

The Century Foundation, Inc.

Financial Statements

June 30, 2017

Independent Auditors' Report

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, 2017 and the related statements of activities and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditors' 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, 2017 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

October 5, 2017

The Century Foundation, Inc.

Statement of Financial Position
June 30, 2017

ASSETS

| | | |
|---|----|-------------------|
| Cash | \$ | 110,041 |
| Restricted cash | | 389,181 |
| Investment income receivable | | 305,925 |
| Other receivable | | 13,940 |
| Grants receivable | | 794,840 |
| Prepaid expenses | | 65,564 |
| Investments | | 56,113,469 |
| Property, equipment and leasehold improvements, net | | <u>318,697</u> |
| Total Assets | \$ | <u>58,111,657</u> |

LIABILITIES AND NET ASSETS

| | | |
|-------------------|----|----------------|
| Liabilities | | |
| Accounts payable | \$ | 111,097 |
| Deferred rent | | <u>352,136</u> |
| Total Liabilities | | <u>463,233</u> |

Net Assets

| | | |
|--|----|-------------------|
| Unrestricted | | |
| Net investment in property and equipment | | 318,697 |
| Available for investment and future projects | | <u>56,023,115</u> |
| Total Unrestricted | | 56,341,812 |
| Temporarily restricted | | <u>1,306,612</u> |
| Total Net Assets | | <u>57,648,424</u> |
| Total Liabilities and Net Assets | \$ | <u>58,111,657</u> |

See notes to financial statements

The Century Foundation, Inc.

Statement of Activities
Year Ended June 30, 2017

| | Unrestricted | Temporarily Restricted | Total |
|---|----------------------|---------------------------|----------------------|
| SUPPORT AND REVENUE | | | |
| Interest, dividends and partnership revenue | \$ 1,161,344 | \$ - | \$ 1,161,344 |
| Net realized gain on sale of investments | 4,403,174 | - | 4,403,174 |
| Change in unrealized appreciation | 3,160 | - | 3,160 |
| Royalties and net publication sales | 8,785 | - | 8,785 |
| Grants, contributions and other | 11,420 | 1,381,097 | 1,392,517 |
| Net assets released from restrictions | <u>870,508</u> | <u>(870,508)</u> | <u>-</u> |
| Total Support and Revenue | <u>6,458,391</u> | <u>510,589</u> | <u>6,968,980</u> |
| EXPENSES | | | |
| Operations | | | |
| Education policy | 1,299,488 | - | 1,299,488 |
| Economy and jobs policy | 842,373 | - | 842,373 |
| Healthcare policy | 304,832 | - | 304,832 |
| Rights and justice policy | 420,516 | - | 420,516 |
| World policy | 732,999 | - | 732,999 |
| Communication and editorial | 245,064 | - | 245,064 |
| Development | 225,284 | - | 225,284 |
| Administration | <u>983,087</u> | <u>-</u> | <u>983,087</u> |
| Total Expenses | <u>5,053,643</u> | <u>-</u> | <u>5,053,643</u> |
| Change in Net Assets | 1,404,748 | 510,589 | 1,915,337 |
| NET ASSETS | | | |
| Beginning of year | <u>54,937,064</u> | <u>796,023</u> | <u>55,733,087</u> |
| End of year | <u>\$ 56,341,812</u> | <u>\$ 1,306,612</u> | <u>\$ 57,648,424</u> |

See notes to financial statements

The Century Foundation, Inc.

Statement of Cash Flows
Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|--------------------|
| Change in net assets | \$ 1,915,337 |
| Adjustments to reconcile change in net assets to net cash from operating activities | |
| Net realized gain on sale of investments | (4,403,174) |
| Change in unrealized appreciation | (3,160) |
| Depreciation and amortization | 80,495 |
| Deferred rent | 25,146 |
| Net change in operating assets and liabilities | |
| Investment income receivable | (221,998) |
| Other receivable | (13,710) |
| Grants receivable | (442,040) |
| Prepaid expenses | (21,362) |
| Accounts payable | 9,957 |
| Net Cash from Operating Activities | <u>(3,074,509)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|--------------------|
| Purchase of property and equipment | (14,033) |
| Purchase of investments | (53,085,356) |
| Proceeds from sale of investments | 57,428,339 |
| Net change in investment cash and cash equivalents | <u>(1,204,450)</u> |
| Net Cash from Investing Activities | <u>3,124,500</u> |

Net Change in Cash 49,991

CASH

| | |
|-------------------|-------------------|
| Beginning of year | <u>449,231</u> |
| End of year | <u>\$ 499,222</u> |

See notes to financial statements

The Century Foundation, Inc.

Notes to Financial Statements

June 30, 2017

1. Organization

The Century Foundation, Inc. (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 the time of Mr. Filene's death in 1937, he was a close associate of President Franklin Roosevelt, one of the leading liberal business in the country. Along the way, he was a champion of fair workplace 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 known as 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.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents represent short-term investments with maturities of three months or less at time of purchase, except for those short-term investments managed by the Foundation's investment managers as part of their long-term investment strategies.

