



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

**(a wholly controlled entity)**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2016 and 2015**

## **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, 2016 and 2015, 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 auditors' judgments, 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 auditors consider 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, 2016 and 2015, 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 25, 2017

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

**Statements of Financial Position**

	<u>August 31,</u>	
	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash held by New York University	\$ 120,342	\$ 231,867
Investments (see Note B)	6,308,384	6,138,252
Contributions receivable, net (see Note C)	<u>332,734</u>	<u>-</u>
	<u>\$ 6,761,460</u>	<u>\$ 6,370,119</u>
<b>NET ASSETS</b>		
Unrestricted	\$ 3,887,755	\$ 3,815,720
Temporarily restricted (see Note H)	588,305	268,999
Permanently restricted (see Note I)	<u>2,285,400</u>	<u>2,285,400</u>
Total net assets	<u>\$ 6,761,460</u>	<u>\$ 6,370,119</u>

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

(a wholly controlled entity)

**Statements of Activities**

	Year Ended August 31,							
	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenue:</b>								
Contributions	\$ 7,250	\$ 822,734	-	\$ 829,984	\$ 152,750	\$ 265,000	-	\$ 417,750
Investment earnings	51,748	24,790	-	76,538	82,055	44,298	-	126,353
Net realized and unrealized gains (losses) on investments	101,135	51,934	-	153,069	(217,909)	(117,639)	-	(335,548)
Other income (see Note A[8]ii)	<u>290,000</u>	<u>7,156</u>	-	<u>297,156</u>	<u>290,000</u>	<u>-</u>	-	<u>290,000</u>
Support and revenue before net assets released from restrictions	450,133	906,614	-	1,356,747	306,896	191,659	-	498,555
Net assets released from restrictions	595,340	(595,340)	-	-	398,815	(398,815)	-	-
Change in funds with deficiencies	<u>(8,032)</u>	<u>8,032</u>	-	-	<u>(137,012)</u>	<u>137,012</u>	-	-
Total support and revenue	<u>1,037,441</u>	<u>319,306</u>	-	<u>1,356,747</u>	<u>568,699</u>	<u>(70,144)</u>	-	<u>498,555</u>
<b>Expenses:</b>								
Program services	829,397			829,397	803,225			803,225
General and administrative	74,982			74,982	69,683			69,683
Fund-raising	<u>61,027</u>			<u>61,027</u>	<u>59,654</u>			<u>59,654</u>
Total expenses	<u>965,406</u>			<u>965,406</u>	<u>932,562</u>			<u>932,562</u>
<b>Change in net assets</b>	72,035	319,306	-	391,341	(363,863)	(70,144)	-	(434,007)
Net assets - September 1	<u>3,815,720</u>	<u>268,999</u>	<u>\$ 2,285,400</u>	<u>6,370,119</u>	<u>4,179,583</u>	<u>339,143</u>	<u>\$ 2,285,400</u>	<u>6,804,126</u>
<b>Net assets - August 31</b>	<u>\$ 3,887,755</u>	<u>\$ 588,305</u>	<u>\$ 2,285,400</u>	<u>\$ 6,761,460</u>	<u>\$ 3,815,720</u>	<u>\$ 268,999</u>	<u>\$ 2,285,400</u>	<u>\$ 6,370,119</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, 2016**

(with summarized financial information for 2015)

	<b>Program Services</b>	<b>General and Administrative</b>	<b>Fund-Raising</b>	<b>Total Expenses</b>	
				<b>2016</b>	<b>2015</b>
Salaries	\$ 395,897	\$ 39,592	\$ 42,216	\$ 477,705	\$ 465,706
Fellowships	100,000	-	-	100,000	100,000
Employee benefits	53,332	5,334	5,687	64,353	63,422
Payroll taxes	25,052	2,505	2,672	30,229	28,352
Pension contribution	36,733	3,674	3,917	44,324	41,669
Professional fees	-	3,473	-	3,473	843
Accounting	-	14,275	-	14,275	14,275
Library services	13,360	-	-	13,360	13,360
Books and periodicals	28,938	-	-	28,938	28,511
Office supplies and equipment	2,577	258	275	3,110	3,752
Postage	462	46	50	558	1,023
Stationery and printing	4,467	-	-	4,467	3,140
Telephone	60	7	6	73	86
Travel	54,077	-	-	54,077	54,811
Meals and meetings	46,509	-	-	46,509	37,395
Information technology services	5,221	522	557	6,300	6,300
Rent	52,211	5,222	5,567	63,000	63,000
Memberships	3,755	-	-	3,755	2,917
Honoraria and awards	6,746	74	80	6,900	4,000
	<u>6,746</u>	<u>74</u>	<u>80</u>	<u>6,900</u>	<u>4,000</u>
Total expenses	<u>\$ 829,397</u>	<u>\$ 74,982</u>	<u>\$ 61,027</u>	<u>\$ 965,406</u>	<u>\$ 932,562</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, 2015**

