ 590,892</u>

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.
(a wholly controlled entity)

Notes to Financial Statements
August 31, 2012 and 2011

NOTE B - INVESTMENTS (CONTINUED)

Authoritative guidance of fair value measurements, ASC Topic 820, *Fair Value Measurements and Disclosures*, formerly Statement of Financial Accounting Standards No.157, *Fair Value Measurements*, establishes a hierarchy of valuation methodologies based on the extent to which asset valuations are observable in the marketplace. The following describes the hierarchy of methodologies used to measure fair value of investments:

Fair value for Level 1 is based on quoted prices in actively traded markets that the Center has the ability to access for identical assets. Market price data is generally obtained from exchange or dealer markets. The Center does not adjust the quoted price for such assets.

Fair value for Level 2 is based on quoted prices for instruments similar to those held by the Center in actively traded markets, quoted prices for identical instruments held by the Center in markets that are not actively traded and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data. Inputs are obtained from various sources including market participants, dealers and brokers.

Fair value for Level 3 is based on valuation techniques used to assess prices that are unobservable as the assets trade infrequently or not at all.

The Center's investments at August 31, 2012 and 2011 were all considered to be in Level 1.

NOTE C - CONTRIBUTIONS RECEIVABLE

For each fiscal year, contributions receivable were estimated to be collected as follows:

	Year Ended August 31,	
	2012	2011
One year	\$ 300,000	\$ 50,000
Two years		50,000
	300,000	100,000
Reduction of receivables due in excess of one year to present value, at rate of 4.6%		(4,326)
	<u>\$ 300,000</u>	<u>\$ 95,674</u>

Receivables consist of contributions from foundations. The Center considers all receivables to be fully collectible; accordingly, no allowance for doubtful amounts has been established.

NOTE D - RETIREMENT PLAN

The employees of the Center participate in an Internal Revenue Service Section 403(b) defined-contribution plan with the University. Pension costs charged to operations were \$36,269 and \$37,695 for fiscal-years 2012 and 2011, respectively.

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.

(a wholly controlled entity)

Notes to Financial Statements August 31, 2012 and 2011

NOTE E - RELATED-PARTY TRANSACTIONS

The Center rents a furnished office from the University, as well as utilizes various services of the University's Center of Law, including library resources and computer technology. The Center reimburses the University for the costs of the office and related services, as well as for the compensation of Center employees who are paid directly by the University. The University also provides the Center with some immaterial administrative support. In addition, the Center receives financial support from the University, based on a matching agreement, the amount of which was \$270,000 during fiscal-years 2012 and 2011, and which is included as other income in the accompanying statements of activities.

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

At each fiscal year-end, temporarily restricted net assets were associated with the following:

	<u>August 31,</u>	
	<u>2012</u>	<u>2011</u>
Scholarships and fellowships	\$ 69,596	\$ 16,597
Conferences	166,697	179,869
Scientific, literary, and education efforts	250,223	1,673
Time restrictions (contributions receivable)	<u>161,073</u>	<u>145,674</u>
	<u>\$ 647,589</u>	<u>\$ 343,813</u>

During each fiscal year, net assets released from restrictions, as the result of satisfying donor restrictions, were as follows:

	<u>August 31,</u>	
	<u>2012</u>	<u>2011</u>
Program restrictions satisfied:		
Scholarships and fellowships	\$ 47,000	\$ 47,000
Conferences	13,172	50,000
Scientific, literary, and education efforts	51,451	33,554
Professorship	86,235	90,713
Time restrictions satisfied	<u>188,927</u>	<u>170,000</u>
	386,785	391,267
Recovery of funds with deficiencies	<u>35,545</u>	<u>136,625</u>
	<u>\$ 422,330</u>	<u>\$ 527,892</u>

NOTE G - ENDOWMENT

[1] The endowment:

The Center's endowment consists entirely of donor-restricted funds of which \$2,000,000 was established for the purpose of a professorship and the balance was established to fund general activities. The Center does not have any funds designated by the Board of Directors to function as endowment.

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.

(a wholly controlled entity)

Notes to Financial Statements

August 31, 2012 and 2011

NOTE G - ENDOWMENT (CONTINUED)

[2] Interpretation of relevant law:

As discussed in Note A[2](b), NYPMIFA is applicable to the Center's endowment funds. The Board of Directors will continue to adhere to NYPMIFA's requirements.

[3] Changes in endowment net assets:

	Year Ended August 31, 2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets and the earnings thereon, beginning of the fiscal year	\$ (85,996)	\$ 0	\$ 2,285,400	\$ 2,199,404
Investment return:				
Investment earnings		35,845		35,845
Net appreciation (realized and unrealized)		85,935		85,935
Total investment return		121,780		121,780
Appropriation of endowment assets for expenditure		(86,235)		(86,235)
Recovery of funds with Deficiencies	35,545	(35,545)		0
Endowment net assets and the earnings thereon, end of the fiscal year	\$ (50,451)	\$ 0	\$ 2,285,400	\$ 2,234,949
	Year Ended August 31, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets and the earnings thereon, beginning of the year	\$ (222,621)	\$ 0	\$ 2,285,400	\$ 2,062,779
Investment return:				
Investment earnings		97,487		97,487
Net appreciation (realized and unrealized)		129,851		129,851
Total investment return		227,338		227,338
Appropriation of endowment assets for expenditure		(90,713)		(90,713)
Recovery of funds with Deficiencies	136,625	(136,625)		0
Endowment net assets and the earnings thereon, end of the year	\$ (85,996)	\$ 0	\$ 2,285,400	\$ 2,199,404

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.

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Notes to Financial Statements

August 31, 2012 and 2011

NOTE G - ENDOWMENT (CONTINUED)

[4] Endowment objectives:

The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to objectives supported by its endowment, while seeking to maintain the purchasing power of the endowment assets.

[5] Funds with deficiencies:

Due to unfavorable market fluctuations, from time to time the fair value of assets associated with individual donor-restricted endowment funds may decline below the historical dollar value of the donor's original, permanently restricted contribution. At August 31, 2012 and 2011, deficiencies of this nature that are reported in unrestricted net assets amounted to \$50,451 and \$85,996, respectively. Under the terms of NYPMIFA, the Center has no responsibility to restore such decreases in value.

[6] Spending policy and relationship to the spending policy:

Commencing in fiscal-year 2012, the Board adopted a spending policy in the context of the Center's overall financial performance to maintain a prudent investment of the endowment assets. Each year the Center's Board of Directors will appropriate for expenditure an amount from the Center's endowment funds that it determines to be prudent, after consideration of the eight factors listed in NYPMIFA.