

The Century Foundation, Inc.

Financial Statements

June 30, 2018 and 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 statements of financial position as of June 30, 2018 and 2017, 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.

Auditors' 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 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

February 21, 2019

The Century Foundation, Inc.

Statements of Financial Position

	June 30	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 53,416	\$ 110,041
Restricted cash	389,567	389,181
Prepaid expenses	67,724	65,564
Other receivable	48,573	13,940
Investment income receivable	3,116	305,925
Grants receivable	934,654	794,840
Investments	57,127,883	56,113,469
Property, equipment and leasehold improvements, net	279,854	318,697
Total Assets	\$ 58,904,787	\$ 58,111,657
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 58,424	\$ 111,097
Deferred rent	369,520	352,136
Total Liabilities	427,944	463,233
Net Assets		
Unrestricted		
Net investment in property and equipment	279,854	318,697
Available for investment and future projects	56,526,093	56,023,115
Total Unrestricted	56,805,947	56,341,812
Temporarily restricted	1,670,896	1,306,612
Total Net Assets	58,476,843	57,648,424
Total Liabilities and Net Assets	\$ 58,904,787	\$ 58,111,657

See notes to financial statements

The Century Foundation, Inc.

Statements of Activities

	Year Ended June 30, 2018			Year Ended June 30, 2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Grants, contributions and other	\$ 30,624	\$ 2,280,996	\$ 2,311,620	\$ 11,420	\$ 1,381,097	\$ 1,392,517
Interest, dividends and partnership revenue	1,550,079	-	1,550,079	1,161,344	-	1,161,344
Net realized gain on sale of investments	369,434	-	369,434	4,403,174	-	4,403,174
Royalties and net publication sales	18,056	-	18,056	8,785	-	8,785
Change in unrealized appreciation	3,048,356	-	3,048,356	3,160	-	3,160
Net assets released from restrictions	<u>1,916,712</u>	<u>(1,916,712)</u>	<u>-</u>	<u>870,508</u>	<u>(870,508)</u>	<u>-</u>
Total Support and Revenue	<u>6,933,261</u>	<u>364,284</u>	<u>7,297,545</u>	<u>6,458,391</u>	<u>510,589</u>	<u>6,968,980</u>
EXPENSES						
Operations						
Education policy	2,305,420	-	2,305,420	1,299,488	-	1,299,488
Economy and jobs policy	858,589	-	858,589	842,373	-	842,373
Healthcare policy	504,038	-	504,038	304,832	-	304,832
Rights and justice policy	374,833	-	374,833	420,516	-	420,516
World policy	896,907	-	896,907	732,999	-	732,999
Communication and editorial	260,371	-	260,371	245,064	-	245,064
Development	300,930	-	300,930	225,284	-	225,284
Administration	<u>968,038</u>	<u>-</u>	<u>968,038</u>	<u>983,087</u>	<u>-</u>	<u>983,087</u>
Total Expenses	<u>6,469,126</u>	<u>-</u>	<u>6,469,126</u>	<u>5,053,643</u>	<u>-</u>	<u>5,053,643</u>
Change in Net Assets	464,135	364,284	828,419	1,404,748	510,589	1,915,337
NET ASSETS						
Beginning of year	<u>56,341,812</u>	<u>1,306,612</u>	<u>57,648,424</u>	<u>54,937,064</u>	<u>796,023</u>	<u>55,733,087</u>
End of year	<u>\$ 56,805,947</u>	<u>\$ 1,670,896</u>	<u>\$ 58,476,843</u>	<u>\$ 56,341,812</u>	<u>\$ 1,306,612</u>	<u>\$ 57,648,424</u>

See notes to financial statements

The Century Foundation, Inc.