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

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

**Statements of Cash Flows**

	<u>Year Ended August 31,</u>	
	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 391,341	\$ (434,007)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized losses on investments	46,967	568,832
Realized gains on sales of investments	(200,036)	(233,284)
Changes in:		
Contributions receivable, net	<u>(332,734)</u>	<u>-</u>
Net cash used in operating activities	<u>(94,462)</u>	<u>(98,459)</u>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(277,051)	(528,553)
Proceeds from sales of investments	<u>259,988</u>	<u>684,043</u>
Net cash (used in) provided by investing activities	<u>(17,063)</u>	<u>155,490</u>
<b>Net change in cash held by New York University</b>	<b>(111,525)</b>	57,031
Cash held by New York University at beginning of year	<u>231,867</u>	<u>174,836</u>
<b>Cash held by New York University at end of year</b>	<b><u>\$ 120,342</u></b>	<b><u>\$ 231,867</u></b>

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

(a wholly controlled entity)

### **Notes to Financial Statements**

**August 31, 2016 and 2015**

#### **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. Indirect costs have been allocated on the basis of time allocation.

##### **[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. All mutual funds 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, 2016 and 2015

### 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 mutual fund 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:

(i) *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, at a rate commensurate with the risk involved.

(ii) *Other income:*

During fiscal-year 2016, the Nonprofit Forum became a program of the Center. The funds contributed for this program are temporarily restricted and released upon expenditure in satisfaction of the program's activities. The funds are 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 five times each year to present and discuss prepared papers on nonprofit legal topics. This is a self-sustaining program whereby the contributions received cover all related programmatic costs, and accordingly, these funds were fully expended during fiscal-year 2016. Revenues related to the program totaled approximately \$7,200 as of August 31, 2016, or less than 1% of the Center's total support and revenue. If the program were to be discontinued, the Center's annual revenues would continue to support its main programs.

# NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.

(a wholly controlled entity)

## Notes to Financial Statements

August 31, 2016 and 2015

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

#### [8] Revenue recognition: (continued)

(ii) *Other income: (continued)*

Also included in other income is financial support from the University, based on a matching agreement as further described in Note G.

#### [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] New accounting pronouncement:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 will amend financial-statement presentations and disclosures, with the goal of assisting not-for-profit organizations in providing more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations, (iv) liquidity and availability of resources, and (v) the presentation of operating cash flows. The new standard will be effective for fiscal years beginning after December 15, 2017. The Center has chosen not to early-adopt this new pronouncement.

### NOTE B - INVESTMENTS

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

	August 31,	
	2016	2015
Money-market fund	\$ 3,999	\$ 3,989
Mutual funds	<u>6,304,385</u>	<u>6,134,263</u>
	<u>\$ 6,308,384</u>	<u>\$ 6,138,252</u>

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

**Notes to Financial Statements**  
**August 31, 2016 and 2015**

**NOTE B - INVESTMENTS (CONTINUED)**

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

	<b>Year Ended August 31,</b>	
	<b>2016</b>	<b>2015</b>
Interest and dividends	\$ 76,538	\$ 126,353
Realized gains	200,036	233,284
Unrealized losses	<u>(46,967)</u>	<u>(568,832)</u>
	<b>229,607</b>	(209,195)
Investment fees	<u>(3,473)</u>	<u>(843)</u>
Net investment income (loss)	<u><b>\$ 226,134</b></u>	<u><b>\$ (210,038)</b></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, 2016 and 2015 were all considered to be in Level 1. During fiscal-years 2016 and 2015, there were no transfers among Levels 1, 2, or 3.

