

THE CENTURY FOUNDATION, INC.

**Financial Statements
for year ended
June 30, 2012**

**CONDON
O'MEARA
MCGINTY &
DONNELLY LLP**

Certified Public Accountants

One Battery Park Plaza
New York, NY 10004-1405
Tel: (212) 661 - 7777
Fax: (212) 661 - 4010

Independent Auditors' Report

To the Board of Trustees
The Century Foundation, Inc.

We have audited the accompanying statement of financial position of The Century Foundation, Inc. (the "Foundation") as of June 30, 2012 and June 30, 2011 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Century Foundation, Inc. at June 30, 2012 and June 30, 2011 and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Condon O'Meara McGinty & Donnelly LLP". The signature is written in dark ink and is positioned below the main body of the report.

October 26, 2012

THE CENTURY FOUNDATION, INC.

Statement of Financial Position

Assets

	June 30	
	2012	2011
Cash	\$ 97,949	\$ 10,887
Accrued interest and dividends receivable	49,624	54,377
Building – downpayment receivable	2,500,000	-
Accounts receivable	-	20,741
Grants receivable	489,400	240,000
Prepaid expenses	46,680	49,551
Investments, at fair value	37,508,080	40,124,952
Property and equipment, at cost, net of accumulated depreciation	824,567	765,053
Restricted cash	386,777	-
Total assets	\$ 41,903,077	\$ 41,265,561

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 233,465	\$ 102,453
Postretirement benefit obligation	574,896	585,588
Deferred building downpayment	2,500,000	-
Total liabilities	3,308,361	688,041

Net assets

Unrestricted		
Net outstanding project commitments	25,000	1,969,632
Net investment in property and equipment	824,567	765,053
Available for investment and future projects	37,085,275	37,538,672
Total unrestricted	37,934,842	40,273,357
Temporarily restricted net assets	659,874	304,163
Total net assets	38,594,716	40,577,520
Total liabilities and net assets	\$ 41,903,077	\$ 41,265,561

See notes to financial statements.

THE CENTURY FOUNDATION, INC.

Statement of Activities

	Year Ended June 30					
	2012		2011			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Interest and dividends	\$ 960,636	\$ -	\$ 960,636	\$ 1,006,638	\$ -	\$ 1,006,638
Royalties and net publication sales	15,469	-	15,469	30,289	-	30,289
Grants, contributions and other	27,146	519,400	546,546	52,521	446,753	499,274
Net assets released from restrictions	163,689	(163,689)	-	518,056	(518,056)	-
Total support and revenue	<u>1,166,940</u>	<u>355,711</u>	<u>1,522,651</u>	<u>1,607,504</u>	<u>(71,303)</u>	<u>1,536,201</u>
Expenses						
Operations						
Program	2,546,296	-	2,546,296	2,695,537	-	2,695,537
Publishing	614,406	-	614,406	524,905	-	524,905
Administration	1,078,009	-	1,078,009	772,285	-	772,285
Total expenses	<u>4,238,711</u>	<u>-</u>	<u>4,238,711</u>	<u>3,992,727</u>	<u>-</u>	<u>3,992,727</u>
Excess (deficiency) of revenue over expenses before other additions (deduction)	<u>(3,071,771)</u>	<u>355,711</u>	<u>(2,716,060)</u>	<u>(2,385,223)</u>	<u>(71,303)</u>	<u>(2,456,526)</u>
Other additions (deduction)						
Net realized gain (loss) on investments	(46,771)	-	(46,771)	63	-	63
Net gain on sale of artwork	199,210	-	199,210	-	-	-
Change in unrealized appreciation of investments	534,262	-	534,262	4,844,388	-	4,844,388
Limited partnership income, net	-	-	-	204,211	-	204,211
Total other additions	<u>686,701</u>	<u>-</u>	<u>686,701</u>	<u>5,048,662</u>	<u>-</u>	<u>5,048,662</u>
Increase (decrease) in net assets before adjustment	<u>(2,385,070)</u>	<u>355,711</u>	<u>(2,029,359)</u>	<u>2,663,439</u>	<u>(71,303)</u>	<u>2,592,136</u>
Effect of postretirement benefit obligation adjustment						
Increase (decrease) in net assets	<u>46,555</u>	<u>-</u>	<u>46,555</u>	<u>34,666</u>	<u>-</u>	<u>34,666</u>
Net assets, beginning of year	<u>(2,338,515)</u>	<u>355,711</u>	<u>(1,982,804)</u>	<u>2,698,105</u>	<u>(71,303)</u>	<u>2,626,802</u>
Net assets, end of year	<u>40,273,357</u>	<u>304,163</u>	<u>40,577,520</u>	<u>37,575,252</u>	<u>375,466</u>	<u>37,950,718</u>
	<u>\$ 37,934,842</u>	<u>\$ 659,874</u>	<u>\$ 38,594,716</u>	<u>\$ 40,273,357</u>	<u>\$ 304,163</u>	<u>\$ 40,577,520</u>

See notes to financial statements.