Restricted Cash

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

Fair Value Measurements

The Foundation follows US GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

The Century Foundation, Inc.

Notes to Financial Statements
June 30, 2017

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

The Foundation follows US GAAP guidance which removed the requirements to categorize within the fair value hierarchy all investments for which fair value is measured using the Net Asset Value (“NAV”) per share as a practical expedient.

Property, Equipment and Leasehold Improvements

Property and equipment are recorded at cost and depreciated using the straight-line method over periods ranging from three to seven years. Leasehold improvements are recorded at cost and amortized over the term of the lease.

Presentation of Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Foundation’s net assets and changes therein are classified as permanently restricted, temporarily restricted or unrestricted. The Foundation does not have any permanently restricted net assets at June 30, 2017.

Contributions

Contributions are recorded as temporarily restricted support if they are received with donor stipulations that limit the use of the contribution or that have time restrictions. When a temporary restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Investments Valuation

Investments are carried at fair value.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

The Century Foundation, Inc.

Notes to Financial Statements

June 30, 2017

2. Summary of Significant Accounting Policies (continued)

Deferred Rent

Rent expense is being recognized on a straight-line basis over the life of the lease. The difference between rent expense recognized and rental payments, as stipulated in the lease, is included in deferred rent on the statement of financial position. In addition, deferred rent also includes a period of free rent provided by the lease and is being amortized over the life of the lease.

Functional Allocation of Expenses

The costs of providing various programs and related supporting services have been summarized on a functional basis in the accompanying financial statements. The allocation percentages are determined based upon a time analysis for all employees.

Research Projects

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

Concentration of Credit Risk

The Foundation invests its cash and cash equivalents with a quality financial institution. Throughout the year, balances in this account exceeded the Federal insured limits. The Foundation has a diversified portfolio of investments across multiple asset classes, and routinely assesses the diversification and financial strength of its cash and investment portfolio to limit concentration of credit risk.

Accounting for Uncertainty in Income Taxes

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Foundation had no uncertain tax positions that would require financial statement recognition or disclosure. The Foundation is no longer subject to audits by the applicable taxing jurisdictions for periods prior to 2014.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which is October 5, 2017.

The Century Foundation, Inc.

Notes to Financial Statements June 30, 2017

3. Investments

The following are major categories of investments measured at fair value on a recurring basis at June 30, 2017 grouped by the fair value hierarchy, for those investments subject to categorization within such hierarchy:

| | Level 1 | (Practical Expedient)* | Total |
|---|---------------|---------------------------|---------------|
| At Fair Value | | | |
| Mutual funds | | | |
| Fixed income | \$ 15,850,726 | \$ - | \$ 15,850,726 |
| Equities | 26,624,936 | - | 26,624,936 |
| Hedge funds | - | 8,859,543 | 8,859,543 |
| Limited partnerships | - | 2,502,279 | 2,502,279 |
| Total at Fair Value | \$ 42,475,662 | \$ 11,361,822 | 53,837,484 |
| Invested cash and cash equivalents, at cost | | | 2,275,985 |
| Total Investments | | | \$ 56,113,469 |

(*) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy.

Information regarding alternative investments valued at NAV using the practical expedient at June 30, 2017 is as follows:

| Type/fund | Strategy | Fair Value | Redemption Terms | Redemption Restrictions |
|-------------|---|--------------|--|--|
| Hedge funds | Seeks long-term capital appreciation and current income through investing in a combination of equity securities, fixed income securities and derivatives. | \$ 1,188,326 | Quarterly with 90 days notice | May redeem no more than 25% of aggregate value of the account at each quarter - as follows - 25%, 33 1/3%, 50% and 100%. |
| | Investment in distressed securities- Independent return long/short equities | 3,101,498 | Annual redemption after the fourth full fiscal quarter following the purchase of the shares. | Annually, or Quarterly redemptions may be made on the anniversary of the Lock-Up Period. (March of each year), subject to a redemption charge equal to 5% on the NAV of the shares redeemed. |

The Century Foundation, Inc.

Notes to Financial Statements
June 30, 2017

3. Investments (continued)

| Type/fund | Strategy | Fair Value | Redemption Terms | Redemption Restrictions |
|----------------------------|---|--------------|--|--|
| Hedge funds (continued) | Seeks capital appreciation and current income by investing in a diversified portfolio of structured credit products in the United States and European credit markets. | \$ 2,934,257 | Quarterly with 60 days notice | Subject to a 1 Year lock-up period. |
| | Both hedged and directional investment strategies, primarily in leveraged issuer, distressed debt and equity markets in North America and Europe, Australia and New Zealand | 1,635,462 | Quarterly with 90 days notice with a 10% holdback | Subject to a 2 Year lock-up period, Members may redeem after a 1 year lock-up subject to fees. |
| Limited partnership | Invests in large, mid and small-capitalization non-US securities, significantly in the United Kingdom and Europe | 2,502,279 | Members may redeem all or a portion of their interests on any day in which the New York Stock Exchange is open for business. | A member may not make a partial redemption when that redemption would leave the member's capital with account less than \$100,000. The request would be treated as redemption of the entire capital account. |

There are no unfunded commitments as of June 30, 2017.

