



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

**(a wholly controlled entity)**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2014 and 2013**

## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the National Center on Philanthropy and the Law, Inc. (a wholly controlled entity) (the "Center"), which comprise the statements of financial position as of August 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

The Center's 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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 organization'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 organization'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 National Center on Philanthropy and the Law, Inc. as of August 31, 2014 and 2013, 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.



New York, New York  
May 20, 2015

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

**Statements of Financial Position**

	<u>August 31,</u>	
	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash held by New York University	\$ 174,836	\$ 495,924
Investments (see Note B)	<u>6,629,290</u>	<u>6,039,040</u>
	<u>\$ 6,804,126</u>	<u>\$ 6,534,964</u>
<b>NET ASSETS</b>		
Unrestricted	\$ 4,179,583	\$ 3,773,194
Temporarily restricted (see Note F)	339,143	476,370
Permanently restricted (see Note G)	<u>2,285,400</u>	<u>2,285,400</u>
	<u>\$ 6,804,126</u>	<u>\$ 6,534,964</u>
Total net assets		

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

(a wholly controlled entity)

**Statements of Activities**

	Year Ended August 31,							
	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenue:</b>								
Contributions	\$ 153,250	\$ 170,000	-	\$ 323,250	\$ 7,900	\$ 195,000	-	\$ 202,900
Investment earnings	52,326	28,777	-	81,103	78,049	46,773	-	124,822
Net realized and unrealized gains on investments	329,586	181,259	-	510,845	245,457	147,097	-	392,554
Other income (see Note E)	290,000	-	-	290,000	270,000	-	-	270,000
Support and revenue before net assets released from restrictions	825,162	380,036	-	1,205,198	601,406	388,870	-	990,276
Net assets released from restrictions	494,803	(494,803)	-	-	532,098	(532,098)	-	-
Recovery of funds with deficiencies	22,460	(22,460)	-	-	27,991	(27,991)	-	-
Total support and revenue	<u>1,342,425</u>	<u>(137,227)</u>	<u>-</u>	<u>1,205,198</u>	<u>1,161,495</u>	<u>(171,219)</u>	<u>-</u>	<u>990,276</u>
<b>Expenses:</b>								
Program services	818,492			818,492	734,789			734,789
General and administrative	58,391			58,391	53,334			53,334
Fund-raising	59,153			59,153	58,091			58,091
Total expenses	<u>936,036</u>			<u>936,036</u>	<u>846,214</u>			<u>846,214</u>
<b>Change in net assets</b>	406,389	(137,227)	-	269,162	315,281	(171,219)	-	144,062
Net assets - September 1	<u>3,773,194</u>	<u>476,370</u>	<u>\$ 2,285,400</u>	<u>6,534,964</u>	<u>3,457,913</u>	<u>647,589</u>	<u>\$ 2,285,400</u>	<u>6,390,902</u>
<b>Net assets - August 31</b>	<u>\$ 4,179,583</u>	<u>\$ 339,143</u>	<u>\$ 2,285,400</u>	<u>\$ 6,804,126</u>	<u>\$ 3,773,194</u>	<u>\$ 476,370</u>	<u>\$ 2,285,400</u>	<u>\$ 6,534,964</u>

The accompanying notes are an integral part of these financial statements

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

(a wholly controlled entity)

**Statement of Functional Expenses****Year Ended August 31, 2014**

(with summarized financial information for 2013)

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund-Raising</u>	<u>Total Expenses</u>	
				<u>2014</u>	<u>2013</u>
Salaries	\$ 380,940	\$ 38,067	\$ 40,336	\$ 459,343	\$ 446,663
Stipends	94,000	-	-	94,000	50,000
Employee benefits	52,480	5,447	5,410	63,337	60,868
Payroll taxes	22,841	2,201	2,476	27,518	26,871
Pension contribution	34,248	3,301	3,714	41,263	37,337
Professional fees	-	2,564	-	2,564	2,291
Accounting	13,275	-	-	13,275	13,000
Library services	13,360	-	-	13,360	13,360
Books and periodicals	29,592	-	-	29,592	24,990
Office supplies and equipment	4,104	410	435	4,949	2,203
Postage	525	53	56	634	1,405
Stationery and printing	2,988	-	-	2,988	3,193
Telephone	175	18	19	212	88
Travel	65,559	-	-	65,559	55,956
Meals and meetings	33,182	-	-	33,182	29,286
Information technology services	5,225	522	553	6,300	6,300
Rent	58,120	5,808	6,154	70,082	63,000
Memberships	2,878	-	-	2,878	3,678
Honoraria and awards	5,000	-	-	5,000	5,725
	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,725</u>
Total expenses	<u>\$ 818,492</u>	<u>\$ 58,391</u>	<u>\$ 59,153</u>	<u>\$ 936,036</u>	<u>\$ 846,214</u>