THE CENTURY FOUNDATION, INC.

Statement of Cash Flows

	Year Ended	
	June 30	
	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (1,982,804)	\$ 2,626,802
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) operating activities		
Realized (gain) loss on sale of investments	46,771	(63)
Change in unrealized appreciation of investments	(534,262)	(4,844,388)
Depreciation	70,185	57,524
Decrease in accrued interest and dividends receivable	4,753	15,232
(Increase) decrease in accounts receivable	20,741	(12,838)
(Increase) in grants receivable	(249,400)	(240,000)
(Increase) decrease in prepaid expenses	2,871	(24,630)
Increase in accounts payable and accrued expenses	131,012	23,044
Increase (decrease) in postretirement benefit obligation	<u>(10,692)</u>	<u>19,048</u>
Net cash (used in) operating activities	<u>(2,500,825)</u>	<u>(2,380,269)</u>
Cash flows from investing activities		
Purchase of property and equipment	(129,699)	(80,130)
Purchases of investments	(2,146,213)	(6,334,705)
Proceeds from sale of investments	<u>5,250,576</u>	<u>8,784,298</u>
Net cash provided by investing activities	<u>2,974,664</u>	<u>2,369,463</u>
Net increase (decrease) in cash	473,839	(10,806)
Cash, beginning of year	<u>10,887</u>	<u>21,693</u>
Cash, end of year	<u>\$ 484,726</u>	<u>\$ 10,887</u>
Consist of		
Cash – Operating	\$ 97,949	\$ 10,887
Cash – Restricted	<u>386,777</u>	<u>-</u>
Total cash	<u>\$ 484,726</u>	<u>\$ 10,887</u>

See notes to financial statements.

THE CENTURY FOUNDATION, INC.

Notes to Financial Statements June 30, 2012

Note 1 – Nature of organization

The Century Foundation (the “Foundation”) is a non-partisan progressive think tank, founded in 1919 and initially funded by Edward Filene, a man best known for his store’s Basement which was established as a way to make goods affordable to working people. At Mr. Filene’s death in 1937, he was a close associate of President Franklin Roosevelt, and one of the leading liberal businessmen in the country. Along the way, he was a champion of fair workplaces and employee ownership strategies, all with an eye to ensuring that economic opportunity is available to all.

Until the end of the last century, the Foundation was called the Twentieth Century Fund. Trustees over the years have included Theodore Sorensen, Arthur Schlesinger, Jr., John Kenneth Galbraith, Justice Robert Jackson and J. Robert Oppenheimer.

Century is an operating Foundation, which means it does not make grants. Instead, it issues analyses and convenes and promotes the best thinkers across a range of public policy questions. Its work today focuses on issues of equity and opportunity in the United States, and how American values can best be sustained and advanced in a world of more diffuse power.

Note 2 – Summary of significant accounting policies

Basis of accounting

The financial statements of the Foundation have been prepared on the accrual basis. The financial statement presentation is in conformity with accounting principles generally accepted in the United States of America for nonprofit organizations, which require that the Foundation report information regarding its financial activities according to three classes of net assets, as applicable: unrestricted, temporarily restricted and permanently restricted. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Net assets

Unrestricted net assets include net assets that have no donor-imposed stipulations. Temporarily restricted net assets are gifts received with donor stipulations that limit the use of the donated assets to specific projects. When the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets in the accompanying statement of activities. As required by accounting principles generally accepted in the United States of America, net assets are classified and reported based on donor-imposed restrictions.

THE CENTURY FOUNDATION, INC.**Notes to Financial Statements (continued)
June 30, 2012****Note 2 – Summary of significant accounting policies (continued)****Cash equivalents**

Cash equivalents represent investments with original maturities of three months or less.

