

**NATIONAL COALITION
AGAINST CENSORSHIP, INC.**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

**FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015**

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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 not-for-profit corporation), which comprise the balance sheets as of December 31, 2016 and 2015, 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.

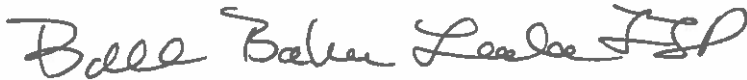
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of National Coalition Against Censorship, Inc. as of December 31, 2016 and 2015, 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".

Ball Baker Leake LLP
New York, New York
April 10, 2017

NATIONAL COALITION AGAINST CENSORSHIP, INC.
BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 1,156,555	\$ 909,163
Unconditional promises to give	330,000	378,931
Prepaid expenses	3,009	2,399
Fixed assets - net	3,850	5,437
Security deposit	<u>22,699</u>	<u>22,699</u>
Total Assets	<u>\$ 1,516,113</u>	<u>\$ 1,318,629</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
	<u>2016</u>	<u>2015</u>
Liabilities:		
Accounts payable and accrued expenses	\$ 17,091	\$ 19,218
Deferred rent	<u>1,080</u>	<u>2,161</u>
Total Liabilities	<u>18,171</u>	<u>21,379</u>
Net Assets:		
Unrestricted	1,097,942	947,250
Temporarily restricted	<u>400,000</u>	<u>350,000</u>
Total Net Assets	<u>1,497,942</u>	<u>1,297,250</u>
Total Liabilities and Net Assets	<u>\$ 1,516,113</u>	<u>\$ 1,318,629</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, 2016 AND 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
PUBLIC SUPPORT:				
Individuals	\$ 181,170	-	\$ 181,170	\$ 126,474
Foundations/Trusts	81,150	450,000	531,150	534,850
Participating organizations	24,400	-	24,400	22,300
Corporations	2,700	-	2,700	16,360
Bequests	34,102	-	34,102	-
Special events (net of direct benefit to donors of \$36,000 in 2016 and \$27,000 in 2015)	264,903	-	264,903	208,100
Net assets released from restriction	400,000	(400,000)	-	-
Total public support	<u>988,425</u>	<u>50,000</u>	<u>1,038,425</u>	<u>908,084</u>
REVENUES:				
Education and literature	275	-	275	646
Sublease income	36,296	-	36,296	31,859
Interest and dividends	2,604	-	2,604	7,138
Realized (loss) on investments	(10)	-	(10)	-
Total revenues	<u>39,165</u>	<u>-</u>	<u>39,165</u>	<u>39,643</u>
Total Public Support and Revenues	<u>1,027,590</u>	<u>50,000</u>	<u>1,077,590</u>	<u>947,727</u>
EXPENSES:				
Program services	756,966	-	756,966	760,364
Administrative and general	42,512	-	42,512	38,241
Fundraising	77,420	-	77,420	86,195
Total expenses	<u>876,898</u>	<u>-</u>	<u>876,898</u>	<u>884,800</u>
Changes in Net Assets	150,692	50,000	200,692	62,927
Net Assets, beginning of year	<u>947,250</u>	<u>350,000</u>	<u>1,297,250</u>	<u>1,234,323</u>
Net Assets, end of year	<u>\$ 1,097,942</u>	<u>\$ 400,000</u>	<u>\$ 1,497,942</u>	<u>\$ 1,297,250</u>

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

NATIONAL COALITION AGAINST CENSORSHIP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services	Management and General	Fundraising	Total 2016
Salaries, payroll taxes, benefits	\$ 479,437	\$ 10,700	\$ 37,630	\$ 527,767
Outside consulting fees	110,010	4,000	14,397	128,407
Audit fees	-	13,250	-	13,250
Occupancy	89,600	11,200	1,019	101,819
Computer and internet	4,395	620	155	5,170
Postage and printing	37,235	454	7,719	45,408
Office expenses	20,982	437	437	21,856
Other benefit expenses	-	-	15,937	15,937
Telephone	3,944	82	82	4,108
Travel	6,445	269	-	6,714
Insurance	2,197	1,290	-	3,487
Meals and entertainment	1,166	194	28	1,388
Depreciation and amortization	1,555	16	16	1,587
	\$ 756,966	\$ 42,512	\$ 77,420	\$ 876,898