**NOTE C - CONTRIBUTIONS RECEIVABLE**

At August 31, 2016, contributions receivable were estimated to be due as follows:

Less than one year	\$ 50,000
One year to five years	<u>300,000</u>
	<b>350,000</b>
Reduction of pledges due in excess of one year to present value, at a discount rate of 2%	<u>(17,266)</u>
	<u><b>\$ 332,734</b></u>

# NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.

(a wholly controlled entity)

## Notes to Financial Statements August 31, 2016 and 2015

### NOTE C - CONTRIBUTIONS RECEIVABLE (CONTINUED)

Management believes the amounts reported above to be collectible; accordingly, no allowance for doubtful account has been established. As of August 31, 2015, there were no contributions receivable.

### NOTE D - CONCENTRATION OF REVENUE

During fiscal-year 2016, approximately 43% of the Center's total support was provided by one donor. Due to the contributions the Center receives from various donors in each year, the Center is not solely reliant on any particular donor.

### NOTE E - 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 \$44,324 and \$41,669 for fiscal-years 2016 and 2015, respectively.

### NOTE F - FELLOWSHIPS

Each year the Center selects candidates for two fellowship positions. During both fiscal-years 2016 and 2015, the Center recorded an expense for the two fellowships of \$100,000.

### NOTE G - 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 2016 and 2015, and which is included as other income in the accompanying statements of activities.

### NOTE H - TEMPORARILY RESTRICTED NET ASSETS

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

	<b>August 31,</b>	
	<b>2016</b>	<b>2015</b>
Scholarships and fellowships	<b>\$ 80,180</b>	\$ 80,969
Conferences	<b>143,018</b>	143,018
Scientific, literary, and education efforts	<b>639</b>	639
Professorship	<b>8,032</b>	19,373
Time restrictions	<b>356,436</b>	25,000
	<b><u>\$ 588,305</u></b>	<b><u>\$ 268,999</u></b>

**NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.**  
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**Notes to Financial Statements**  
**August 31, 2016 and 2015**

**NOTE H - 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>2016</b>	<b>2015</b>
Program restrictions satisfied:		
Scholarships and fellowships	\$ 5,789	\$ 59,692
Conferences	30,000	30,000
Scientific, literary, and education efforts	150,000	158,113
Professorship	96,097	111,112
Nonprofit Forum	7,156	-
Time restrictions satisfied	<u>306,298</u>	<u>39,898</u>
	595,340	398,815
Change in funds with deficiencies	<u>(8,032)</u>	<u>(137,012)</u>
	<u>\$ 587,308</u>	<u>\$ 261,803</u>

**NOTE I - 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, 2016 and 2015**

**NOTE I - ENDOWMENT (CONTINUED)**

**[3] Changes in endowment net assets, during each fiscal year:**

	Year Ended August 31, 2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets and the earnings thereon, beginning of the fiscal year	<u>\$ (137,012)</u>	<u>\$ 19,373</u>	<u>\$ 2,285,400</u>	<u>\$ 2,167,761</u>
Investment return:				
Investment earnings, net	-	24,790	-	24,790
Net appreciation (realized and unrealized)	-	51,934	-	51,934
Total net investment return	-	76,724	-	76,724
Appropriation of endowment assets for expenditure		(96,097)	-	(96,097)
Other changes - funds with deficiencies	(8,032)	8,032	-	-
Endowment net assets and the earnings thereon, end of the fiscal year	<u>\$ (145,044)</u>	<u>\$ 8,032</u>	<u>\$ 2,285,400</u>	<u>\$ 2,148,388</u>
	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, net	-	44,298	-	44,298
Net depreciation (realized and unrealized)	-	(117,639)	-	(117,639)
Total net 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	<u>\$ (137,012)</u>	<u>\$ 19,373</u>	<u>\$ 2,285,400</u>	<u>\$ 2,167,761</u>

**[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, 2016 and 2015, deficiencies amounted to \$145,044 and \$137,012, respectively, and were reported in unrestricted net assets in the accompanying financial statements. 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, 2016 and 2015**

**NOTE I - 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 J - 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 April 25, 2017, the date on which the financial statements were available to be issued.