Restricted cash

In connection with the Foundation's lease agreement, the Foundation maintains a separate bank account as collateral for the letter of credit.

Investments

Investments are recorded at fair value. The value of the investment in the limited partnership ("partnership") is adjusted for the change in the unrealized value and is based upon the most recent available information provided by management of the partnership, which may differ from the value that would have been used had a ready market for the investment existed. Realized gains and losses and the change in the unrealized value of investments are included in the accompanying statement of activities.

Property and equipment

Property and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

Research projects

The cost of research projects is recognized as incurred. Unexpended appropriations for projects in process at year-end are reported as designations of the net assets. The remaining balances of funds contributed on behalf of specific projects or programs are classified as temporarily restricted assets.

Expense allocations

Expenses that are not attributable to a specific function are allocated across all functions based upon various allocation factors. The allocation percentages are determined based upon a time analysis for all employees.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements. Actual results could differ from those estimates.

THE CENTURY FOUNDATION, INC.

Notes to Financial Statements (continued)
June 30, 2012

Note 2 – Summary of significant accounting policies (continued)

Concentration of credit risk

The Foundation's financial instruments that are potentially exposed to concentrations of credit risk consist of cash and investments. The Foundation places its cash with what it believes to be quality financial institutions. The Foundation invests in stock, U.S. government and agency obligation, mutual funds and a limited partnership. Investments are exposed to various risks such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position at June 30, 2012. The Foundation believes that no significant concentration of credit risk exists with respect to its cash and investments.

Subsequent events

Subsequent events have been evaluated through September 17, 2012, which is the date these financial statements were available to be issued.

Note 3 – Property and equipment

Property and equipment and the related accumulated depreciation at June 30, 2012 and 2011 are summarized as follows:

	<u>2012</u>	<u>2011</u>	<u>Estimated Useful Lives</u>
Land	\$ 125,000	\$ 125,000	N/A
Building	175,000	175,000	40 years
Building improvements	806,808	806,808	10 to 40 years
Equipment	<u>655,789</u>	<u>526,090</u>	3 to 7 years
Total cost	1,762,597	1,632,898	
Accumulated depreciation	<u>(938,030)</u>	<u>(867,845)</u>	
Net	<u>\$ 824,567</u>	<u>\$ 765,053</u>	

During 2012, the Foundation has entered into a contract to sell its building for \$25,000,000. The closing of title took place October 18, 2012. In connection with the sale, a \$2,500,000 down payment was held in escrow and has been recorded on the Foundation's statement of financial position as of June 30, 2012.

THE CENTURY FOUNDATION, INC.

Notes to Financial Statements (continued)

June 30, 2012

Note 4 – Employee benefits

Defined contribution plan

Retirement benefits for substantially all employees are provided through defined contributions by the Foundation to individual annuity contracts with Teachers Insurance and Annuity Association and College Retirement Equities Fund. Effective June 1, 2012, the Foundation matches employee contributions up to 5%. Prior to June 1, 2012, the Foundation contributed 10% of the employees' base salary. Employees are eligible for participation in the plan upon the completion of six months of service. The cost of the plan was \$170,777 and \$178,049 for the years ended June 30, 2012 and 2011, respectively. Additionally, employees have the option to participate in before-tax contributions to a separate annuity plan subject to limits determined by IRC guidelines.

Postretirement

In addition to providing retirement plans, the Foundation provides certain postretirement healthcare for eligible retired employees. Substantially all of the Foundation's employees may become eligible for these benefits if they reach retirement age while working for the Foundation and satisfy certain years of service requirements. Such coverage provides for the gap between Medicare reimbursement and actual healthcare insurance costs incurred, subject to certain maximums.

The Foundation recognizes the postretirement benefit obligation in accordance with the accounting standard for pension plans. This standard requires organizations to recognize the over-funded or under-funded status of a postretirement benefit plan as an asset or liability in its statement of financial position.

The benefit obligation, plan assets, contributions, payments, and funded status for the post-retirement benefit program as of and for the years ended June 30, 2012 and 2011 are summarized as follows:

	<u>2012</u>	<u>2011</u>
Benefit obligation	\$ (574,896)	\$ (585,588)
Fair value of plan assets	-	-
Funded status	<u>\$ (574,896)</u>	<u>\$ (585,588)</u>
Items not yet recognized as a component of net periodic benefit cost		
Prior service cost	\$ 44,041	\$ 51,596
Net loss (gain)	<u>(10,044)</u>	<u>28,956</u>
Total	<u>\$ 33,997</u>	<u>\$ 80,552</u>

The estimated net loss and prior service cost for the post-retirement benefits program that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year is \$7,555.