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

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

**Statement of Functional Expenses**  
**Year Ended August 31, 2013**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund-Raising</u>	<u>Total Expenses</u>
Salaries	\$ 370,730	\$ 35,733	\$ 40,200	\$ 446,663
Stipends	50,000	-	-	50,000
Employee benefits	50,520	4,869	5,479	60,868
Payroll taxes	22,303	2,150	2,418	26,871
Pension contribution	30,991	2,987	3,359	37,337
Professional fees	593	1,698	-	2,291
Accounting	13,000	-	-	13,000
Library services	13,360	-	-	13,360
Books and periodicals	24,990	-	-	24,990
Office supplies and equipment	1,829	176	198	2,203
Postage	1,166	112	127	1,405
Stationery and printing	3,193	-	-	3,193
Telephone	73	7	8	88
Travel	55,956	-	-	55,956
Meals and meetings	29,286	-	-	29,286
Information technology services	5,229	504	567	6,300
Rent	52,290	5,040	5,670	63,000
Memberships	3,678	-	-	3,678
Honoraria and awards	<u>5,602</u>	<u>58</u>	<u>65</u>	<u>5,725</u>
Total expenses	<u>\$ 734,789</u>	<u>\$ 53,334</u>	<u>\$ 58,091</u>	<u>\$ 846,214</u>

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

**Statements of Cash Flows**

	<b>Year Ended August 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 269,162	\$ 144,062
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Unrealized gains on investments	(25,238)	(292,740)
Realized gains on sales of investments	(485,607)	(99,814)
Changes in contributions receivable, net	<u>-</u>	<u>300,000</u>
Net cash (used in) provided by operating activities	<u>(241,683)</u>	<u>51,508</u>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(1,464,028)	(539,144)
Proceeds from sales of investments	<u>1,384,623</u>	<u>637,322</u>
Net cash (used in) provided by investing activities	<u>(79,405)</u>	<u>98,178</u>
<b>Net change in cash held by New York University</b>	<b>(321,088)</b>	149,686
Cash held by New York University at beginning of year	<u>495,924</u>	<u>346,238</u>
<b>Cash held by New York University at end of year</b>	<b><u>\$ 174,836</u></b>	<b><u>\$ 495,924</u></b>

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

(a wholly controlled entity)

### **Notes to Financial Statements**

**August 31, 2014 and 2013**

#### **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, and (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, the Center 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] 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.

##### **[3] Cash and cash equivalents:**

Cash and cash equivalents include 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.

##### **[4] 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.

##### **[5] 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.

##### **[6] Investments:**

Investments are comprised of mutual funds and a money market fund. The multi-asset mutual fund consists of underlying investments with readily determinable fair values such as global stocks and commodities. Additionally, the Center invests in debt-based mutual funds, which are reported at fair value in the accompanying statements of financial position.



# NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.

(a wholly controlled entity)

## Notes to Financial Statements

August 31, 2014 and 2013

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

#### [7] 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 the New York Prudent Management of Institutional Funds Act ("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.

#### [8] 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.

#### [9] 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, management believes that ASC Topic 740-10-05 has not had, and is not anticipated to have, a material impact on the Center's financial statements.

The annual compliance filings of the Center are subject to examination by the Internal Revenue Service, as well as by state and local authorities, generally for three years after they are submitted.

**NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.**  
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**Notes to Financial Statements**  
**August 31, 2014 and 2013**

**NOTE B - INVESTMENTS**

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

	<u>August 31,</u>	
	<u>2014</u>	<u>2013</u>
Money-market funds	\$ 174,974	\$ 4,213
Mutual funds	<u>6,454,316</u>	<u>6,034,827</u>
	<u>\$ 6,629,290</u>	<u>\$ 6,039,040</u>

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

	<u>Year Ended August 31,</u>	
	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 81,103	\$ 124,822
Realized gains	485,607	99,814
Unrealized gains	<u>25,238</u>	<u>292,740</u>
	<u>591,948</u>	<u>517,376</u>
Investment fees	<u>(2,564)</u>	<u>(1,698)</u>
Net investment income	<u>\$ 589,384</u>	<u>\$ 515,678</u>

Authoritative guidance for fair-value measurements, ASC Topic 820, *Fair Value Measurements and Disclosures*, 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, 2014 and 2013 were all considered to be in Level 1. During fiscal-years 2014 and 2013, there were no transfers among Levels 1, 2, or 3.

