# NATIONAL COALITION AGAINST CENSORSHIP, INC.

### FINANCIAL STATEMENTS AND AUDITOR'S REPORT

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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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, 2015 and 2014, 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.

Independent Auditor's Report National Coalition Against Censorship, Inc. Page 2 of 2

#### 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, 2015 and 2014, 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.

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Ball Baker Leake LLP New York, New York May 26, 2016

# NATIONAL COALITION AGAINST CENSORSHIP, INC. BALANCE SHEETS FOR THE YEARS ENDED 2015 AND 2014

ASSETS				
	_	2015	-	2014
Cash and cash equivalents	\$	909,163	\$	994,286
Unconditional promises to give		378,931		226,036
Prepaid expenses		2,399		2,670
Fixed assets - net		5,437		6,325
Security deposit	-	22,699	_	22,699
Total Assets	\$ <b>_</b>	1,318,629	\$ =	1,252,016
LIABILITIES AND NET AS	<u>SSETS</u>			
		2015	_	2014
Liabilities:				
Accounts payable and accrued expenses	\$	19,218	\$	14,521
Deferred rent		2,161	_	3,242
Total Liabilities	_	21,379	_	17,763
Net Assets:				
Unrestricted		947,250		999,253
Temporarily restricted	_	350,000	_	235,000
Total Net Assets	_	1,297,250		1,234,253
Total Liabilities and Net Assets	\$ _	1,318,629	\$ =	1,252,016

### NATIONAL COALITION AGAINST CENSORSHIP, INC. STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED 2015 AND 2014

	-	Unrestricted	_	Temporarily Restricted	-	2015 Total		2014 Total
PUBLIC SUPPORT:	\$	106 474	\$		\$	106 474 6	÷	120 075
Individuals Foundations/Trusts	Ş	126,474 44,850	Ş	490,000	Ş	126,474 \$ 534,850	Ş	138,875 558,300
Participating organizations		22,300		490,000		22,300		21,950
Corporations		16,360		_		16,360		7,400
Bequests		10,500		_		-		10,440
Special events (net of direct benefit to donors								10,110
of \$27,200 in 2015 and \$35,705 in 2014)		207,900		_		207,900		284,955
Net assets released from restriction		375,000		(375,000)				
Total public support	-	792,884	-	115,000	-	907,884		1,021,920
REVENUES:		<b>C I C</b>		-		<b>C</b> A <b>C</b>		1 140
Education and literature		646		-		646		1,146
Sublease income		31,859		-		31,859		32,588
Interest and dividends		7,138		-		7,138		2,800
Realized (loss) on investments	-		-		-	39,643		(955) 35,579
Total revenues	-	39,643	-		-	39,643		35,579
Total Public Support and Revenues	-	832,527	_	115,000	-	947,527		1,057,499
EXPENSES:								
Program services		760,294		-		760,294		678,715
Administrative and general		38,241		-		38,241		37,841
Fundraising		85,995		-		85,995		78 <b>,</b> 953
Total expenses	-	884,530	_	_	-	884,530		795,509
Changes in Net Assets		(52,003)		115,000		62,997		261,990
Net Assets, beginning of year	_	999,253	-	235,000	-	1,234,253		972,263
Net Assets, end of year	\$ =	947,250	\$ _	350,000	\$	1,297,250	\$ <u></u>	1,234,253

# NATIONAL COALITION AGAINST CENSORSHIP, INC. STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2015

	-	Program Services	-	Management and General	Ē	undraising	Total 2015
Salaries, payroll taxes, benefits	\$	486,887	\$	10,700	\$	37,453	\$ 535,040
Outside consulting fees		99 <b>,</b> 599		-		23,363	122,962
Audit fees		-		12,767		-	12,767
Occupancy		87 <b>,</b> 332		10,917		992	99,241
Computer and internet		6,644		938		235	7,817
Postage and printing		42,703		521		8,853	52 <b>,</b> 077
Office expenses		18,982		395		395	19,772
Telephone		4,690		98		98	4,886
Travel		7 <b>,</b> 725		322		-	8,047
Event expenses		-		-		14,548	14,548
Insurance		2,206		1,296		-	3,502
Meals & Entertainment		1,602		267		38	1,907
Depreciation and amortization		1,924		20		20	1,964
	\$	760,294	\$ <b>-</b>	38,241	\$	85,995	\$ 884,530

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

	_	Program Services	_	Management and General		Fundraising	-	Total 2014
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 <b>,</b> 821
Computer and internet		6,806		961		240		8,007
Postage and printing		40,307		492		8 <b>,</b> 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
	\$ =	678,715	\$ =	37,841	\$ <b>=</b>	78,953	\$ =	795,509

