

THE CENTURY FOUNDATION, INC.

**Financial Statements
for year ended
June 30, 2015**

Independent Auditor's Report

To the Board of Trustees
The Century Foundation, Inc.

We have audited the accompanying financial statements of The Century Foundation, Inc. which comprise the statement of financial position as of June 30, 2015 and June 30, 2014 and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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 audit 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 entity'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 entity'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 Century Foundation, Inc. as of June 30, 2015 and June 30, 2014 and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Condon O'Meara McGinty & Donnelly LLP

October 30, 2015

THE CENTURY FOUNDATION, INC.

Statement of Financial Position

Assets

	June 30	
	2015	2014
Cash	\$ 174,775	\$ 186,936
Accrued interest and dividends receivable	47,559	55,124
Accounts receivable	4,186	1,205
Grants receivable	178,668	183,882
Prepaid expenses	8,582	44,990
Investments, at fair value	60,727,496	65,212,575
Property and equipment, at cost, net of accumulated depreciation	461,310	532,038
Restricted cash	388,901	388,369
Total assets	\$ 61,991,477	\$ 66,605,119

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 83,319	\$ 99,703
Deferred rent	318,516	310,043
Total liabilities	401,835	409,746
Net assets		
Unrestricted		
Net investment in property and equipment	461,310	532,038
Available for investment and future projects	60,892,053	65,304,345
Total unrestricted	61,353,363	65,836,383
Temporarily restricted	236,279	358,990
Total net assets	61,589,642	66,195,373
Total liabilities and net assets	\$ 61,991,477	\$ 66,605,119

See notes to financial statements.

THE CENTURY FOUNDATION, INC.

Statement of Activities

	Year Ended June 30					
	2015		2014			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Interest and dividends	\$ 773,151	-	\$ 773,151	\$ 1,247,697	-	\$ 1,247,697
Alternative investment income	567,538	-	567,538	305,276	-	305,276
Royalties and net publication sales	24,128	-	24,128	19,174	-	19,174
Grants, contributions and other	7,100	470,483	477,583	8,600	431,237	439,837
Net assets released from restrictions	593,194	(593,194)	-	485,577	(485,577)	-
Total support and revenue	<u>1,965,111</u>	<u>(122,711)</u>	<u>1,842,400</u>	<u>2,066,324</u>	<u>(54,340)</u>	<u>2,011,984</u>
Expenses						
Operations						
Program	3,418,468	-	3,418,468	2,961,933	-	2,961,933
Publishing	583,445	-	583,445	491,605	-	491,605
Administration	767,118	-	767,118	916,993	-	916,993
Total expenses	<u>4,769,031</u>	<u>-</u>	<u>4,769,031</u>	<u>4,370,531</u>	<u>-</u>	<u>4,370,531</u>
(Deficiency) of revenue over expenses before other additions (deduction)	<u>(2,803,920)</u>	<u>(122,711)</u>	<u>(2,926,631)</u>	<u>(2,304,207)</u>	<u>(54,340)</u>	<u>(2,358,547)</u>
Other additions (deduction)						
Net realized gain on investments	160,186	-	160,186	5,055,988	-	5,055,988
Change in unrealized appreciation of investments	<u>(1,839,286)</u>	<u>-</u>	<u>(1,839,286)</u>	<u>1,682,669</u>	<u>-</u>	<u>1,682,669</u>
Total other additions (deduction)	<u>(1,679,100)</u>	<u>-</u>	<u>(1,679,100)</u>	<u>6,738,657</u>	<u>-</u>	<u>6,738,657</u>
Increase (decrease) in net assets	(4,483,020)	(122,711)	(4,605,731)	4,434,450	(54,340)	4,380,110
Net assets, beginning of year	<u>65,836,383</u>	<u>358,990</u>	<u>66,195,373</u>	<u>61,401,933</u>	<u>413,330</u>	<u>61,815,263</u>
Net assets, end of year	<u>\$61,353,363</u>	<u>\$ 236,279</u>	<u>\$ 61,589,642</u>	<u>\$ 65,836,383</u>	<u>\$ 358,990</u>	<u>\$ 66,195,373</u>

See notes to financial statements.

THE CENTURY FOUNDATION, INC.

