

THE CENTURY FOUNDATION, INC.

**Financial Statements
for year ended
June 30, 2016**

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, 2016 and June 30, 2015 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, 2016 and June 30, 2015 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

November 4, 2016

THE CENTURY FOUNDATION, INC.

Statement of Financial Position

Assets

	June 30	
	2016	2015
Cash	\$ 59,997	\$ 174,775
Accrued interest and dividends receivable	83,927	47,559
Accounts receivable	230	4,186
Grants receivable	352,800	178,668
Prepaid expenses	44,202	8,582
Investments, at fair value	54,845,668	60,727,496
Property and equipment, at cost, net of accumulated depreciation	385,159	461,310
Restricted cash	<u>389,234</u>	<u>388,901</u>
Total assets	<u>\$ 56,161,217</u>	<u>\$ 61,991,477</u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 101,141	\$ 83,319
Deferred rent	<u>326,989</u>	<u>318,516</u>
Total liabilities	<u>428,130</u>	<u>401,835</u>

Net assets

Unrestricted		
Net investment in property and equipment	385,159	461,310
Available for investment and future projects	<u>54,551,905</u>	<u>60,892,053</u>
Total unrestricted	<u>54,937,064</u>	<u>61,353,363</u>
Temporarily restricted	<u>796,023</u>	<u>236,279</u>
Total net assets	<u>55,733,087</u>	<u>61,589,642</u>
Total liabilities and net assets	<u>\$ 56,161,217</u>	<u>\$ 61,991,477</u>

See notes to financial statements.

THE CENTURY FOUNDATION, INC.

Statement of Activities

	Year Ended June 30			
	2016		2015	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u> <u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u> <u>Total</u>
Support and revenue				
Interest and dividends	\$ 812,050	\$ 812,050	\$ 773,151	\$ 773,151
Alternative investment income (loss)	(1,028,132)	(1,028,132)	567,538	567,538
Royalties and net publication sales	18,189	18,189	24,128	24,128
Grants, contributions and other	11,611	1,161,611	7,100	470,483
Net assets released from restrictions	590,256	(590,256)	593,194	(593,194)
Total support and revenue	<u>403,974</u>	<u>963,718</u>	<u>1,965,111</u>	<u>(122,711)</u>
Expenses				
Operations				
Program	3,400,330	3,400,330	3,418,468	3,418,468
Publishing	570,777	570,777	583,445	583,445
Administration	894,688	894,688	767,118	767,118
Total expenses	<u>4,865,795</u>	<u>4,865,795</u>	<u>4,769,031</u>	<u>4,769,031</u>
Excess (deficiency) of revenue over expenses before other addition (deduction)	<u>(4,461,821)</u>	<u>(3,902,077)</u>	<u>(2,803,920)</u>	<u>(122,711)</u>
Other addition (deduction)				
Net realized gain on investments	459,542	459,542	160,186	160,186
Change in unrealized appreciation of investments	(2,414,020)	(2,414,020)	(1,839,286)	(1,839,286)
Total other addition (deduction)	<u>(1,954,478)</u>	<u>(1,954,478)</u>	<u>(1,679,100)</u>	<u>(1,679,100)</u>
Increase (decrease) in net assets	<u>(6,416,299)</u>	<u>(5,856,555)</u>	<u>(4,483,020)</u>	<u>(122,711)</u>
Net assets, beginning of year	<u>61,353,363</u>	<u>61,589,642</u>	<u>65,836,383</u>	<u>66,195,373</u>
Net assets, end of year	<u>\$54,937,064</u>	<u>\$ 55,733,087</u>	<u>\$61,353,363</u>	<u>\$ 61,589,642</u>

See notes to financial statements.

THE CENTURY FOUNDATION, INC.

