

**NATIONAL COALITION AGAINST
CENSORSHIP, INC.**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2013 AND 2012**

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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, 2013 and 2012, 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 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 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, 2013 and 2012, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying statements of functional expenses on page 11 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Ball Baker Leake LLP".

Ball Baker Leake LLP
New York, New York
May 22, 2014

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

	<u>ASSETS</u>	
	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 539,256	\$ 525,507
Accounts receivable	1,204	2,559
Unconditional promises to give	182,500	233,500
Prepaid expenses	2,869	2,659
Investments	250,292	249,602
Fixed assets - net	4,251	4,730
Security deposit	<u>22,699</u>	<u>22,699</u>
Total Assets	<u>\$ 1,003,071</u>	<u>\$ 1,041,256</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
	<u>2013</u>	<u>2012</u>
Liabilities:		
Accounts payable and accrued expenses	\$ 26,488	\$ 15,660
Deferred rent	<u>4,323</u>	<u>5,404</u>
Total Liabilities	<u>30,811</u>	<u>21,064</u>
Net Assets:		
Unrestricted	887,260	795,192
Temporarily restricted	<u>85,000</u>	<u>225,000</u>
Total Net Assets	<u>972,260</u>	<u>1,020,192</u>
Total Liabilities and Net Assets	<u>\$ 1,003,071</u>	<u>\$ 1,041,256</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 restricted	2013 Total	2012 Total
PUBLIC SUPPORT:				
Individuals	\$ 155,480	\$ -	\$ 155,480	\$ 144,072
Foundations/Trusts	140,000	160,000	300,000	558,500
Participating organizations	26,150	-	26,150	22,450
Corporations	1,950	-	1,950	1,000
Bequests	5,000	-	5,000	5,000
Special events (net of direct benefit to donors of \$26,880 in 2013 and \$25,200 in 2012)	218,870	-	218,870	185,450
Net assets released from restriction	300,000	(300,000)	-	-
Total public support	<u>847,450</u>	<u>(140,000)</u>	<u>707,450</u>	<u>916,472</u>
REVENUES:				
Education and literature	1,618	-	1,618	2,104
Sublease income	31,431	-	31,431	30,668
Interest and dividends	906	-	906	1,116
Total revenues	<u>33,955</u>	<u>-</u>	<u>33,955</u>	<u>33,888</u>
Total Public Support and Revenues	<u>881,405</u>	<u>(140,000)</u>	<u>741,405</u>	<u>950,360</u>
EXPENSES:				
Program services	677,023	-	677,023	557,397
Administrative and general	36,967	-	36,967	33,174
Fundraising	75,347	-	75,347	72,041
Total expenses	<u>789,337</u>	<u>-</u>	<u>789,337</u>	<u>662,612</u>
Changes in Net Assets	92,068	(140,000)	(47,932)	287,748
Net Assets, beginning of year	795,192	225,000	1,020,192	732,444
Net Assets, end of year	<u>\$ 887,260</u>	<u>\$ 85,000</u>	<u>\$ 972,260</u>	<u>\$ 1,020,192</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,

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (47,932)	\$ 287,748
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	4,751	1,249
Decrease (increase) in:		
Accounts receivable	1,355	(1,832)
Promises to give	51,000	(104,764)
Prepaid expenses and other current assets	(210)	1,222
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	10,828	1,577
Deferred rent	(1,081)	(1,081)
	<u>18,711</u>	<u>184,119</u>
CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments purchased	(690)	(351)
Fixed assets purchased	(4,272)	-
	<u>(4,962)</u>	<u>(351)</u>
CASH USED FOR INVESTING ACTIVITIES		
NET INCREASE IN CASH	13,749	183,768
CASH AT BEGINNING OF YEAR	<u>525,507</u>	<u>341,739</u>
CASH AT END OF YEAR	\$ <u><u>539,256</u></u>	\$ <u><u>525,507</u></u>

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, 2013 AND 2012

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, 2013 AND 2012

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.

NCAC completed a review of its fixed asset's lives, and determined that the actual lives for equipment were generally shorter than the useful lives for depreciation purposes. Therefore, NCAC decreased the estimated useful lives of equipment from ten years to five years, effective January 1, 2013. The effect of this change increased depreciation expense for the year ended December 31, 2013, by \$3,502 and decreased changes in net assets by \$3,502.

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".

Accounting for Uncertainty in Income Taxes

NCAC has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2010 and subsequent remain subject to examination by applicable taxing authorities.

NATIONAL COALITION AGAINST CENSORSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

Note 2 - Summary of Significant Accounting Policies (continued)

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, 2014, 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:

	<u>2013</u>	<u>2012</u>
Disney	\$ 2,500	\$ 3,500
Herman Goldman Foundation	5,000	5,000
Jerome Levy Foundation	-	225,000
Andy Warhol Foundation	150,000	-
Random House, Inc	25,000	-
	<u>\$ 182,500</u>	<u>\$ 233,500</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, 2013 and 2012 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>2013</u>	<u>2012</u>
Equipment	\$ 8,771	\$ 12,493
Less accumulated depreciation	(4,520)	(7,763)
	<u>\$ 4,251</u>	<u>\$ 4,730</u>

NATIONAL COALITION AGAINST CENSORSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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:

2014	\$	96,499
2015		98,938
2016		101,439
2017		104,002
2018		8,775
	\$	<u>409,653</u>

Rent expense was \$94,119 for the period ended December 31, 2013. NCAC has several sub-lessees whose payments represent approximately one-third of the annual rental expense.

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

Sublease Income

2014	\$	32,201
2015		33,006
2016		33,832
2017		34,677
2018		2,896
	\$	<u>136,612</u>

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:

2014	\$	3,688
2015		3,146
2016		2,387
	\$	<u>9,221</u>

NATIONAL COALITION AGAINST CENSORSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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:	<u>2013</u>	<u>2012</u>
Youth Free Expression	\$ 10,000	\$ 225,000
Art Advocacy	75,000	-
	<u>\$ 85,000</u>	<u>\$ 225,000</u>

Temporarily restricted net assets were released for the following purposes:

	<u>2013</u>	<u>2012</u>
Art Advocacy	\$ 75,000	\$ 91,816
Youth Free Expression	225,000	308,500
	<u>\$ 300,000</u>	<u>\$ 400,316</u>

Note 8 - Investments

Investments consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Amalgamated Bank	\$ 250,292	\$ 249,602

Note 9 - Line of Credit

In 2007 the Organization 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 2013 and 2012.

Note 10 - Reclassifications

Certain account in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

SUPPLEMENTAL INFORMATION

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

	Program Services	Management and General	Fundraising	2013	2012
Salaries, payroll taxes, benefits	\$ 426,151	\$ 10,750	\$ 31,089	\$ 467,990	\$ 372,424
Outside consulting fees	84,970	792	25,033	110,795	100,908
Audit fees	-	11,200	-	11,200	11,000
Occupancy	82,825	10,353	941	94,119	84,041
Computer and internet	5,120	720	160	6,000	5,222
Postage and printing	43,104	578	8,886	52,568	48,399
Office expenses	15,666	460	256	16,382	16,495
Telephone	4,370	75	75	4,520	4,559
Travel	6,637	148	-	6,785	3,366
Event expenses	-	-	8,854	8,854	9,829
Insurance	2,278	1,439	-	3,717	3,782
Meals and entertainment	1,257	399	-	1,656	1,338
Depreciation and amortization	4,645	53	53	4,751	1,249
	<u>\$ 677,023</u>	<u>\$ 36,967</u>	<u>\$ 75,347</u>	<u>\$ 789,337</u>	<u>\$ 662,612</u>

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