Statement of Cash Flows

	Year Ended	
	June 30	
	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (4,605,731)	\$ 4,380,110
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) operating activities		
Realized (gain) on sale of investments	(160,186)	(5,055,988)
Change in unrealized appreciation of investments	1,839,286	(1,682,669)
Depreciation and amortization	80,054	106,970
(Increase) decrease in accrued interest and dividends receivable	7,565	(5,980)
(Increase) in accounts receivable	(2,981)	(53)
(Increase) decrease in grants receivable	5,214	(90,282)
(Increase) decrease in prepaid expenses	36,408	(13,416)
Increase (decrease) in accounts payable and accrued expenses	(16,384)	11,424
Increase in deferred rent	8,473	37,643
Net cash (used in) operating activities	<u>(2,808,282)</u>	<u>(2,312,241)</u>
Cash flows from investing activities		
Purchase of property and equipment	(9,326)	(5,665)
Purchases of investments	(567,538)	(13,405,275)
Proceeds from sale of investments	8,103,975	19,632,900
Net change in investment cash and cash equivalents	<u>(4,730,458)</u>	<u>(3,779,141)</u>
Net cash provided by investing activities	<u>2,796,653</u>	<u>2,442,819</u>
Net increase (decrease) in cash	(11,629)	130,578
Cash, beginning of year	<u>575,305</u>	<u>444,727</u>
Cash, end of year	<u>\$ 563,676</u>	<u>\$ 575,305</u>
Consist of		
Cash – Operating	\$ 174,775	\$ 186,936
Cash – Restricted	388,901	388,369
Total cash	<u>\$ 563,676</u>	<u>\$ 575,305</u>

See notes to financial statements.

THE CENTURY FOUNDATION, INC.**Notes to Financial Statements
June 30, 2015****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.

The Foundation 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. Net assets are classified and reported based on donor-imposed restrictions.

THE CENTURY FOUNDATION, INC.**Notes to Financial Statements (continued)
June 30, 2015****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.

Fair value of financial instruments

Investments in mutual funds and fixed income obligations are reported at fair value based on quoted market prices. Unrealized gains and losses are determined using quoted market prices at the respective statement of financial position dates. Realized gains and losses from sales of securities are determined on a first-in, first-out basis. Investment transactions are accounted for on a trade-date basis. The Foundation also invests in Alternative Investments. As of June 30, 2015, Alternative Investments represent limited partnerships and hedge funds held by the Foundation. The value of the Alternative Investments, which is adjusted for unrealized gains and losses, is based upon the most recent available information provided by management of the Alternative Investments. There is uncertainty in determining fair values of Alternative Investments, arising from factors such as lack of active markets (primary and secondary), lack of transparency into underlying holdings, time lags associated with reporting by the investee companies, and the subjective evaluation of liquidity restrictions. As a result, the estimated fair values reported in the accompanying statement of financial position might differ from the values that would have been used had a ready market for the Alternative Investments interests existed. Furthermore, there is at least a reasonable possibility that estimates could change by material amounts in the near term.

Property and equipment

Leasehold improvements, furniture, fixtures and equipment are recorded at cost. The Foundation capitalizes expenditures for assets in excess of a nominal amount with an estimated useful life of greater than one year. Depreciation of furniture and equipment is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the term of the related lease or the estimated useful lives of the assets. During the 2014 fiscal year, the Foundation wrote off fully depreciated assets totaling \$50,579. There was no such write-off during the 2015 fiscal year.

THE CENTURY FOUNDATION, INC.

Notes to Financial Statements (continued)
June 30, 2015

Note 2 – Summary of significant accounting policies (continued)

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.

Occupancy lease

Occupancy lease expense has been recorded on the straight-line basis over the term of the lease. Deferred rent has been recorded for the difference between the fixed payments and rent expense.

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.

Concentrations 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 mutual funds, U.S. government and agency obligation, mutual funds and Alternative Investments. Investments are exposed to various risks such as interest rate, market, credit and liquidity. Due to the level of uncertainty related to changes in interest rates, market volatility, credit risks and liquidity, 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, 2015. The Foundation believes that no significant concentrations of credit risk exist with respect to its cash and investments.

Subsequent events

Subsequent events have been evaluated through October 30, 2015, which is the date these financial statements were available to be issued.