# NATIONAL COALITION AGAINST CENSORSHIP, INC. STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 2015 AND 2014

		2015		2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Changes in net assets	\$	62,997	\$	261,990
Adjustments to reconcile changes in net assets				
to net cash provided by operating activities:				
Depreciation expense		1,964		515
Decrease (increase) in:				
Promises to give		(152,895)		(42,332)
Prepaid expenses and other current assets		271		199
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses		4,697		(11,967)
Deferred rent	_	(1,081)	_	(1,081)
CASH PROVIDED (USED FOR) BY OPERATING ACTIVITIES		(84,047)		207,324
CASH FLOWS FROM INVESTING ACTIVITIES				
Fixed assets purchased	-	(1,076)	_	(2,589)
CASH USED FOR INVESTING ACTIVITIES	-	(1,076)		(2,589)
		(05 100)		004 705
NET (DECREASE) INCREASE IN CASH		(85,123)		204,735
CASH AT BEGINNING OF YEAR		994,286		789,551
CASH AI BEGINNING OF IEAR	-	994,200		789,331
CASH AT END OF YEAR	\$	909,163	\$	994,286
	· =			
CASH PAID DURING THE YEAR FOR				
Interest expense		-		_
incorose expense				

#### Note 1 - Organization

National Coalition Against Censorship, Inc. ("NCAC") is an alliance of 50 national non-commercial organizations, including religious, artistic, professional, educational, lab 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.

#### 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 26, 2016, which is the date the financial statements were available to be issued.

#### Note 3 - Promises to Give

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

	 2015	2014
Foundation for Individual		
Rights in Education	\$ -	\$ 600
Jerome Levy Foundation	-	225,000
Reva and David Logan Foundation	200,000	-
Andy Warhol Foundation	150,000	-
	\$ 350,000	\$ 225,600

### Note 4 - Retirement Plan

In February 2015, NCAC activated a Simple IRA Plan in which all full time employees expected to receive more than \$5,000 in compensation are eligible to make pre-tax contributions. NCAC makes a 2% salary contribution regardless of employee participation. The administrator of the Simple IRA Plan is American Funds as outlined by MetLife Fund Managers.

The Simple IRA plan expense for 2015 is \$8,140.

### Note 5 - Fixed Assets

Fixed assets consist of the fold	lowing at	December 31 2015	,	2014
Equipment	Ş	9,431	\$	8,355
Less accumulated depreciation	\$	(3,994) 5,437	\$	(2,030) 6,325

#### 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:

2016	\$ 101,439
2017	104,002
2018	 8,775
	\$ 214,216

Rent expense was \$99,241 for the period ended December 31, 2015. 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 Media Coalition Inc ("MC"), and in August 2015 NCAC (Sublessor) entered into a written sublease agreement with Galmourgals Foundation Inc ("GG") 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 MC's rent is a percentage of the base rent. There is no mention of the sublease term in the verbal sublease. GG have agreed to a one year lease with the option to renew. The following sublease income schedule is prepared based on the assumption that GG will not renew the sublease agreement.

2016	\$ 28,116
2017	17,339
2018	 1,448
	\$ 46,903

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

#### Equipment Rental

In 2011, NCAC renewed the equipment lease with Xerox and in 2015, NCAC renewed its equipment lease with Pitney Bowes. The Pitney Bowes lease which expires in April 2019, calls for quarterly rental payments at \$187. The Xerox lease which expires in November 2016, has a monthly rental of \$217, which includes the cost of supplies. Future minimum payments for the leases are as follows:

2016	\$ 3,135
2017	748
2018	748
2019	187
	\$ 3,135

### 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:	•••	2015	 2014
Youth Free Expression	\$	-	\$ 235,000
Art Advocacy		350,000	 -
	\$	350,000	\$ 235,000

Temporarily restricted net assets were released for the following purposes:

		2015	 2014
Art Advocacy	Ş	100,000	\$ 75,000
Youth Free Expression		275,000	 235,000
	\$	375,000	\$ 310,000

#### Note 8 - Investments

NCAC has no investments for the year 2015. The organization considers all financial instruments with maturities greater than three months to be investments. Money market funds previously classified as investments have been reclassified as cash with maturity of less than three months.

#### Note 9 - Line of Credit

In 2007, 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 2015 and 2014.

### Note 10 - Special Events Revenue

	2015		2014	
Special Events Revenue				
Gross Revenue	\$	235,100	\$	320,660
Direct Event Expenses		(27,200)		(35,705)
Net Special Events Revenue	\$	207,900	\$	284,955

### Note 11 - Reclassifications

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 financial statement presentation.