THE CENTURY FOUNDATION, INC.

Notes to Financial Statements (continued)

June 30, 2012

Note 4 – Employee benefits (continued)

	<u>2012</u>	<u>2011</u>
Employer contributions	\$ 7,145	\$ 10,537
Benefits paid	7,145	10,537
Net periodic benefit cost	43,008	64,251
Weighted average assumption to determine benefit obligations and benefit costs for years ended June 30:		
Discount rate (benefit obligation)	4.02%	5.50%
Discount rate (benefit costs)	4.02%	5.50%

The healthcare cost trend rate was assumed to be 8.5% for the year ended June 30, 2012. This trend rate is assumed to decrease gradually to 5% by the year ended June 2019 and thereafter.

Expected benefit payments by the post-retirement benefits program are summarized as follows:

<u>Fiscal Year</u>	<u>Projected Benefit Payments</u>
2013	\$ 35,022
2014	33,077
2015	31,430
2016	32,313
2017	31,032
2018-2022	168,890

Note 5 – Investments

The Foundation's aggregate investments comprise the following as of June 30, 2012 and June 30, 2011:

	<u>2012</u>	
	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 290,143	\$ 290,143
Mutual funds		
Fixed income	4,373,673	4,742,099
Balanced	9,613,880	12,518,602
Equities	9,333,741	11,562,631
U.S. Government and Agency obligations	3,565,726	4,480,081
Preferred stock	100,235	100,320
Limited partnership	3,417,292*	3,814,204
Total	\$ 30,694,690	\$ 37,508,080

THE CENTURY FOUNDATION, INC.

Notes to Financial Statements (continued)
June 30, 2012

Note 5 – Investments (continued)

	2011	
	Cost	Fair Value
Cash and cash equivalents	\$ 1,541,331	\$ 1,541,331
Mutual funds		
Fixed income	4,707,365	4,886,296
Balanced	7,400,491	9,205,692
Equities	12,111,146	15,404,486
U.S. Government and Agency obligations	4,567,964	5,152,160
Preferred stock	100,235	94,640
Limited partnership	3,417,292*	3,840,347
Total	\$ 33,845,824	\$ 40,124,952

* The limited partnership cost basis represents the taxable basis for this investment. The Foundation has redeemed its original investment from the Limited Partnership.

Fair value measurements

The Foundation reports its investments under the Financial Accounting Standards fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy under this standard are as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets.

Level 2 - Quoted prices for identical assets in markets that are not active, quoted prices for similar assets in active markets, inputs other than quoted market prices, and inputs derived principally from observable market data.

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2012 from that of the previous year.

- Preferred stock and U.S. government and agency obligations are valued at the closing price reported on the active market on which the individual investments are traded.

THE CENTURY FOUNDATION, INC.

Notes to Financial Statements (continued)

June 30, 2012

Note 5 – Investments (continued)

Fair value measurement (continued)

- Mutual funds are valued at the net asset value of shares held by the Foundation at year-end.
- Limited partnership is valued by the Partnership's management. Management determines the fair value of its investments based on quoted market prices. If quoted market prices are not available, fair value is based on other relevant factors, including dealer price quotations, price activity for equivalent instruments and valuation pricing models.

The preceding methods described for the Limited Partnership may produce a fair value calculation that may not be indicative of net realized value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the Foundation's investments that are measured at fair value on a recurring basis as of June 30, 2012:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 290,143	\$ 290,143	\$ -	\$ -
Mutual funds				
Fixed income	4,742,099	4,742,099	-	-
Balanced	12,518,602	12,518,602	-	-
Equities	11,562,631	11,562,631	-	-
U.S. Government and Agency Obligations	4,480,081	4,480,081	-	-
Preferred stock	100,320	100,320	-	-
Limited partnership	<u>3,814,204</u>	<u>-</u>	<u>-</u>	<u>3,814,204</u>
Total	<u>\$ 37,508,080</u>	<u>\$ 33,693,876</u>	<u>\$ -</u>	<u>\$ 3,814,204</u>

The following is a summary of changes in the fair value of the Foundation's Level 3 investment for the year ended June 30, 2011:

Balance, June 30, 2011	\$ 3,840,347
Investment return – net	<u>(26,143)</u>
Balance, June 30, 2012	<u>\$ 3,814,204</u>

THE CENTURY FOUNDATION, INC.

