



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

**(a wholly controlled entity)**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2013 and 2012**

## **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, 2013 and 2012, 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, 2013 and 2012, 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 12, 2014

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

**Statements of Financial Position**

	<u>August 31,</u>	
	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash held by New York University	\$ 495,924	\$ 346,238
Investments (see Note B)	6,039,040	5,744,664
Contributions receivable, net (see Note C)	<u>-</u>	<u>300,000</u>
	<b><u>\$ 6,534,964</u></b>	<b><u>\$ 6,390,902</u></b>
<b>NET ASSETS</b>		
Unrestricted	\$ 3,773,194	\$ 3,457,913
Temporarily restricted (see Note F)	476,370	647,589
Permanently restricted (see Note G)	<u>2,285,400</u>	<u>2,285,400</u>
Total net assets	<b><u>\$ 6,534,964</u></b>	<b><u>\$ 6,390,902</u></b>

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

(a wholly controlled entity)

**Statements of Activities**

	Year Ended August 31,							
	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenue:</b>								
Contributions	\$ 7,900	\$ 195,000	-	\$ 202,900	\$ 22,816	\$ 604,326	-	\$ 627,142
Investment earnings	78,049	46,773	-	124,822	56,291	35,845	-	92,136
Net realized and unrealized gains on investments	245,457	147,097	-	392,554	134,950	85,935	-	220,885
Other income (see Note E)	<u>270,000</u>	<u>-</u>	<u>-</u>	<u>270,000</u>	<u>270,000</u>	<u>-</u>	<u>-</u>	<u>270,000</u>
Support and revenue before released from restrictions	601,406	388,870	-	990,276	484,057	726,106	-	1,210,163
Net assets released from restrictions	532,098	(532,098)	-	0	386,785	(386,785)	-	0
Recovery of funds with deficiencies	<u>27,991</u>	<u>(27,991)</u>	<u>-</u>	<u>0</u>	<u>35,545</u>	<u>(35,545)</u>	<u>-</u>	<u>0</u>
Total support and revenue	<u>1,161,495</u>	<u>(171,219)</u>	<u>-</u>	<u>990,276</u>	<u>906,387</u>	<u>303,776</u>	<u>-</u>	<u>1,210,163</u>
<b>Expenses:</b>								
Program services	734,789			734,789	769,014			769,014
General and administrative	53,334			53,334	54,089			54,089
Fund-raising	<u>58,091</u>			<u>58,091</u>	<u>56,831</u>			<u>56,831</u>
Total expenses	<u>846,214</u>			<u>846,214</u>	<u>879,934</u>			<u>879,934</u>
<b>Change in net assets</b>	315,281	(171,219)	-	144,062	26,453	303,776	-	330,229
Net assets - September 1	<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>
<b>Net assets - August 31</b>	<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>

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**

(with summarized financial information for 2012)

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund-Raising</u>	<u>Total Expenses</u>	
				<u>2013</u>	<u>2012</u>
Salaries	\$ 370,730	\$ 35,733	\$ 40,200	\$ 446,663	\$ 436,781
Stipends	50,000	-	-	50,000	94,000
Employee benefits	50,520	4,869	5,479	60,868	65,055
Payroll taxes	22,303	2,150	2,418	26,871	19,902
Pension contribution	30,991	2,987	3,359	37,337	36,269
Professional fees	593	1,698	-	2,291	7,718
Accounting	13,000	-	-	13,000	13,000
Library services	13,360	-	-	13,360	13,360
Books and periodicals	24,990	-	-	24,990	21,885
Office supplies and equipment	1,829	176	198	2,203	3,019
Postage	1,166	112	127	1,405	280
Stationery and printing	3,193	-	-	3,193	2,997
Telephone	73	7	8	88	115
Travel	55,956	-	-	55,956	54,885
Meals and meetings	29,286	-	-	29,286	32,565
Information technology services	5,229	504	567	6,300	6,300
Rent	52,290	5,040	5,670	63,000	63,000
Memberships	3,678	-	-	3,678	3,068
Awards	602	58	65	725	601
Honoraria	5,000	-	-	5,000	5,000
Miscellaneous expenses	-	-	-	-	134
Total expenses	<u>\$ 734,789</u>	<u>\$ 53,334</u>	<u>\$ 58,091</u>	<u>\$ 846,214</u>	<u>\$ 879,934</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, 2012**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund-Raising</u>	<u>Total Expenses</u>
Salaries	\$ 362,528	\$ 34,942	\$ 39,311	\$ 436,781
Stipends	94,000	-	-	94,000
Employee benefits	53,996	5,204	5,855	65,055
Payroll taxes	16,519	1,592	1,791	19,902
Pension contribution	30,103	2,902	3,264	36,269
Professional fees	4,145	3,573	-	7,718
Accounting	13,000	-	-	13,000
Library services	13,360	-	-	13,360
Books and periodicals	21,885	-	-	21,885
Office supplies and equipment	2,506	241	272	3,019
Postage	232	23	25	280
Stationery and printing	2,997	-	-	2,997
Telephone	96	9	10	115
Travel	54,885	-	-	54,885
Meals and meetings	32,565	-	-	32,565
Information technology services	5,229	504	567	6,300
Rent	52,290	5,040	5,670	63,000
Memberships	3,068	-	-	3,068
Awards	499	48	54	601
Honoraria	5,000	-	-	5,000
Miscellaneous expenses	<u>111</u>	<u>11</u>	<u>12</u>	<u>134</u>
Total expenses	<u>\$ 769,014</u>	<u>\$ 54,089</u>	<u>\$ 56,831</u>	<u>\$ 879,934</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>2013</u>	<u>2012</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 144,062	\$ 330,229
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized gains on investments	(292,740)	(93,842)
Realized gains on sales of investments	(99,814)	(127,043)
Changes in contributions receivable, net	<u>300,000</u>	<u>(204,326)</u>
Net cash provided by (used in) operating activities	<u>51,508</u>	<u>(94,982)</u>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(539,144)	(797,338)
Proceeds from sales of investments	<u>637,322</u>	<u>990,202</u>
Net cash provided by investing activities	<u>98,178</u>	<u>192,864</u>
<b>Net increase in cash held by New York University</b>	<b>149,686</b>	97,882
Cash held by New York University at beginning of year	<u>346,238</u>	<u>248,356</u>
<b>Cash held by New York University at end of year</b>	<b><u>\$ 495,924</u></b>	<b><u>\$ 346,238</u></b>