Statements of Cash Flows

	Year Ended June 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 828,419	\$ 1,915,337
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized gain on sale of investments	(369,434)	(4,403,174)
Change in unrealized appreciation	(3,048,356)	(3,160)
Depreciation and amortization	38,843	80,495
Deferred rent	17,384	25,146
Net change in operating assets and liabilities		
Investment income receivable	302,809	(221,998)
Other receivable	(34,633)	(13,710)
Grants receivable	(139,814)	(442,040)
Prepaid expenses	(2,160)	(21,362)
Accounts payable	(52,673)	9,957
Net Cash from Operating Activities	(2,459,615)	(3,074,509)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(14,033)
Purchase of investments	(14,267,709)	(53,085,356)
Proceeds from sale of investments	14,533,924	57,428,339
Net change in investment cash and cash equivalents	2,137,161	(1,204,450)
Net Cash from Investing Activities	2,403,376	3,124,500
 Net Change in Cash and Cash Equivalents	(56,239)	49,991
 CASH		
Beginning of year	499,222	449,231
End of year	\$ 442,983	\$ 499,222

See notes to financial statements

The Century Foundation, Inc.

Notes to Financial Statements
June 30, 2018 and 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 businessmen 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, 2018 and 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, 2018 and 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 statements of activities as net assets released from restrictions.

In-Kind Contributions

The Foundation recognizes the fair value of donated services which create or enhance nonfinancial assets, or require specialized skills provided by individuals possessing those skills and would typically be purchased if not provided by donation.

The Foundation received pro-bono legal services valued at \$9,494 in 2018. The Foundation did not receive in-kind contributions in 2017. Such services have been reflected as both in-kind contribution support and as an expense within operations expenses.

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, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Allowances for Accounts Doubtful for Collection

The Foundation determines whether an allowance for uncollectible balances should be provided for receivables. Such estimates are based on management's assessment of its receivables, current economic conditions, subsequent receipts and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted.

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.

Significant Concentrations

Approximately 27% of the Foundation's workforce at June 30, 2018 is covered by a collective bargaining agreement which expires on June 30, 2021. There were no collective bargaining agreements as of June 30, 2017.

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 examinations by the applicable taxing jurisdictions for periods prior to 2015.

The Century Foundation, Inc.

Notes to Financial Statements
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

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 February 21, 2019.

3. Investments

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

	2018		
	Level 1	Other Investments Measured at Net Asset Value (*)	Total
	Level 1	Other Investments Measured at Net Asset Value (*)	Total
Mutual Funds			
Fixed income	\$ 12,330,591	\$ -	\$ 12,330,591
Equities	31,963,666	-	31,963,666
Hedge funds	-	8,222,284	8,222,284
Private equity	-	1,798,464	1,798,464
Limited partnerships	-	2,674,054	2,674,054
Total at Fair Value	<u>\$ 44,294,257</u>	<u>\$ 12,694,802</u>	56,989,059
Invested cash and cash equivalents, at cost			138,824
Total Investments			<u>\$ 57,127,883</u>
	2017		
	Level 1	Other Investments Measured at Net Asset Value (*)	Total
	Level 1	Other Investments Measured at Net Asset Value (*)	Total
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	<u>\$ 42,475,662</u>	<u>\$ 11,361,822</u>	53,837,484
Invested cash and cash equivalents, at cost			2,275,985
Total Investments			<u>\$ 56,113,469</u>

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

The Century Foundation, Inc.

Notes to Financial Statements June 30, 2018 and 2017

3. Investments (continued)

Information regarding alternative investments valued at NAV using the practical expedient at June 30, 2018 is as follows:

Type/fund	Strategy	Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions
Hedge funds	Investment in distressed securities- Independent return long/short equities	\$ 3,412,960	\$ -	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
	Seeks capital appreciation and current income by investing in a diversified portfolio of structured credit products in the United States and European credit markets	3,078,119	-	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	1,731,205	-	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
Private equity	Invests in Claros Mortgage Trust, Inc. to create a diversified portfolio of income-producing loans collateralized by institutional quality commercial real estate domiciled in the United States	1,676,063	-	Illiquid	Illiquid
Limited partnership	Opportunistic fixed income	122,401	1,528,558	Illiquid	Illiquid
	Invests in large, mid and small-capitalization non-US securities, significantly in the United Kingdom and Europe	2,674,054	-	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
		<u>\$ 12,694,802</u>	<u>\$ 1,528,558</u>		

As of June 30, 2018 the Foundation had an additional unfunded commitment in the amount of \$2,200,000 to a private equity investment they have not yet invested in. There were no unfunded commitments at June 30, 2017.