THE CENTURY FOUNDATION, INC.

Notes to Financial Statements (continued)
June 30, 2015

Note 3 – Property and equipment

Property and equipment and the related accumulated depreciation at June 30, 2015 and June 30, 2014 are summarized as follows:

	<u>2015</u>	<u>2014</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 417,495	\$ 417,495	15 years
Equipment	308,405	299,079	3 to 7 years
Total cost	725,900	716,574	
Accumulated depreciation	<u>(264,590)</u>	<u>(184,536)</u>	
Net	<u>\$ 461,310</u>	<u>\$ 532,038</u>	

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. The Foundation matches employee contributions up to 5%. Employees are eligible for participation in the plan upon the completion of six months of service. The cost of the plan was \$78,292 and \$82,485 for the years ended June 30, 2015 and June 30, 2014, respectively. Additionally, employees have the option to participate in before-tax contributions to a separate annuity plan subject to limits determined by IRC guidelines.

Note 5 – Investments

The Foundation's aggregate investments comprise the following as of June 30, 2015 and June 30, 2014:

	<u>2015</u>	
	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 10,823,507	\$ 10,823,507
Mutual funds		
Fixed income	5,613,329	5,546,339
Balanced	1,850,000	2,592,562
Equities	10,951,628	13,250,960
U.S. Government and Agency obligations	2,777,870	3,358,794
Limited partnerships	12,622,814	13,392,655
Hedge funds	<u>10,250,000</u>	<u>11,762,679</u>
Total	<u>\$ 54,889,148</u>	<u>\$ 60,727,496</u>

THE CENTURY FOUNDATION, INC.

Notes to Financial Statements (continued)
June 30, 2015

Note 5 – Investments (continued)

	2014	
	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 6,093,049	\$ 6,093,049
Mutual funds		
Fixed income	5,613,329	5,672,613
Balanced	1,850,000	2,647,633
Equities	18,512,000	21,540,269
U.S. Government and Agency obligations	3,161,287	3,801,460
Limited partnership	12,055,276	13,748,105
Hedge funds	<u>10,250,000</u>	<u>11,709,446</u>
Total	<u>\$ 57,534,941</u>	<u>\$ 65,212,575</u>

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, 2015 from that of the previous year.

THE CENTURY FOUNDATION, INC.

Notes to Financial Statements (continued)
June 30, 2015

Note 5 – Investments (continued)

Fair value measurements (continued)

- U.S. government and agency obligations are valued at the closing price reported by an outside service using pricing models with observable inputs for similar securities on the active market on which the individual investments are traded.
- Mutual funds are valued at the net asset value of shares held by the Foundation at year-end.
- Alternative investments (limited partnerships/hedge funds) are valued by the management of these investments. 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 alternative investments 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, 2015:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 10,823,507	\$ 10,823,507	\$ -	\$ -
Mutual funds				
Fixed income	5,546,339	5,546,339	-	-
Balanced	2,592,562	2,592,562	-	-
Equities	13,250,960	13,250,960	-	-
U.S. Government and Agency Obligations	3,358,794	3,358,794	-	-
Limited partnerships	13,392,655	-	-	13,392,655
Hedge funds	<u>11,762,679</u>	<u>-</u>	<u>-</u>	<u>11,762,679</u>
Total	<u>\$ 60,727,496</u>	<u>\$ 35,572,162</u>	<u>\$ -</u>	<u>\$ 25,155,334</u>

THE CENTURY FOUNDATION, INC.

Notes to Financial Statements (continued)
June 30, 2015

Note 5 – Investments (continued)

Fair value measurements (continued)

The following is a summary of changes in the fair value of the Foundation's Level 3 investments for the year ended June 30, 2015:

Balance, June 30, 2014	\$ 25,457,551
Purchases	567,538
Sales	-
Investment return (loss) – net	<u>(869,755)</u>
Balance, June 30, 2015	<u>\$ 25,155,334</u>

