

EISNERAMPER

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

(a wholly controlled entity)

FINANCIAL STATEMENTS

AUGUST 31, 2019 and 2018



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

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INDEPENDENT AUDITORS' REPORT

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

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, 2019 and 2018, 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.

Auditor's 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, 2019 and 2018, 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.

Adjustment to Prior Financial Statements

As discussed in Note A[11], the Center has restated its 2018 financial statements during the current year to correct its opening net asset categories and the amount of net assets released from restrictions during the year ended August 31, 2018.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
June 16, 2020

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

Statements of Financial Position

	August 31,	
	2019	2018
		(as restated)
ASSETS		
Cash and cash equivalents	\$ 291,743	\$ 26,000
Cash held by New York University	-	239,699
Contributions receivable, net (see Note B)	849,313	1,112,684
Dividends receivable	44	2,353
Investments (see Note C)	6,645,880	6,806,713
	<u>\$ 7,786,980</u>	<u>\$ 8,187,449</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Due to New York University	\$ 51,783	\$ -
Net assets:		
Without donor restrictions	3,975,851	4,112,863
With donor restrictions: (see Note G)		
Perpetual in nature	2,285,400	2,285,400
Purpose and time restricted	1,473,946	1,789,186
Total net assets with donor restrictions	<u>3,759,346</u>	<u>4,074,586</u>
Total net assets	<u>7,735,197</u>	<u>8,187,449</u>
	<u>\$ 7,786,980</u>	<u>\$ 8,187,449</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 Activities

	Year Ended August 31,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
	(as restated)					
Support and revenue:						
Contributions	\$ 4,425	\$ 126,629	\$ 131,054	\$ 60,750	\$ 1,269,335	\$ 1,330,085
Investment earnings, net	204,517	89,161	293,678	434,311	194,760	629,071
Net realized and unrealized (losses) on investments	(133,065)	(58,011)	(191,076)	(243,154)	(109,039)	(352,193)
Other income (see Note A[7]ii)	290,000	10,828	300,828	290,000	9,439	299,439
Support and revenue before net assets released from restrictions	365,877	168,607	534,484	541,907	1,364,495	1,906,402
Net assets released from restrictions	483,847	(483,847)	-	678,329	(678,329)	-
Total support and revenue	849,724	(315,240)	534,484	1,220,236	686,166	1,906,402
Expenses:						
Program services	851,968	-	851,968	768,641	-	768,641
Supporting services:						
General and administrative	69,766	-	69,766	74,992	-	74,992
Fund-raising	65,002	-	65,002	63,734	-	63,734
Total supporting services	134,768	-	134,768	138,726	-	138,726
Total expenses	986,736	-	986,736	907,367	-	907,367
Change in net assets	(137,012)	(315,240)	(452,252)	312,869	686,166	999,035
Net assets - September 1 (as restated)	4,112,863	4,074,586	8,187,449	3,799,994	3,388,420	7,188,414
Net assets - August 31	\$ 3,975,851	\$ 3,759,346	\$ 7,735,197	\$ 4,112,863	\$ 4,074,586	\$ 8,187,449

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, 2019

(with summarized financial information for 2018)

	Program Services:			Total Expenses	
	Research and Education on Philanthropy	Supporting Services:		2019	2018
		General and Administrative	Fund-Raising		
Salaries	\$ 439,111	\$ 34,230	\$ 44,811	\$ 518,152	\$ 503,418
Employee benefits	64,690	5,043	6,601	76,334	79,717
Pension contributions	40,439	3,152	4,127	47,718	41,307
Payroll taxes	26,605	2,074	2,715	31,394	30,001
Professional fees	-	2,112	-	2,112	699
Accounting	-	18,000	-	18,000	16,000
Library services	13,358	-	-	13,358	13,360
Books and periodicals	27,230	-	-	27,230	43,617
Office supplies and equipment	1,316	103	134	1,553	1,642
Postage	310	24	32	366	412
Stationery and printing	4,297	-	-	4,297	3,608
Travel	61,378	-	-	61,378	49,954
Meals and meetings	40,614	-	-	40,614	41,853
Information technology services	5,660	441	578	6,679	6,300
Rent	53,771	4,192	5,487	63,450	62,822
Memberships	8,923	-	-	8,923	6,732
Fellowships	59,203	-	-	59,203	-
Honoraria and awards	5,063	395	517	5,975	5,925
Total expenses	\$ 851,968	\$ 69,766	\$ 65,002	\$ 986,736	\$ 907,367