Notes to Financial Statements (continued)
June 30, 2012

Note 5 – Investments (continued)

Fair value measurement (continued)

The following table presents the Foundation's investments that are measured at fair value on a recurring basis as of June 30, 2011:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 1,541,331	\$ 1,541,331	\$ -	\$ -
Mutual funds				
Fixed income	4,886,296	4,886,296	-	-
Balanced	9,205,692	9,205,692	-	-
Equities	15,404,486	15,404,486	-	-
U.S. Government and Agency Obligations	5,152,160	5,152,160	-	-
Preferred stock	94,640	94,640	-	-
Limited partnership	<u>3,840,347</u>	<u>-</u>	<u>-</u>	<u>3,840,347</u>
Total	<u>\$ 40,124,952</u>	<u>\$ 36,284,605</u>	<u>\$ -</u>	<u>\$ 3,840,347</u>

The following is a summary of changes in the fair value of the Foundation's Level 3 investment for the year ended June 30, 2011:

Balance, June 30, 2010	\$ 3,931,775
Investment return – net	558,572
Withdrawals	(4,373,035)
Purchases	<u>3,723,035</u>
Balance, June 30, 2011	<u>\$ 3,840,347</u>

* Effective January 1, 2011, the Limited Partnership was restructured as an offshore investment. The Foundation redeemed \$650,000 of this investment at the time of restructuring.

THE CENTURY FOUNDATION, INC.

Notes to Financial Statements (continued)

June 30, 2012

Note 6 – Temporarily restricted net assets

The following is a summary of the activity of the temporarily restricted net assets for the year ended June 30, 2012:

<u>Program/Purpose</u>	<u>Balance, June 30, 2011</u>	<u>Contributions and Grants</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance, June 30, 2012</u>
Peter Berle Memorial	\$ 41,415	\$ -	\$ -	\$ 41,415
Legacy Preferences	12,407	-	12,407	-
Afghanistan/Pakistan	4,454	-	4,454	-
Myanmar	5,887	-	5,887	-
Education-Community				
College TF	240,000	-	110,941	129,059
Carnegie Corp of NY -				
Pakistan	-	489,400	-	489,400
Schlesinger/UN				
Documentary	<u>-</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total	<u>\$ 304,163</u>	<u>\$ 519,400</u>	<u>\$ 163,689</u>	<u>\$ 659,874</u>

Note 7 – Commitments

During 2012, the Foundation entered into a lease for office space expiring on February 29, 2028. The Foundation anticipates occupying the new space in October 2012. The lease which contains a ten month rent concession will be amortized using the straight-line method upon occupancy of the new space. The lease contains a provision for security whereby the Foundation executed an irrevocable standby letter of credit (“LOC”) for \$386,460. The LOC is collateralized by a separate bank account. The future minimum lease payments for fiscal years 2013 through fiscal 2018 are \$354,255 annually (first rent period) \$386,460 for next five years (second rent period) and \$407,930 for the remainder of the term (third rent period).

The Foundation also occupies office space in Washington, DC under an agreement that expires on August 22, 2013. The lease automatically renews for successive one year periods unless it is terminated in accordance with certain provisions as outlined in the agreement. Rent expense for the fiscal years ended June 30, 2012 and 2011 was \$81,722. The future minimum lease commitment for the office space is \$81,722 for 2013.

THE CENTURY FOUNDATION, INC.**Notes to Financial Statements (continued)**
June 30, 2012**Note 8 – Tax status**

The Foundation has been determined by the Internal Revenue Service (the “IRS”) to be a charitable and educational organization as defined in the Internal Revenue Code (the “Code”) Section 501(c)(3) and is exempt from federal income taxes under Section 501(a) of the Code. As a research Foundation, engaged in the study of cultural, economic and social issues and institutions, the IRS further determined that the Foundation is a private operating foundation as defined in Code Section 4942(j)(3) and, therefore, donors are entitled to the maximum charitable contribution deduction under the Code. As of June 30, 2012, no amounts have been recognized for uncertain income tax positions. The Foundation’s tax returns for the years 2009 and forward are subject to the usual review by the appropriate authorities.