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

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

	Program Services	Management and General	Fundraising	Total 2015
Salaries, payroll taxes, benefits	\$ 486,888	\$ 10,700	\$ 37,453	\$ 535,041
Outside consulting fees	99,599	-	23,363	122,962
Audit fees	-	12,767	-	12,767
Occupancy	87,332	10,917	992	99,241
Computer and internet	6,644	938	235	7,817
Postage and printing	42,703	521	8,853	52,077
Office expenses	19,051	395	395	19,841
Other benefit expenses	-	-	14,748	14,748
Telephone	4,690	98	-	4,886
Travel	7,725	322	-	8,047
Insurance	2,206	1,296	-	3,502
Meals and entertainment	1,602	267	38	1,907
Depreciation and amortization	1,924	20	20	1,964
	\$ 760,364	\$ 38,241	\$ 86,195	\$ 884,800

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, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 200,692	\$ 62,927
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	1,587	1,964
Decrease (increase) in:		
Promises to give	48,931	(152,895)
Prepaid expenses and other current assets	(610)	271
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(2,127)	4,767
Deferred rent	(1,081)	(1,081)
	247,392	(84,047)
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed assets purchased	-	(1,076)
	-	(1,076)
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	247,392	(85,123)
CASH AT BEGINNING OF YEAR	909,163	994,286
CASH AT END OF YEAR	\$ 1,156,555	\$ 909,163
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, 2016 AND 2015

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.

NATIONAL COALITION AGAINST CENSORSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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. The organization considers all financial instruments with maturities greater than three months to be investments and available for sale.

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". Donor restricted contributions received and used in the same fiscal year are reflected as unrestricted contributions.

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 March 10, 2017, 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, 2016 AND 2015

Note 3 - Promises to Give

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

	<u>2016</u>	<u>2015</u>
Jerome Levy Foundation	\$ 225,000	\$ -
Reva and David Logan Foundation	100,000	200,000
Andy Warhol Foundation	-	150,000
Various Individuals	-	28,931
Herman Goldman Foundation	5,000	-
	<u>\$ 330,000</u>	<u>\$ 378,931</u>

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 2016 is \$8,887.

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

Note 5 - Fixed Assets

Fixed assets consist of the following at December 31,

	<u>2016</u>	<u>2015</u>
Equipment	\$ 9,431	\$ 9,431
Less accumulated depreciation	(5,581)	(3,994)
	<u>\$ 3,850</u>	<u>\$ 5,437</u>

NATIONAL COALITION AGAINST CENSORSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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:

2017	\$	104,002
2018		<u>8,775</u>
Total	\$	<u><u>112,777</u></u>

Rent expense was \$99,241 for the period ended December 31, 2016. 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"). 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.

In August 2016 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. GG has agreed to a 17 month 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.

2017	\$	37,019
2018		<u>3,088</u>
Total	\$	<u><u>40,107</u></u>

NATIONAL COALITION AGAINST CENSORSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED December 31, 2016 AND 2015

Note 6 - Lease Obligations (continued)

Equipment Rental

In 2016, 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 of \$187. The Xerox lease which expires in June 2021, has a monthly rental of \$233, which includes the cost of supplies. Future minimum payments for the leases are as follows:

2017	\$	3,544
2018		3,544
2019		2,983
2020		2,796
2021		1,398
Total	\$	<u>14,265</u>

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>2016</u>	<u>2015</u>
Youth Free Expression	\$ 225,000	\$ -
Art Advocacy	175,000	350,000
	<u>\$ 400,000</u>	<u>\$ 350,000</u>

Temporarily restricted net assets were released for the following purposes:

	<u>2016</u>	<u>2015</u>
Art Advocacy	\$ 175,000	\$ 100,000
Youth Free Expression	225,000	275,000
	<u>\$ 400,000</u>	<u>\$ 375,000</u>

Note 8 - Line of Credit

In 2007, NCAC obtained a \$75,000 line of credit with a financial institution which provides for interest at the current prime rate 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 2016 and 2015.

Note 10 - Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 financial statement presentation.