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, 2018**

	Program Services:			
	Research and Education on Philanthropy	Supporting Services: General and Administrative		Fund-Raising
Salaries	\$ 419,444	\$ 40,115	\$ 43,859	\$ 503,418
Employee benefits	66,420	6,352	6,945	79,717
Payroll taxes	24,996	2,391	2,614	30,001
Pension contribution	34,417	3,291	3,599	41,307
Professional fees	-	699	-	699
Accounting	-	16,000	-	16,000
Library services	13,360	-	-	13,360
Books and periodicals	43,617	-	-	43,617
Office supplies and equipment	1,368	131	143	1,642
Postage	343	33	36	412
Stationery and printing	3,608	-	-	3,608
Travel	49,954	-	-	49,954
Meals and meetings	41,853	-	-	41,853
Information technology services	5,249	502	549	6,300
Rent	52,343	5,006	5,473	62,822
Memberships	6,732	-	-	6,732
Honoraria and awards	4,937	472	516	5,925
Total expenses	<u>\$ 768,641</u>	<u>\$ 74,992</u>	<u>\$ 63,734</u>	<u>\$ 907,367</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

	Year Ended August 31,	
	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (452,252)	\$ 999,035
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized losses on investments	304,630	497,330
Realized gains on sales of investments	(113,554)	(145,137)
Changes in:		
Contributions receivable, net	263,371	(672,335)
Dividends receivable	2,309	(2,353)
Due to New York University	<u>51,783</u>	<u>-</u>
Net cash provided by operating activities	<u>56,287</u>	<u>676,540</u>
Cash flows from investing activities:		
Purchases of investments	(432,822)	(1,476,245)
Proceeds from sales of investments	<u>402,579</u>	<u>875,527</u>
Net cash used in investing activities	<u>(30,243)</u>	<u>(600,718)</u>
Net increase in cash and cash equivalents, and cash held by New York University		
	26,044	75,822
Cash and cash equivalents, and cash held by New York University at beginning of year	<u>265,699</u>	<u>189,877</u>
Cash and cash equivalents, and cash held by New York University at end of year		
	\$ <u>291,743</u>	\$ <u>265,699</u>

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

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.

(a wholly controlled entity)

Notes to Financial Statements August 31, 2019 and 2018

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 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 ("U.S. GAAP"), as applicable to not-for-profit entities.

[3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, support and revenue, and expenses as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

[4] Cash and cash equivalents/ Due to New York University:

Cash and cash equivalents include all highly-liquid debt instruments with a maturity of three months or less when purchased. As of August 31, 2019, the Center had a liability to the University for \$51,783. As of August 31, 2018, \$239,699 of the Center's cash was held by the University in one of its operating accounts.

[5] Investments:

Investments are comprised of mutual funds and a money-market account. 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 statements of financial position.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported on the statements of activities as increases and decreases in net assets without restrictions unless their use is restricted through donor stipulations. Realized gains and losses on investments are determined by comparison of the cost at acquisition to proceeds at the time of disposition. Unrealized gains and losses on investments are determined by comparing each investment's cost to the fair value at the end of each fiscal year. 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, 2019 and 2018

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

[5] Investments: (continued)

Investment expenses include the services of bank trustees, investment managers and custodians. The balances of investment management fees disclosed in Note C 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.

[6] Net assets:

(i) *Net Assets Without Donor Restrictions:*

Net assets without donor restrictions are the remaining net assets of the Center that are used to carry out the Center's mission and are not subject to donor-imposed restrictions.

(ii) *Net Assets With Donor Restrictions:*

Net assets with donor restrictions represent those resources that are subject to donor-imposed restrictions such as specific purposes and/or the passage of time. Some donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained permanently. These resources, as well as the earnings thereon, are subject to the requirements of the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The purposes for which the income and net capital appreciation arising from underlying assets may be used depend on the wishes of those donors.

Net assets released from restrictions represent one of the following: (i) appropriations for expenditure by the Board of Directors; (ii) the satisfaction of the restricted purposes specified by the donors; or (iii) the passage of time, and are reclassified as net assets without donor restrictions and are reported in the statement of activities as net assets released from restriction.

[7] 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 included in net assets with donor restrictions 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 each fiscal year. Revenues related to the program totaled approximately \$10,800 and \$9,400 for the fiscal years ended August 31, 2019 and 2018, respectively, or less than 2% and 1% of the Center's total support and revenue for 2019 and 2018, respectively. If the program were to be discontinued, the Center's annual revenues would continue to support its main program.

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.

