

NATIONAL COALITION AGAINST CENSORSHIP, INC.

FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT

FOR THE YEARS ENDED  
DECEMBER 31, 2014 AND 2013

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors:  
National Coalition Against Censorship, Inc.

We have audited the accompanying financial statements of National Coalition Against Censorship, Inc. (a New York State not-for-profit corporation), which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of activities, functional expenses 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**

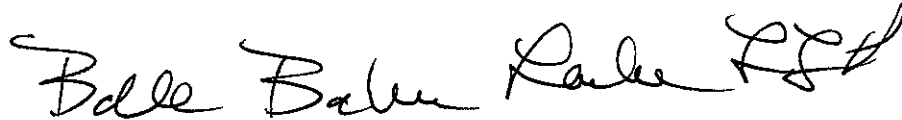
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 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 balance sheets of National Coalition Against Censorship, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Ball Baker Leake LLP". The signature is written in black ink and is positioned above the typed name of the firm.

Ball Baker Leake LLP  
New York, New York  
May 22, 2015

**NATIONAL COALITION AGAINST CENSORSHIP, INC.**  
**BALANCE SHEETS**  
**FOR THE YEARS ENDED DECEMBER 31,**

|                                | <u>ASSETS</u>       |                     |
|--------------------------------|---------------------|---------------------|
|                                | <u>2014</u>         | <u>2013</u>         |
| Cash and cash equivalents      | \$ 743,865          | \$ 539,256          |
| Accounts receivable            | 436                 | 1,204               |
| Unconditional promises to give | 225,600             | 182,500             |
| Prepaid expenses               | 2,670               | 2,869               |
| Investments                    | 250,418             | 250,292             |
| Fixed assets - net             | 6,325               | 4,251               |
| Security deposit               | <u>22,699</u>       | <u>22,699</u>       |
| Total Assets                   | <u>\$ 1,252,013</u> | <u>\$ 1,003,071</u> |

|                                       | <u>LIABILITIES AND NET ASSETS</u> |                     |
|---------------------------------------|-----------------------------------|---------------------|
|                                       | <u>2014</u>                       | <u>2013</u>         |
| Liabilities:                          |                                   |                     |
| Accounts payable and accrued expenses | \$ 14,521                         | \$ 26,488           |
| Deferred rent                         | <u>3,242</u>                      | <u>4,323</u>        |
| Total Liabilities                     | <u>17,763</u>                     | <u>30,811</u>       |
| Net Assets:                           |                                   |                     |
| Unrestricted                          | 999,250                           | 887,260             |
| Temporarily restricted                | <u>235,000</u>                    | <u>85,000</u>       |
| Total Net Assets                      | <u>1,234,250</u>                  | <u>972,260</u>      |
| Total Liabilities and Net Assets      | <u>\$ 1,252,013</u>               | <u>\$ 1,003,071</u> |

See auditor's report and accompanying notes to financial statements.

**NATIONAL COALITION AGAINST CENSORSHIP, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31,**

|  | Unrestricted | Temporarily<br>restricted | 2014<br>Total | 2013<br>Total |
|--|--------------|---------------------------|---------------|---------------|
| <b>PUBLIC SUPPORT:</b>   |              |                           |               |               |
| Individuals  | \$ 138,875   | \$ -                      | \$ 138,875    | \$ 155,480    |
| Foundations/Trusts   | 98,300       | 460,000                   | 558,300       | 300,000       |
| Participating organizations  | 21,950       | -                         | 21,950        | 26,150        |
| Corporations   | 7,400        | -                         | 7,400         | 1,950         |
| Bequests   | 10,440       | -                         | 10,440        | 5,000         |
| Special events (net of direct benefit to donors<br>of \$35,705 in 2014 and \$26,880 in 2013) | 284,955      | -                         | 284,955       | 218,870       |
| Net assets released from restriction   | 310,000      | (310,000)                 | -             | -             |
| Total public support   | 871,920      | 150,000                   | 1,021,920     | 707,450       |
| <b>REVENUES:</b>   |              |                           |               |               |
| Education and literature   | 3,163        | -                         | 3,163         | 1,618         |
| Sublease income  | 32,202       | -                         | 32,202        | 31,431        |
| Interest and dividends   | 1,169        | -                         | 1,169         | 906           |
| Realized (loss) on investments   | (955)        | -                         | (955)         | -             |
| Total revenues   | 35,579       | -                         | 35,579        | 33,955        |
| Total Public Support and Revenues  | 907,499      | 150,000                   | 1,057,499     | 741,405       |
| <b>EXPENSES:</b>   |              |                           |               |               |
| Program services   | 678,715      | -                         | 678,715       | 677,023       |
| Administrative and general   | 37,841       | -                         | 37,841        | 36,967        |
| Fundraising  | 78,953       | -                         | 78,953        | 75,347        |
| Total expenses   | 795,509      | -                         | 795,509       | 789,337       |
| Changes in Net Assets  | 111,990      | 150,000                   | 261,990       | (47,932)      |
| Net Assets, beginning of year  | 887,260      | 85,000                    | 972,260       | 1,020,192     |
| Net Assets, end of year  | \$ 999,250   | \$ 235,000                | \$ 1,234,250  | \$ 972,260    |

See auditor's report and accompanying notes to financial statements.