Statement of Cash Flows

	Year Ended June 30	
	2016	2015
Cash flows from operating activities		
(Decrease) in net assets	\$ (5,856,555)	\$ (4,605,731)
Adjustments to reconcile (decrease) in net assets to net cash (used in) operating activities		
Realized (gain) on sale of investments	(459,542)	(160,186)
Change in unrealized appreciation of investments	2,414,020	1,839,286
Depreciation and amortization	80,657	80,054
(Increase) decrease in accrued interest and dividends receivable	(36,368)	7,565
(Increase) decrease in accounts receivable	3,956	(2,981)
(Increase) decrease in grants receivable	(174,132)	5,214
(Increase) decrease in prepaid expenses	(35,620)	36,408
Increase (decrease) in accounts payable and accrued expenses	17,822	(16,384)
Increase in deferred rent	8,473	8,473
Net cash (used in) operating activities	<u>(4,037,289)</u>	<u>(2,808,282)</u>
Cash flows from investing activities		
Purchase of property and equipment	(4,506)	(9,326)
Purchases of investments	(18,956,519)	(567,538)
Proceeds from sale of investments	13,131,896	8,103,975
Net change in investment cash and cash equivalents	<u>9,751,973</u>	<u>(4,730,458)</u>
Net cash provided by investing activities	<u>3,922,844</u>	<u>2,796,653</u>
Net (decrease) in cash	(114,445)	(11,629)
Cash, beginning of year	<u>563,676</u>	<u>575,305</u>
Cash, end of year	<u>\$ 449,231</u>	<u>\$ 563,676</u>
Consist of		
Cash – Operating	\$ 59,997	\$ 174,775
Cash – Restricted	<u>389,234</u>	<u>388,901</u>
Total cash	<u>\$ 449,231</u>	<u>\$ 563,676</u>

See notes to financial statements.

THE CENTURY FOUNDATION, INC.**Notes to Financial Statements****June 30, 2016****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, 2016****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, 2016, 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.

Research projects

The cost of research projects is recognized as incurred. Funds contributed on behalf of specific projects or programs are classified as temporarily restricted assets.

THE CENTURY FOUNDATION, INC.**Notes to Financial Statements (continued)****June 30, 2016****Note 2 – Summary of significant accounting policies (continued)****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, investments and grants receivable. 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 obligations 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, 2016. The Foundation's grants receivable consist of amounts due from donors. Management monitors the collectibility of its receivables. The Foundation believes that no significant concentrations of credit risk exist with respect to its cash, investments and grants receivable.

New accounting policies

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, which exempts investments measured using the net asset value (NAV) practical expedient in ASC 820, *Fair Value Measurement*, from categories within the fair value hierarchy and related disclosures.

This ASU requires presentation of the carrying amount of investments measured using the NAV practical expedient as a reconciling item between the total amount of investments categorized within the fair value hierarchy and the total investments measured at fair value on the face of the financial statements.

THE CENTURY FOUNDATION, INC.
Notes to Financial Statements (continued)
June 30, 2016

Note 2 – Summary of significant accounting policies (continued)

Subsequent events

Subsequent events have been evaluated through November 4, 2016, 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, 2016 and June 30, 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 417,495	\$ 417,495	15 years
Equipment	<u>312,911</u>	<u>308,405</u>	3 to 7 years
Total cost	730,406	725,900	
Accumulated depreciation	<u>(345,247)</u>	<u>(264,590)</u>	
Net	<u>\$ 385,159</u>	<u>\$ 461,310</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 \$83,665 and \$78,292 for the years ended June 30, 2016 and June 30, 2015, 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, 2016 and June 30, 2015:

	<u>2016</u>	
	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 1,071,534	\$ 1,071,534
Mutual funds		
Fixed income	5,613,327	5,594,166
Balanced	1,850,000	2,435,822
Equities	8,662,304	9,334,282
U.S. Government and Agency obligations	12,379,493	13,069,329
Limited partnerships	11,594,682	12,307,708
Hedge funds	<u>10,250,000</u>	<u>11,032,827</u>
Total	<u>\$ 51,421,340</u>	<u>\$ 54,845,668</u>

THE CENTURY FOUNDATION, INC.