The following table presents the Foundation's investments that are measured at fair value on a recurring basis as of June 30, 2014:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 6,093,049	\$ 6,093,049	\$ -	\$ -
Mutual funds				
Fixed income	5,672,613	5,672,613	-	-
Balanced	2,647,633	2,647,633	-	-
Equities	21,540,269	21,540,269	-	-
U.S. Government and Agency Obligations	3,801,460	3,801,460	-	-
Limited partnership	13,748,105	-	-	13,748,105
Hedge funds	<u>11,709,446</u>	<u>-</u>	<u>-</u>	<u>11,709,446</u>
Total	<u>\$ 65,212,575</u>	<u>\$ 39,755,024</u>	<u>\$ -</u>	<u>\$ 25,457,551</u>

The following is a summary of changes in the fair value of the Foundation's Level 3 investments for the year ended June 30, 2014:

Balance, June 30, 2013	\$ 10,750,678
Purchases	11,805,276
Sales	-
Investment return – net	<u>2,901,597</u>
Balance, June 30, 2014	<u>\$ 25,457,551</u>

THE CENTURY FOUNDATION, INC.

Notes to Financial Statements (continued)
June 30, 2015

Note 5 – Investments (continued)

Fair value measurements (continued)

The Foundation uses the net asset value per share or its equivalent (“NAV”), to determine the fair value of all the underlying investments which: (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists such investments by major class:

<u>Type/fund</u>	<u>Strategy</u>	<u>NAV in funds</u>	<u>Redemptions Terms</u>	<u>Redemption Restrictions</u>
Hedge funds - 3	Distressed securities - Independent return long/short equities	3,702 29 939	1 fund is 25% quarterly with 90 days’ notice; 1 fund is quarterly with 45 days’ notice; and 1 fund is annual with 90 days’ notice	Initial lock-up of four full fiscal quarters for 1 fund; no redemption restrictions for 2 funds
Limited partnerships (LP) - 3	Long only equity - Global; Independent return	N/A	2 LP’s are monthly with 30 days’ notice and 1 LP is quarterly with 30 days’ notice	2% fee on redemption prior to 1-year anniversary of investment for 1 LP; and 1% fee on redemption prior to 1-year anniversary of investment for 1 LP; no redemption restrictions for 1 LP

- None of the above funds have any unfunded commitments.

THE CENTURY FOUNDATION, INC.

Notes to Financial Statements (continued)
June 30, 2015

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, 2015:

<u>Program/Purpose</u>	<u>Balance,</u> <u>June 30, 2014</u>	<u>Contributions</u> <u>and</u> <u>Grants</u>	<u>Net Assets</u> <u>Released</u> <u>from</u> <u>Restrictions</u>	<u>Balance,</u> <u>June 30, 2015</u>
Carnegie Corp of NY - Pakistan	\$ 191,317	\$ -	\$ 191,317	\$ -
Documenting and Evaluating NEA Foundation Programs	10,000	60,965	45,965	25,000
BLS-Revitalizing Government Initiative	157,673	250,000	255,994	151,679
BLS-Poverty Conference	-	33,668	33,668	-
NCS Pearson/Lumina Foundation-Paths to Higher Education Diversity Conference	-	60,000	60,000	-
NCS Pearson-College Completion Project	<u>-</u>	<u>65,850</u>	<u>6,250</u>	<u>59,600</u>
Total	<u>\$ 358,990</u>	<u>\$ 470,483</u>	<u>\$ 593,194</u>	<u>\$ 236,279</u>

Note 7 – Commitments

During 2012, the Foundation entered into a lease for office space expiring July 2028. The Foundation began occupying the new space in October 2012. The lease which contains a ten month rent concession which is being amortized using the straight-line method over the term of the lease. 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 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). Rent expense for the fiscal years ended June 30, 2015 and June 30, 2014 was \$360,823 and \$373,734, respectively.

The Foundation also occupies office space in Washington, DC under a cost sharing agreement that expires on May 15, 2016. In 2014, the agreement was amended and the occupied office space was reduced along with the annual fee. The annual fee for the fiscal years ended June 30, 2015 and June 30, 2014 was \$79,692 and \$95,499, respectively. The future annual fee commitment for the office space will be \$79,692 for the 2016 fiscal year.

THE CENTURY FOUNDATION, INC.**Notes to Financial Statements (continued)
June 30, 2015****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, 2015, no amounts have been recognized for uncertain income tax positions. The Foundation’s tax returns for the years 2012 and forward are subject to the usual review by the appropriate authorities.