



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

(a wholly controlled entity)

FINANCIAL STATEMENTS

AUGUST 31, 2015 and 2014

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, 2015 and 2014, 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, 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.



New York, New York
April 27, 2016

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

Statements of Financial Position

	<u>August 31,</u>	
	<u>2015</u>	<u>2014</u>
ASSETS		
Cash held by New York University	\$ 231,867	\$ 174,836
Investments (see Note B)	<u>6,138,252</u>	<u>6,629,290</u>
	<u>\$ 6,370,119</u>	<u>\$ 6,804,126</u>
NET ASSETS		
Unrestricted	\$ 3,815,720	\$ 4,179,583
Temporarily restricted (see Note F)	268,999	339,143
Permanently restricted (see Note G)	<u>2,285,400</u>	<u>2,285,400</u>
	<u>\$ 6,370,119</u>	<u>\$ 6,804,126</u>
Total net assets		

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.

(a wholly controlled entity)

Statements of Activities

	Year Ended August 31,							
	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Contributions	\$ 152,750	\$ 265,000	-	\$ 417,750	\$ 153,250	\$ 170,000	-	\$ 323,250
Investment earnings	82,055	44,298	-	126,353	52,326	28,777	-	81,103
Net realized and unrealized (losses) gains on investments	(217,909)	(117,639)	-	(335,548)	329,586	181,259	-	510,845
Other income (see Note E)	290,000	-	-	290,000	290,000	-	-	290,000
Support and revenue before net assets released from restrictions	306,896	191,659	-	498,555	825,162	380,036	-	1,205,198
Net assets released from restrictions	398,815	(398,815)	-	-	494,803	(494,803)	-	-
Change in funds with deficiencies	(137,012)	137,012	-	-	22,460	(22,460)	-	-
Total support and revenue	568,699	(70,144)	-	498,555	1,342,425	(137,227)	-	1,205,198
Expenses:								
Program services	803,225			803,225	805,217			805,217
General and administrative	69,683			69,683	71,666			71,666
Fund-raising	59,654			59,654	59,153			59,153
Total expenses	932,562			932,562	936,036			936,036
Change in net assets	(363,863)	(70,144)	-	(434,007)	406,389	(137,227)	-	269,162
Net assets - September 1	4,179,583	339,143	\$ 2,285,400	6,804,126	3,773,194	476,370	\$ 2,285,400	6,534,964
Net assets - August 31	\$ 3,815,720	\$ 268,999	\$ 2,285,400	\$ 6,370,119	\$ 4,179,583	\$ 339,143	\$ 2,285,400	\$ 6,804,126

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, 2015
(with summarized financial information for 2014)

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund-Raising</u>	<u>Total Expenses</u>	
				<u>2015</u>	<u>2014</u>
Salaries	\$ 386,705	\$ 37,740	\$ 41,261	\$ 465,706	\$ 459,343
Fellowships	100,000	-	-	100,000	94,000
Employee benefits	52,663	5,140	5,619	63,422	63,337
Payroll taxes	23,542	2,298	2,512	28,352	27,518
Pension contribution	34,601	3,377	3,691	41,669	41,263
Professional fees	-	843	-	843	2,564
Accounting	-	14,275	-	14,275	13,275
Library services	13,360	-	-	13,360	13,360
Books and periodicals	28,511	-	-	28,511	29,592
Office supplies and equipment	3,115	304	333	3,752	4,949
Postage	850	83	90	1,023	634
Stationery and printing	3,140	-	-	3,140	2,988
Telephone	71	7	8	86	212
Travel	54,811	-	-	54,811	65,559
Meals and meetings	37,395	-	-	37,395	40,264
Information technology services	5,231	511	558	6,300	6,300
Rent	52,313	5,105	5,582	63,000	63,000
Memberships	2,917	-	-	2,917	2,878
Honoraria and awards	4,000	-	-	4,000	5,000
	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>5,000</u>
Total expenses	<u>\$ 803,225</u>	<u>\$ 69,683</u>	<u>\$ 59,654</u>	<u>\$ 932,562</u>	<u>\$ 936,036</u>

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

Statement of Functional Expenses
Year Ended August 31, 2014

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund-Raising</u>	<u>Total Expenses</u>
Salaries	\$ 380,940	\$ 38,067	\$ 40,336	\$ 459,343
Fellowships	94,000	-	-	94,000
Employee benefits	52,480	5,447	5,410	63,337
Payroll taxes	22,841	2,201	2,476	27,518
Pension contribution	34,248	3,301	3,714	41,263
Professional fees	-	2,564	-	2,564
Accounting	-	13,275	-	13,275
Library services	13,360	-	-	13,360
Books and periodicals	29,592	-	-	29,592
Office supplies and equipment	4,104	410	435	4,949
Postage	525	53	56	634
Stationery and printing	2,988	-	-	2,988
Telephone	175	18	19	212
Travel	65,559	-	-	65,559
Meals and meetings	40,264	-	-	40,264
Information technology services	5,225	522	553	6,300
Rent	51,038	5,808	6,154	63,000
Memberships	2,878	-	-	2,878
Honoraria and awards	5,000	-	-	5,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 805,217</u>	<u>\$ 71,666</u>	<u>\$ 59,153</u>	<u>\$ 936,036</u>

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

Statements of Cash Flows

	Year Ended August 31,	
	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (434,007)	\$ 269,162
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized losses (gains) on investments	568,832	(25,238)
Realized gains on sales of investments	<u>(233,284)</u>	<u>(485,607)</u>
Net cash used in operating activities	<u>(98,459)</u>	<u>(241,683)</u>
Cash flows from investing activities:		
Purchases of investments	(528,553)	(1,464,028)
Proceeds from sales of investments	<u>684,043</u>	<u>1,384,623</u>
Net cash provided by (used in) investing activities	<u>155,490</u>	<u>(79,405)</u>
Net change in cash held by New York University	57,031	(321,088)
Cash held by New York University at beginning of year	<u>174,836</u>	<u>495,924</u>
Cash held by New York University at end of year	<u>\$ 231,867</u>	<u>\$ 174,836</u>

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.