Notes to Financial Statements (continued)

June 30, 2016

Note 5 – Investments (continued)

	2015	
	<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 partnership	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>

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.

The fair value of the Foundation's investments in its hedge funds is determined using the net asset value (NAV) per share and is not included in the valuation hierarchy.

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, 2016 from that of the previous year.

THE CENTURY FOUNDATION, INC.

Notes to Financial Statements (continued)

June 30, 2016

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, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,071,534	\$ -	\$ -	\$ 1,071,534
Mutual funds				
Fixed income	5,594,166	-	-	5,594,166
Balanced	2,435,822	-	-	2,435,822
Equities	9,334,282	-	-	9,334,282
U.S. Government and Agency Obligations	13,069,329	-	-	13,069,329
Limited partnerships	-	-	12,307,708	12,307,708
Sub-total	<u>\$ 31,505,133</u>	<u>\$ -</u>	<u>\$ 12,307,708</u>	<u>43,812,841</u>
Investments measured at NAV				
Hedge funds				<u>11,032,827</u>
Total				<u>\$ 54,845,668</u>

THE CENTURY FOUNDATION, INC.

Notes to Financial Statements (continued)

June 30, 2016

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, 2016:

Balance, June 30, 2015	\$ 13,392,655
Purchases	214,932
Sales	(1,243,064)
Investment return – net	<u>(56,815)</u>
Balance, June 30, 2016	<u>\$ 12,307,708</u>

The following table presents the Foundation's investments that are measured at fair value on a recurring basis as of June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</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 partnership	-	-	13,392,655	13,392,655
Sub-total	<u>\$ 35,572,162</u>	<u>\$ -</u>	<u>\$ 13,392,655</u>	48,964,817
Investments measured at NAV				
Hedge funds				<u>11,762,679</u>
Total				<u>\$ 60,727,496</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, 2015:

Balance, June 30, 2014	\$ 13,748,105
Purchases	567,538
Sales	-
Investment return – net	<u>(922,988)</u>
Balance, June 30, 2015	<u>\$ 13,392,655</u>

THE CENTURY FOUNDATION, INC.

Notes to Financial Statements (continued)

June 30, 2016

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 per share</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Hedge funds - 3	Distressed securities - Independent return long/short equities	3,323 27 948	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	None
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	None

- None of the above investments have any unfunded commitments.

THE CENTURY FOUNDATION, INC.

Notes to Financial Statements (continued)

June 30, 2016

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, 2016:

<u>Program/Purpose</u>	<u>Balance, June 30, 2015</u>	<u>Contributions and Grants</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance, June 30, 2016</u>
Carnegie Corp of NY - Arab Security and Pluralism	\$ -	\$ 600,000	\$ 149,344	\$ 450,656
Documenting and Evaluating NEA Foundation Programs	25,000	-	25,000	-
BLS-Revitalizing Government Initiative	151,679	250,000	268,457	133,222
Laura and John Arnold Foundation – Project on For-Profit Colleges	-	300,000	87,855	212,145
NCS Pearson-College Completion Project	<u>59,600</u>	<u>-</u>	<u>59,600</u>	<u>-</u>
Total	<u>\$ 236,279</u>	<u>\$1,150,000</u>	<u>\$ 590,256</u>	<u>\$ 796,023</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 annually for next five years (second rent period) and \$407,930 annually for the remainder of the term (third rent period). Rent expense for the fiscal years ended June 30, 2016 and June 30, 2015 was \$355,668 and \$360,823, respectively.

The Foundation also occupies office space in Washington, DC under a cost sharing agreement that expired on May 15, 2016. In 2016, the agreement was amended to extend the term for an additional year to mature on May 15, 2017. The annual fee for the fiscal years ended June 30, 2016 and June 30, 2015 was \$80,598 and \$79,692, respectively. The future annual fee commitment for the office space will be \$79,621 for the 2017 fiscal year.

THE CENTURY FOUNDATION, INC.**Notes to Financial Statements (continued)****June 30, 2016****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.