(a wholly controlled entity)

Notes to Financial Statements

August 31, 2019 and 2018

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

[7] 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 F.

[8] Functional allocation of expenses:

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present expenses by functional and natural classification. Natural expenses attributable to more than one functional expense category are allocated by management based on time and effort.

[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] Upcoming accounting pronouncements:

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made:

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard provides a framework for evaluating whether grants should be accounted for as exchange transactions or as non-exchange transactions. For non-exchange transactions, the new guidance clarifies whether arrangements are conditional or unconditional. The standard is effective for years beginning after December 15, 2018 for entities receiving resources and after December 15, 2019 for entities providing resources. As a resource provider, the Center will adopt this new standard for fiscal-year 2020.

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.
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Notes to Financial Statements
August 31, 2019 and 2018

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

[11] Restatement of net assets without donor restrictions:

Prior to the issuance of these financial statements, management determined that the Center had historically not applied a donor-specified spend formula for the \$2 million portion of its endowment related to professorship. Therefore, the Center is correcting its opening net asset categories to accurately reflect the value of the endowment as of September 1, 2017, based on proper application of this spend formula from the inception of the endowment and the net assets released from restrictions for the year ended August 31, 2018. The effect of this restatement is noted in the table below:

	Net Assets Without Donor Restrictions Year Ended August 31, 2018	Net Assets With Donor Restrictions Year Ended August 31, 2018	Total Net Asset Year Ended August 31, 2018
As previously reported, 9/1/2017	\$ 4,232,274	\$ 2,956,140	\$ 7,188,414
Effect of restatement	<u>(432,280)</u>	<u>432,280</u>	<u>-</u>
As restated, 9/1/2017	\$ 3,799,994	\$ 3,388,420	\$ 7,188,414
Change in net assets as previously reported	399,492	599,543	999,035
Change in net assets released from restrictions	<u>(86,623)</u>	<u>86,623</u>	<u>-</u>
Change in net assets, as restated	<u>312,869</u>	<u>686,166</u>	<u>999,035</u>
As restated 8/31/2018	\$ 4,112,863	\$ 4,074,586	\$ 8,187,449

NOTE B - CONTRIBUTIONS RECEIVABLE

At each fiscal year-end, contributions receivable were estimated to be due as follows:

	August 31,	
	2019	2018
Less than one year	\$ 300,000	\$ 300,000
One year to five years	<u>600,000</u>	<u>900,000</u>
	900,000	1,200,000
Reduction of pledges due in excess of one year to present value, at a discount rate of 3.6%	<u>(50,687)</u>	<u>(87,316)</u>
	<u>\$ 849,313</u>	<u>\$ 1,112,684</u>

Management believes the amounts reported above to be fully collectible; accordingly, no allowance for doubtful account has been established.

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.

(a wholly controlled entity)

Notes to Financial Statements**August 31, 2019 and 2018****NOTE C - INVESTMENTS**

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

	August 31,	
	2019	2018
Money-market fund	\$ 26,683	\$ 171
Mutual funds	<u>6,619,197</u>	<u>6,806,542</u>
	<u>\$ 6,645,880</u>	<u>\$ 6,806,713</u>

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

	Year Ended August 31,	
	2019	2018
Interest and dividends	\$ 297,210	\$ 633,483
Realized gains	113,554	145,137
Unrealized losses	<u>(304,630)</u>	<u>(497,330)</u>
	106,134	281,290
Investment fees	<u>(3,532)</u>	<u>(4,412)</u>
Net investment income	<u>\$ 102,602</u>	<u>\$ 276,878</u>

Authoritative guidance for fair-value measurements, ASC Topic 820, *Fair Value Measurement*, 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.

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.

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Notes to Financial Statements August 31, 2019 and 2018

NOTE C - INVESTMENTS (CONTINUED)

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Center's investments at August 31, 2019 and 2018 were all considered to be in Level 1. During fiscal-years 2019 and 2018, there were no transfers among Levels 1, 2 or 3.

NOTE D - CONCENTRATION OF REVENUE

Approximately 69% and 70% of the Center's total support was provided by one donor, during fiscal-years 2019 and 2018, respectively. 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 \$47,718 and \$41,307 for fiscal-years 2019 and 2018, respectively.

NOTE F - 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 2019 and 2018, and which is included as other income in the accompanying statements of activities.

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.