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

(a wholly controlled entity)

### **Notes to Financial Statements**

**August 31, 2013 and 2012**

#### **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 in mutual funds consist of underlying investments with readily determinable market 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, 2013 and 2012

### 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 Acts ("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, ASC Topic 740-10-05 has not had, and is not anticipated to have, a material impact on the Center's financial statements. The Center is no longer subject to examination by federal or state tax authorities for fiscal years prior to 2010.

#### [10] 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).

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

**Notes to Financial Statements**  
**August 31, 2013 and 2012**

**NOTE B - INVESTMENTS**

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

	<u>August 31,</u>	
	<u>2013</u>	<u>2012</u>
Money-market funds	\$ 4,213	\$ 4,203
Mutual funds	<u>6,034,827</u>	<u>5,740,461</u>
	<u>\$ 6,039,040</u>	<u>\$ 5,744,664</u>

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

	<u>Year Ended August 31,</u>	
	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 124,822	\$ 92,136
Realized gains	99,814	127,043
Unrealized gains	<u>292,740</u>	<u>93,842</u>
	<u>\$ 517,376</u>	<u>\$ 313,021</u>

Authoritative guidance for 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, 2013 and 2012 were all considered to be in Level 1.

**NOTE C - CONTRIBUTIONS RECEIVABLE**

As of August 31, 2013, the Center did not have any contributions receivable. Contributions receivable totaled \$300,000 at August 31, 2012 and were fully collected in fiscal-year 2013.

# NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.

(a wholly controlled entity)

## Notes to Financial Statements August 31, 2013 and 2012

### NOTE D - 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 \$37,337 and \$36,269 for fiscal-years 2013 and 2012, respectively.

### 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 2013 and 2012, 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>2013</u>	<u>2012</u>
Scholarships and fellowships	\$ 82,596	\$ 69,596
Conferences	159,356	166,697
Scientific, literary, and education efforts	102,729	250,223
Time restrictions	<u>131,689</u>	<u>161,073</u>
	<u>\$ 476,370</u>	<u>\$ 647,589</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>2013</u>	<u>2012</u>
Program restrictions satisfied:		
Scholarships and fellowships	\$ 47,000	\$ 47,000
Conferences	37,341	13,172
Scientific, literary, and education efforts	147,494	51,451
Professorship	165,879	86,235
Time restrictions satisfied	<u>134,384</u>	<u>188,927</u>
	532,098	386,785
Recovery of funds with deficiencies	<u>27,991</u>	<u>35,545</u>
	<u>\$ 560,089</u>	<u>\$ 422,330</u>

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

(a wholly controlled entity)

**Notes to Financial Statements**

**August 31, 2013 and 2012**

**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.

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

	Year Ended August 31, 2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
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
	Year Ended August 31, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets and the earnings thereon, beginning of the fiscal year	\$ (85,996)	\$ -	\$ 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)	-	-
Endowment net assets and the earnings thereon, end of the fiscal year	\$ (50,451)	\$ -	\$ 2,285,400	\$ 2,234,949

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

(a wholly controlled entity)

### **Notes to Financial Statements**

**August 31, 2013 and 2012**

#### **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, 2013 and 2012, deficiencies of this nature that are reported in unrestricted net assets amounted to \$22,460 and \$50,451, 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.

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

The Center has performed an evaluation of subsequent events through May 12, 2014. There have been no transactions or events requiring disclosure through the issuance date.