4. Property, Equipment and Leasehold Improvements

At June 30, 2017 property, equipment and leasehold improvements at the Foundation were as follows:

| | | |
|--|-------------------|-------------------------------|
| | | <u>Estimated Useful Lives</u> |
| Leasehold improvements | \$ 417,495 | 15 years |
| Equipment | 326,944 | 3 to 7 years |
| | 744,439 | |
| Less accumulated depreciation and amortization | <u>(425,742)</u> | |
| | <u>\$ 318,697</u> | |

Depreciation and amortization expense for the year ended June 30, 2017 was \$80,495.

The Century Foundation, Inc.

Notes to Financial Statements
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5. Retirement Plans

Retirement benefits for substantially all employees are provided through defined contributions by the Foundation and employees to individual annuity contracts with Teachers Insurance and Annuity Association and College Retirement Equities Fund. The Foundation matches employee contribution up to 5%. Employees are eligible for participation in the plan upon the completion of six months of service. The cost of the plan for the year ended June 30, 2017 was \$105,932. Additionally, employees have the option to participate in before-tax contributions to a separate annuity plan subject to limits determined by IRC guidelines.

6. Temporary Restricted Net Assets

The following is a summary of the activity of the temporarily restricted net assets for the year ended June 30, 2017:

| Program/Purpose | Balance June 30, 2016 | Contributions and Grants | Net Assets Released from Restrictions | Balance June 30, 2017 |
|---|--------------------------|--------------------------------|--|--------------------------|
| Carnegie Corp of NY - Arab Security and Pluralism | \$ 450,656 | \$ - | \$ 220,503 | \$ 230,153 |
| Bernard L. Schwartz - Conference | - | 46,097 | 46,097 | - |
| Bernard L. Schwartz - Revitalizing Government Initiative | 133,222 | 125,000 | 245,223 | 12,999 |
| Henry Luce Foundation - Initiative on Religion in International Affairs | - | 300,000 | - | 300,000 |
| Laura and John Arnold Foundation - Project on For-Profit Colleges | 212,145 | - | 212,145 | - |
| National Domestic Workers Alliance - Portable Retirement Benefits | - | 5,000 | - | 5,000 |
| Open Society Foundations - Privacy and Surveillance | - | 25,000 | 7,060 | 17,940 |
| Poverty & Race Research Action Council - School Diversity Conference | - | 10,000 | 10,000 | - |
| The Walton Family Foundation - Supporting Growth of Charter Schools | - | 525,000 | 39,024 | 485,976 |
| William T. Grant Foundation - Community College Engines for Social Mobility | - | 345,000 | 90,456 | 254,544 |
| Total | <u>\$ 796,023</u> | <u>\$ 1,381,097</u> | <u>\$ 870,508</u> | <u>\$ 1,306,612</u> |

The Century Foundation, Inc.

Notes to Financial Statements
June 30, 2017

7. Commitments

During 2012, the Foundation entered into a lease for office space expiring July 2028. The lease 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.

During fiscal 2017, the Foundation entered into a second lease agreement to rent office space in Washington, DC, which expires April 2022. The lease calls for an \$8,239 security deposit and contains a three month rent concession, which is being amortized using the straight-line method over the term of the lease.

Minimum lease payments by fiscal year are as follows:

| | New York City | Washington, DC | Total |
|------------|---------------------|-------------------|---------------------|
| 2018 | \$ 354,256 | \$ 91,122 | \$ 445,378 |
| 2019 | 383,776 | 102,337 | 486,113 |
| 2020 | 386,460 | 105,407 | 491,867 |
| 2021 | 386,460 | 108,569 | 495,029 |
| 2022 | 386,460 | 92,725 | 479,185 |
| Thereafter | <u>2,458,315</u> | - | <u>2,458,315</u> |
| | <u>\$ 4,355,727</u> | <u>\$ 500,160</u> | <u>\$ 4,855,887</u> |

Rent expense for the year ended June 30, 2017 amounted to \$499,603.

In March of 2017 the Foundation entered into an agreement to sublease a portion of its space expiring September 2019. This agreement requires a \$2,296 security deposit and annual payments to the Foundation of approximately \$28,000 the first two years and approximately \$7,000 the last three months of the agreement.

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") Sections 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 the Code Section 4942(j)(3) and therefore, donors are entitled to the maximum charitable contribution deduction under the Code.

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