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

(a wholly controlled entity)

### Notes to Financial Statements August 31, 2014 and 2013

#### NOTE C - RETIREMENT PLAN

The employees of the University who are affiliated with the Center participate in an Internal Revenue Service Section 403(b) defined-contribution plan with the University. Pension costs charged to operations were \$41,263 and \$37,337 for fiscal-years 2014 and 2013, respectively.

#### NOTE D - STIPENDS

Each year the Center selects candidates for two different fellowship positions. The cost of their salaries, as well as their travel for the interview process, is covered by the Center. During fiscal-year 2014, the expense for the two fellowships was \$94,000. During fiscal-year 2013, a law firm covered the cost of one of the fellowships, and therefore, although both positions were filled, the expense for the Center was only \$50,000.

#### 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 \$290,000 and \$270,000 during fiscal-years 2014 and 2013, respectively 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>2014</u>	<u>2013</u>
Scholarships and fellowships	\$ 80,661	\$ 82,596
Conferences	143,018	159,356
Scientific, literary, and education efforts	8,752	102,729
Professorship	66,814	
Time restrictions	<u>39,898</u>	<u>131,689</u>
	<u>\$ 339,143</u>	<u>\$ 476,370</u>

**NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.**  
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**Notes to Financial Statements**  
**August 31, 2014 and 2013**

**NOTE F - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)**

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

	<b>August 31,</b>	
	<b>2014</b>	<b>2013</b>
Program restrictions satisfied:		
Scholarships and fellowships	<b>\$ 71,935</b>	\$ 47,000
Conferences	<b>46,338</b>	37,341
Scientific, literary, and education efforts	<b>93,977</b>	147,494
Professorship	<b>120,762</b>	165,879
Time restrictions satisfied	<b><u>161,791</u></b>	<u>134,384</u>
	<b>494,803</b>	532,098
Recovery of funds with deficiencies	<b><u>22,460</u></b>	<u>27,991</u>
	<b><u>\$ 517,263</u></b>	<u>\$ 560,089</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.

**[2] Interpretation of relevant law:**

The terms of 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. The Board of Directors continues to adhere to NYPMIFA's requirements.

**NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.**  
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**Notes to Financial Statements**  
**August 31, 2014 and 2013**

**NOTE G - ENDOWMENT (CONTINUED)**

**[3] Changes in endowment net assets:**

	Year Ended August 31, 2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets and the earnings thereon, beginning of the fiscal year	\$ (22,460)	\$ -	\$ 2,285,400	\$ 2,262,940
Investment return:				
Investment earnings	-	28,777	-	28,777
Net appreciation (realized and unrealized)	-	181,259	-	181,259
Total investment return	-	210,036	-	210,036
Appropriation of endowment assets for expenditure	-	(120,762)	-	(120,762)
Recovery of funds with deficiencies	22,460	(22,460)	-	-
Endowment net assets and the earnings thereon, end of the fiscal year	\$ -	\$ 66,814	\$ 2,285,400	\$ 2,352,214
	Year Ended August 31, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets and the earnings thereon, beginning of the fiscal year	\$ (50,451)	\$ -	\$ 2,285,400	\$ 2,234,949
Investment return:				
Investment earnings	-	46,773	-	46,773
Net appreciation (realized and unrealized)	-	147,097	-	147,097
Total investment return	-	193,870	-	193,870
Appropriation of endowment assets for expenditure	-	(165,879)	-	(165,879)
Recovery of funds with deficiencies	27,991	(27,991)	-	-
Endowment net assets and the earnings thereon, end of the fiscal year	\$ (22,460)	\$ -	\$ 2,285,400	\$ 2,262,940

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

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### **Notes to Financial Statements**

**August 31, 2014 and 2013**

#### **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 donors' original, permanently restricted contributions. At August 31, 2014, there were no deficiencies of this nature. At August 31, 2013, deficiencies amounting to \$22,460 were reported in unrestricted net assets. 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 plans to 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.

#### **NOTE H - SUBSEQUENT EVENTS**

The Center has performed an evaluation of subsequent events through May 20, 2015. There have been no transactions or events requiring disclosure through the issuance date.