**NATIONAL COALITION AGAINST CENSORSHIP, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2014**

|                                   | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Fundraising</u> | <u>Total</u>      |
|-----------------------------------|-----------------------------|-----------------------------------|--------------------|-------------------|
| Salaries, payroll taxes, benefits | \$ 414,675                  | \$ 10,750                         | \$ 31,089          | \$ 456,514        |
| Outside consulting fees           | 103,522                     | -                                 | 25,033             | 128,555           |
| Audit fees                        | -                           | 12,685                            | -                  | 12,685            |
| Occupancy                         | 85,203                      | 10,650                            | 968                | 96,821            |
| Computer and internet             | 6,806                       | 961                               | 240                | 8,007             |
| Postage and printing              | 40,307                      | 492                               | 8,356              | 49,155            |
| Office expenses                   | 14,271                      | 419                               | 233                | 14,923            |
| Telephone                         | 4,629                       | 75                                | 75                 | 4,779             |
| Travel                            | 4,787                       | 215                               | -                  | 5,002             |
| Event expenses                    | -                           | -                                 | 12,911             | 12,911            |
| Insurance                         | 2,278                       | 1,313                             | -                  | 3,591             |
| Meals and entertainment           | 1,732                       | 276                               | 43                 | 2,051             |
| Depreciation and amortization     | 505                         | 5                                 | 5                  | 515               |
|                                   | <u>\$ 678,715</u>           | <u>\$ 37,841</u>                  | <u>\$ 78,953</u>   | <u>\$ 795,509</u> |

See auditor's report and accompanying notes to financial statements.

**NATIONAL COALITION AGAINST CENSORSHIP, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2013**

|                                   | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Fundraising</u> | <u>Total</u>      |
|-----------------------------------|-----------------------------|-----------------------------------|--------------------|-------------------|
| Salaries, payroll taxes, benefits | \$ 426,151                  | \$ 10,750                         | \$ 31,089          | \$ 467,990        |
| Outside consulting fees           | 84,970                      | 792                               | 25,033             | 110,795           |
| Audit fees                        | -                           | 11,200                            | -                  | 11,200            |
| Occupancy                         | 82,825                      | 10,353                            | 941                | 94,119            |
| Computer and internet             | 5,120                       | 720                               | 160                | 6,000             |
| Postage and printing              | 43,104                      | 578                               | 8,886              | 52,568            |
| Office expenses                   | 15,666                      | 460                               | 256                | 16,382            |
| Telephone                         | 4,370                       | 75                                | 75                 | 4,520             |
| Travel                            | 6,637                       | 148                               | -                  | 6,785             |
| Event expenses                    | -                           | -                                 | 8,854              | 8,854             |
| Insurance                         | 2,278                       | 1,439                             | -                  | 3,717             |
| Meals and entertainment           | 1,257                       | 399                               | -                  | 1,656             |
| Depreciation and amortization     | 4,645                       | 53                                | 53                 | 4,751             |
|                                   | <u>\$ 677,023</u>           | <u>\$ 36,967</u>                  | <u>\$ 75,347</u>   | <u>\$ 789,337</u> |

See auditor's report and accompanying notes to financial statements.