The Century Foundation, Inc.

Notes to Financial Statements
June 30, 2018 and 2017

4. Property, Equipment and Leasehold Improvements

As of June 30, property, equipment and leasehold improvements at the Foundation consisted of the following:

	<u>2018</u>	<u>2017</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 417,495	\$ 417,495	15 years
Equipment	<u>326,944</u>	<u>326,944</u>	3 to 7 years
	744,439	744,439	
Less accumulated depreciation and amortization	<u>(464,585)</u>	<u>(425,742)</u>	
	<u>\$ 279,854</u>	<u>\$ 318,697</u>	

Depreciation and amortization expense for the years ended June 30, 2018 and 2017 were \$38,843 and \$80,495.

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 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 for the years ended June 30, 2018 and 2017 was \$118,914 and \$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.

The Century Foundation, Inc.

Notes to Financial Statements June 30, 2018 and 2017

6. Temporarily Restricted Net Assets

The following is a summary of the activity of the temporarily restricted net assets for the years ended June 30, 2018 and 2017:

Program/Purpose	Balance June 30, 2017	Contributions and Grants	Net Assets Released from Restrictions	Balance June 30, 2018
The Joyce Foundation - High Wage America - Chicago Conference	\$ -	\$ 50,000	\$ 50,000	\$ -
Kresge Foundation - National Student Defense Network	-	260,000	125,000	135,000
Bernard L. Schwartz - Conferences - Pittsburgh, Cleveland and Chicago	-	100,000	60,805	39,195
Bernard L. Schwartz - Revitalizing Government Initiative	12,999	250,000	237,124	25,875
Heinrich Boell Foundation - Secularism Alternatives to Religion Project	-	16,083	16,083	-
Carnegie Corp of NY - Arab Security and Pluralism	230,153	-	230,153	-
Carnegie Corp of NY - Consequence of Conflict in The Arab Region	-	400,000	34,738	365,262
William T. Grant Foundation - Community College Engines for Social Mobility	254,544	-	96,892	157,652
National Domestic Workers Alliance - Portable Retirement Benefits	5,000	-	5,000	-
Open Society Foundations - Privacy and Surveillance	17,940	-	17,940	-
The Walton Family Foundation - Supporting Growth of Charter Schools	485,976	-	237,671	248,305
Henry Luce Foundation - Initiative on Religion in International Affairs	300,000	-	104,288	195,712
Laura and John Arnold Foundation - Curbing Predatory Student Lending Practices	-	1,024,913	672,368	352,545
The Guggenheim Foundation - Insurgent Fragmentation & State Attachment in Syrian Civil War	-	45,000	17,625	27,375
The Commonwealth Fund - Getting Ready for Health Reform 2020	-	135,000	11,025	123,975
Total	<u>\$ 1,306,612</u>	<u>\$ 2,280,996</u>	<u>\$ 1,916,712</u>	<u>\$ 1,670,896</u>

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
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7. Commitments

During 2012, the Foundation entered into a lease for office space in New York City 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 year 2017, the Foundation entered into a 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.

In fiscal year 2018, the Foundation entered into an agreement to rent office space in Berkeley, California. The rental agreement is on a month-to-month basis.

Minimum lease payments by fiscal year are as follows:

	New York City	Washington, DC	Total
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
2023	386,460	-	386,460
Thereafter	<u>2,071,855</u>	<u>-</u>	<u>2,071,855</u>
	<u>\$ 4,001,471</u>	<u>\$ 409,038</u>	<u>\$ 4,410,509</u>

Rent expense for the years ended June 30, 2018 and 2017 amounted to \$441,554 and \$499,603.

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. During the tax year the Foundation notified the IRS of its intent to terminate its private foundation status under Section 507(b)(1)(B) of the Code effective July 1, 2017. The IRS has held that the Foundation will be treated as a public charity under Section 501(a) and 170(b)(1)(A)(vi) of the Code. Grantors and donors may rely on the public charity status during the ruling period and are entitled to the maximum charitable contribution deduction under the Code. Additionally, under Code Section 4940(d)(2), the Foundation is exempt from paying excise tax.

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