(a wholly controlled entity)

Notes to Financial Statements**August 31, 2019 and 2018****NOTE G - NET ASSETS WITH DONOR RESTRICTIONS**

At each fiscal year-end, net assets with donor restrictions were associated with the following:

	August 31,	
	2019	2018
		(as restated)
Perpetual in nature:		
Professorship	\$ 2,000,000	\$ 2,000,000
Other – general activities	285,400	285,400
Total perpetual in nature	<u>2,285,400</u>	<u>2,285,400</u>
Purpose restrictions:		
Scholarships and fellowships	259,383	199,399
Conferences	125,843	135,603
Scientific, literary, and education efforts	639	639
Professorship	238,768	340,861
Time restrictions	<u>849,313</u>	<u>1,112,684</u>
Total purpose and time restricted	<u>1,473,946</u>	<u>1,789,186</u>
	<u>\$ 3,759,346</u>	<u>\$ 4,074,586</u>

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

	August 31,	
	2019	2018
		(as restated)
Purpose restrictions satisfied:		
Scholarships and fellowships	\$ 16	\$ 7,781
Conferences	39,760	37,415
Professorship	133,243	149,971
Nonprofit Forum	10,828	9,439
Time restrictions satisfied	<u>300,000</u>	<u>473,723</u>
	<u>\$ 483,847</u>	<u>\$ 678,329</u>

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.

(a wholly controlled entity)

Notes to Financial Statements August 31, 2019 and 2018

NOTE H - 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. Under NYPMIFA, the Center is not required to maintain the purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result, when reviewing its donor-restricted endowment funds, the Center considers a fund to be underwater if the fair value of the fund is less than the sum of the original value of the initial and subsequent gift amounts donated to the fund and any accumulations to the fund that are required to be maintained in perpetuity.

[3] Changes in endowment net assets with donor restrictions during each fiscal year:

	August 31,	
	2019	2018
	(as restated)	
Endowment net assets and the earnings		
thereon, beginning of the fiscal year	\$ 2,626,261	\$ 2,690,511
Investment return:		
Investment earnings, net	89,161	194,760
Net depreciation (realized and unrealized)	(58,011)	(109,039)
Total net investment return	31,150	85,721
Appropriation of endowment assets for expenditure	(133,243)	(149,971)
Endowment net assets and the earnings		
thereon, end of the fiscal year	\$ 2,524,168	\$ 2,626,261

[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.

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.

(a wholly controlled entity)

Notes to Financial Statements August 31, 2019 and 2018

NOTE H - ENDOWMENT (CONTINUED)

[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 restricted contributions. Under the terms of NYPMIFA, the Center has no responsibility to restore such decreases in value. There were no such deficiencies as of August 31, 2019 or 2018.

[6] Spending policy and relationship to underwater endowments:

With respect to the \$2 million component of the endowment restricted for professorship, the donor has specified a spend policy whereby appropriation in each fiscal-year is to be the lesser of 5% of the beginning value of the endowment in a particular year, or the expense related to professorship. The Center adheres to this spend formula each year. For the remaining portion of the endowment, 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. The Center has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent.

NOTE I - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Center's financial assets available for general use within one year of the statements of financial position date:

	August 31,	
	<u>2019</u>	<u>2018</u>
		(as restated)
Cash and cash equivalents	\$ 291,743	\$ 26,000
Cash held by New York University	-	239,699
Contributions receivable, net	849,313	1,112,684
Dividends receivable	44	2,353
Investments	<u>6,645,880</u>	<u>6,806,713</u>
Total financial assets available within one year	<u>7,786,980</u>	<u>8,187,449</u>
Less: amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with:		
Perpetual in nature	(2,285,400)	(2,285,400)
Purpose and time restrictions	<u>(1,173,946)</u>	<u>(1,489,186)</u>
Total amounts unavailable for general expenditure within one year	<u>(3,459,346)</u>	<u>(3,774,586)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,327,634</u>	<u>\$ 4,412,863</u>

NATIONAL CENTER ON PHILANTHROPY AND THE LAW, INC.

(a wholly controlled entity)

Notes to Financial Statements

August 31, 2019 and 2018

NOTE I - LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

Liquidity policy:

As part of the Center's liquidity management, it maintains a sufficient level of operating cash and investments to be available as its general expenditures come due.

NOTE J - SUBSEQUENT EVENTS

The Center performed an evaluation of subsequent events through June 16, 2020, which is the date the financial statements were available to be issued.

NOTE K - CONTINGENCIES AND OTHER UNCERTAINTIES

In December 2019, a novel strain of coronavirus has been reported in China and other countries. The extent to which the coronavirus impacts the Center's results will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or remedy its impact, among others.