**NATIONAL COALITION AGAINST CENSORSHIP, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31,**

|   | 2014              | 2013              |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES  |                   |                   |
| Changes in net assets   | \$ 261,990        | \$ (47,932)       |
| Adjustments to reconcile changes in net assets<br>to net cash provided by operating activities: |                   |                   |
| Depreciation expense  | 515               | 4,751             |
| Decrease (increase) in:   |                   |                   |
| Accounts receivable   | 768               | 1,355             |
| Promises to give  | (43,100)          | 51,000            |
| Prepaid expenses and other current assets   | 199               | (210)             |
| Increase (decrease) in liabilities:   |                   |                   |
| Accounts payable and accrued expenses   | (11,967)          | 10,828            |
| Deferred rent   | (1,081)           | (1,081)           |
|   | <u>207,324</u>    | <u>18,711</u>     |
| CASH PROVIDED BY OPERATING ACTIVITIES   |                   |                   |
| CASH FLOWS FROM INVESTING ACTIVITIES  |                   |                   |
| Net investments purchased   | (126)             | (690)             |
| Fixed assets purchased  | (2,589)           | (4,272)           |
|   | <u>(2,715)</u>    | <u>(4,962)</u>    |
| CASH USED FOR INVESTING ACTIVITIES  |                   |                   |
| NET INCREASE IN CASH  | 204,609           | 13,749            |
| CASH AT BEGINNING OF YEAR   | <u>539,256</u>    | <u>525,507</u>    |
| CASH AT END OF YEAR   | <u>\$ 743,865</u> | <u>\$ 539,256</u> |
| CASH PAID DURING THE YEAR FOR   |                   |                   |
| Interest expense  | -                 | -                 |

See auditor's report and accompanying notes to financial statements.

**NATIONAL COALITION AGAINST CENSORSHIP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**Note 1 - Organization**

National Coalition Against Censorship, Inc. ("NCAC") is an alliance of 50 national non-commercial organizations, including religious, artistic, professional, educational, labor and civil liberties groups, united in their defense of freedom of thought, inquiry, and expression. NCAC educates the public and policy makers about threats to free expression, mobilizes grassroots support for the First Amendment, facilitates communication between local activists and national organizations, and devises new educational, advocacy, and media strategies to create a more hospitable environment for laws and decisions protective of free speech and democratic values.

NCAC is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. NCAC is supported primarily by contributions.

**Note 2 - Summary of Significant Accounting Policies**

**Basis of Presentation**

The financial statements of NCAC are prepared on the accrual basis of accounting.

**Functional Expenses**

Expenses are summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

**Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions could affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. However, the investments that are 100% in money market funds with maturity date of less than three months, are not treated as cash for the statement of cash flows.

**NATIONAL COALITION AGAINST CENSORSHIP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Equipment**

Equipment is stated at cost. Depreciation is computed on a straight-line basis over the estimated useful life of the assets. Routine maintenance and repairs which do not materially extend the useful lives of the assets are directly expensed.

**Net Assets**

The net assets of NCAC and changes therein are classified and reported as follows:

*Unrestricted* - Unrestricted net assets represent those resources that are not subject to donor restrictions.

*Temporarily restricted* - Temporarily restricted net assets represent those resources that are subject to donor-imposed stipulations that will be met either by actions of NCAC and/or the passage of time. Net assets released from restrictions represent the satisfaction of the restricted purposes.

**Contributions and Promises to Give**

All contributions, including promises to give cash and other assets, and bequests are considered to be available for unrestricted use unless specifically restricted by the donor and are recorded as revenue when notification is received from the donor. All contributions are reported at fair value at the date the contribution is received or promised.

Contributions that contain temporary restrictions by the donor are reported as increases in unrestricted net assets if the restrictions are fulfilled or expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reported in the statements of activities as "net assets released from restriction".

**Income Taxes**

NCAC is exempt from Federal income taxes as a non-profit organization pursuant to Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation within the meaning of Section 509(a) of the Internal Revenue Code, and is, therefore, exempt from Federal, State and City taxes. Accordingly, no provision for federal income taxes has been made in the financial statements.

**Subsequent Events**

Subsequent events have been evaluated through May 22, 2015, which is the date the financial statements were available to be issued.

**NATIONAL COALITION AGAINST CENSORSHIP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**Note 3 - Promises to Give**

Promises to give as of December 31 are detailed as follows:

|  | <u>2014</u>       | <u>2013</u>       |
|--|-------------------|-------------------|
| Disney Publishing Worldwide                      | \$ -              | \$ 2,500          |
| Foundation for Individual<br>Rights in Education | 600               | -                 |
| Herman Goldman Foundation                        | -                 | 5,000             |
| Jerome Levy Foundation                           | 225,000           | -                 |
| Andy Warhol Foundation                           | -                 | 150,000           |
| Random House, Inc                                | -                 | 25,000            |
|  | <u>\$ 225,600</u> | <u>\$ 182,500</u> |

**Note 4 - Pension and Retirement Plan**

NCAC has a suspended Simplified Employee Pension Plan in which full-time employees could participate after one year of service. There was no pension expense incurred for the period ended December 31, 2014 and 2013 since this Plan was suspended on February 1, 2009 and has not yet been reinstated.

In addition, NCAC has a 403-b retirement plan in which employees may make pre-tax contributions. NCAC does not make matching contributions to this plan.