(a wholly controlled entity)

Notes to Financial Statements

August 31, 2015 and 2014

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, support and revenue, 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 as of fiscal-year end in the accompanying statements of financial position.

Investment transactions are recorded on a trade-date basis. Realized gains or losses on investments are determined by comparison of the average cost of acquisition to proceeds at the time of disposition. The earnings from dividends and interest are recognized when earned.

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.

(a wholly controlled entity)

Notes to Financial Statements

August 31, 2015 and 2014

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

[6] Investments: (continued)

Investment expenses include the services of bank trustees, investment managers and custodians. The balances of investment management fees disclosed in Note B are those specific fees charged by the Center's investment managers in each fiscal year; however, they do not include those fees that are embedded in various other investment accounts and transactions.

[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 is defined as net assets that 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 (if any) 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 (the "FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. Because of the Center's general tax-exempt status, management believes ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Center's financial statements.

[10] Reclassification:

Certain information relating to the classification of expenses in the Statement of Functional Expenses in the prior year has been reclassified to conform to the current fiscal-year's presentation.

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

Notes to Financial Statements
August 31, 2015 and 2014

NOTE B - INVESTMENTS

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

	<u>August 31,</u>	
	<u>2015</u>	<u>2014</u>
Money-market fund	\$ 3,989	\$ 174,974
Mutual funds	<u>6,134,263</u>	<u>6,454,316</u>
	<u>\$ 6,138,252</u>	<u>\$ 6,629,290</u>

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

	<u>Year Ended August 31,</u>	
	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 126,353	\$ 81,103
Realized gains	233,284	485,607
Unrealized (losses) gains	<u>(568,832)</u>	<u>25,238</u>
	<u>(209,195)</u>	<u>591,948</u>
Investment fees	<u>(843)</u>	<u>(2,564)</u>
Net investment (loss) income	<u>\$ (210,038)</u>	<u>\$ 589,384</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, 2015 and 2014 were all considered to be in Level 1. During fiscal-years 2015 and 2014, 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, 2015 and 2014

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 \$41,669 and \$41,263 for fiscal-years 2015 and 2014, respectively.

NOTE D - FELLOWSHIPS

Each year the Center selects candidates for two fellowship positions. During fiscal-years 2015 and 2014, the Center recorded an expense for the two fellowships of \$100,000 and \$94,000, respectively.

NOTE E - RELATED-PARTY TRANSACTIONS

The Center rents a furnished office from the University, and utilizes various services of the University's School 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 during fiscal-years 2015 and 2014, 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:

	August 31,	
	2015	2014
Scholarships and fellowships	\$ 80,969	\$ 80,661
Conferences	143,018	143,018
Scientific, literary, and education efforts	639	8,752
Professorship	19,373	66,814
Time restrictions	25,000	39,898
	<u>\$ 268,999</u>	<u>\$ 339,143</u>

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.

(a wholly controlled entity)

Notes to Financial Statements**August 31, 2015 and 2014****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:

	August 31,	
	2015	2014
Program restrictions satisfied:		
Scholarships and fellowships	\$ 59,692	\$ 71,935
Conferences	30,000	46,338
Scientific, literary, and education efforts	158,113	93,977
Professorship	111,112	120,762
Time restrictions satisfied	<u>39,898</u>	<u>161,791</u>
	398,815	494,803
Change in funds with deficiencies	<u>(137,012)</u>	<u>22,460</u>
	<u>\$ 261,803</u>	<u>\$ 517,263</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.
(a wholly controlled entity)

Notes to Financial Statements
August 31, 2015 and 2014

NOTE G - ENDOWMENT (CONTINUED)

[3] Changes in endowment net assets:

	Year Ended August 31, 2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets and the earnings thereon, beginning of the fiscal year	\$ -	\$ 66,814	\$ 2,285,400	\$ 2,352,214
Investment return:				
Investment earnings	-	44,298	-	44,298
Net depreciation (realized and unrealized)	-	(117,639)	-	(117,639)
Total investment return	-	(73,341)	-	(73,341)
Appropriation of endowment assets for expenditure	-	(111,112)	-	(111,112)
Other changes - funds with deficiencies	(137,012)	137,012	-	-
Endowment net assets and the earnings thereon, end of the fiscal year	\$ (137,012)	\$ 19,373	\$ 2,285,400	\$ 2,167,761

	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

[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, 2015, deficiencies amounted to \$137,012, and were reported in unrestricted net assets. At August 31, 2014, there were no deficiencies of this nature. Under the terms of NYPMIFA, the Center has no responsibility to restore such decreases in value.

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.

(a wholly controlled entity)

Notes to Financial Statements

August 31, 2015 and 2014

NOTE G - ENDOWMENT (CONTINUED)

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

In 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 is determined to be prudent after consideration of the eight factors listed in NYPMIFA.

NOTE H - SUBSEQUENT EVENTS

- [1]** Subsequent to year-end, the Nonprofit Forum became a program of the Center. The funds contributed for this program will be temporarily restricted and released upon expenditure in satisfaction of the program's activities. The funds will be deposited within the operating cash account held by the University. The Nonprofit Forum is a group of approximately two dozen academics and lawyers, specializing in legal issues affecting not-for-profit organizations, who meet for dinner ten times each year to present and discuss prepared papers on nonprofit legal topics.
- [2]** 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 April 27, 2016, the date the financial statements were available to be issued.