**Note 5 - Fixed Assets**

Fixed assets consist of the following at December 31,

|                               | <u>2014</u>     | <u>2013</u>     |
|-------------------------------|-----------------|-----------------|
| Equipment                     | \$ 8,355        | \$ 8,771        |
| Less accumulated depreciation | (2,030)         | (4,520)         |
|                               | <u>\$ 6,325</u> | <u>\$ 4,251</u> |

**NATIONAL COALITION AGAINST CENSORSHIP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**Note 6 - Lease Obligations**

**Office Rental**

In December 2010, NCAC signed a seven year lease commencing on February 1, 2011 for office space at 19 Fulton Street in New York City. On each anniversary of the commencement date the annual rent increases by 2.50%. Future minimum lease payments are as follows:

|      |    |                       |
|------|----|-----------------------|
| 2015 | \$ | 98,938                |
| 2016 |    | 101,439               |
| 2017 |    | 104,002               |
| 2018 |    | <u>8,775</u>          |
|      | \$ | <u><u>313,154</u></u> |

Rent expense was \$96,499 for the period ended December 31, 2014. NCAC has several sub-lessees whose payments represent approximately one-third of the annual rental expense.

The landlord granted the NCAC free rent for the month of January 2011; the free rent is being amortized over the life of the original lease.

**Sublease Income**

In December 2010, NCAC (Sublessor) entered into a verbal sublease agreement with American Booksellers for Free Expression ("ABFEE") and Media Coalition Inc ("MC") for the space located at 19 Fulton Street, Suite 407, New York, NY 10038. Base rent is paid to the Sublessor in monthly payments. It is agreed that each Sublessee's base rent percentage is 16.5% per month of the base rent. There is no mention of the sublease term in the verbal sublease. ABFEE terminated its sublease as of December 31, 2014, and paid \$8,000 to cover 6 months rent from January to June 2015. There is currently no potential offer to rent the available space. The following sublease income schedule is prepared based on the assumption that there is no further sublease for this vacant space until the end of the lease term.

|      |    |                      |
|------|----|----------------------|
| 2015 | \$ | 24,503               |
| 2016 |    | 16,916               |
| 2017 |    | 17,339               |
| 2018 |    | <u>1,448</u>         |
|      | \$ | <u><u>60,206</u></u> |

**NATIONAL COALITION AGAINST CENSORSHIP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**Note 6 - Lease Obligations (continued)**

**Equipment Rental**

In 2011, NCAC renewed the equipment leases with Pitney Bowes Inc and Xerox. The Pitney Bowes lease which expires in July 2015, calls for quarterly rental payments at \$271. The Xerox lease which expires in 2016, has a monthly rental of \$217, which includes the cost of supplies. Future minimum payments for the leases are as follows:

|  |      |    |       |  |
|--|------|----|-------|--|
|  | 2015 | \$ | 3,146 |  |
|  | 2016 |    | 2,387 |  |
|  |      | \$ | 5,533 |  |

**Note 7 - Temporarily Restricted Net Assets**

NCAC receives some grants from Foundations that are restricted in time and in use for specific programs. Temporarily restricted net assets consist of the following at December 31:

| Program and Time Restricted: | 2014       |    | 2013   |
|------------------------------|------------|----|--------|
| Youth Free Expression        | \$ 235,000 | \$ | 10,000 |
| Art Advocacy                 | -          |    | 75,000 |
|                              | \$ 235,000 | \$ | 85,000 |

Temporarily restricted net assets were released for the following purposes:

|                       | 2014       |    | 2013    |
|-----------------------|------------|----|---------|
| Art Advocacy          | \$ 75,000  | \$ | 75,000  |
| Youth Free Expression | 235,000    |    | 225,000 |
|                       | \$ 310,000 | \$ | 300,000 |

**Note 8 - Investments**

Investments consist of the following at December 31:

|                  | 2014       |    | 2013    |
|------------------|------------|----|---------|
| Amalgamated Bank | \$ 250,418 | \$ | 250,292 |

**Note 9 - Line of Credit**

In 2007 the NCAC obtained a \$75,000 line of credit with a financial institution, which has a prime rate of 8.25% plus 1.75%. Interest on the line of credit is charged daily. The Organization did not utilize any funds from the line of credit during 2014 and 2013.

**NATIONAL COALITION AGAINST CENSORSHIP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**Note 10 - Special Events Revenue**

|                            | <u>2014</u>       | <u>2013</u>       |
|----------------------------|-------------------|-------------------|
| Special Events Revenue     |                   |                   |
| Gross Revenue              | \$ 320,660        | \$ 245,750        |
| Direct Event Expenses      | <u>(35,705)</u>   | <u>(26,880)</u>   |
| Net Special Events Revenue | <u>\$ 284,955</u> | <u>\$ 218,870</u> |