



THE AUTHORS GUILD FOUNDATION, INC.

Audited Financial Statements

September 30, 2015

Independent Auditors' Report

To the Board of Directors of
The Authors Guild Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Authors Guild Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 organization'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 organization'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.

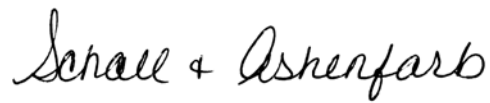
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Authors Guild Foundation, Inc. as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 8, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

June 9, 2016

THE AUTHORS GUILD FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2015
(With comparative totals as of September 30, 2014)

	9/30/15	9/30/14
Assets		
Cash and cash equivalents	\$320,695	\$157,211
Contributions receivable	3,927	0
Due from affiliates (Note 3)	72,573	44,165
Prepaid expenses	22,823	4,132
Cash restricted for custodial programs (Note 3)	24,240	35,690
Property and equipment (Note 4)	5,907	18,739
Cash held for endowment (Note 6)	2,544,882	3,044,882
Interest in trust (Note 3)	0	114,362
	\$2,995,047	\$3,419,181
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$13,914	\$38,167
Deferred rent	2,419	9,286
Custodial funds payable (Note 3)	24,240	35,690
	40,573	83,143
Net assets:		
Unrestricted	1,486,282	2,013,226
Temporarily restricted (Note 5)	151,813	6,433
Permanently restricted (Note 6)	1,316,379	1,316,379
	2,954,474	3,336,038
Total net assets	2,954,474	3,336,038
Total liabilities and net assets	\$2,995,047	\$3,419,181

The attached notes and auditors' report are an integral part of these financial statements.

THE AUTHORS GUILD FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(With comparative totals for the year ended September 30, 2014)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently Restricted</u>	<u>Total 9/30/15</u>	<u>Total 9/30/14</u>
Public support and revenue:					
Contributions	\$87,165	\$145,380		\$232,545	\$177,006
Fundraising event income (less direct benefits to donors) (Note 7)	101,051			101,051	101,956
Dividend and interest income				0	32
Total public support and revenue	188,216	145,380	0	333,596	278,994
Expenses:					
Program services	434,478			434,478	128,622
Management and general	172,844			172,844	68,659
Fundraising	107,838			107,838	35,506
Total expenses	715,160			715,160	232,787
Change in net assets	(526,944)	145,380	0	(381,564)	46,207
Net assets - beginning of year	2,013,226	6,433	1,316,379	3,336,038	3,289,831
Net assets - end of year	<u>\$1,486,282</u>	<u>\$151,813</u>	<u>\$1,316,379</u>	<u>\$2,954,474</u>	<u>\$3,336,038</u>

The attached notes and auditors' report are an integral part of these financial statements.

THE AUTHORS GUILD FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

(With comparative totals for the year ended September 30, 2014)

	Program Services	Management and General	Fundraising	Total 9/30/15	Total 9/30/14
Salaries	\$29,015	\$3,367	\$5,279	\$37,661	\$92,970
Payroll taxes and benefits	3,479	403	632	4,514	11,597
Management fee	312,055	114,264	73,681	500,000	0
Professional fees	33,101	40,388	4,414	77,903	36,764
Occupancy	28,709	3,332	5,223	37,264	36,540
Books and references	1,703			1,703	2,366
Benefit expenses (Note 7)			16,722	16,722	18,735
Postage	16,043			16,043	10,261
Telephone	487	56	88	631	916
Insurance		3,696		3,696	3,767
Bank fees		3,356		3,356	2,209
Other		2,835		2,835	3,830
Depreciation	9,886	1,147	1,799	12,832	12,832
Total expenses	\$434,478	\$172,844	\$107,838	\$715,160	\$232,787

The attached notes and auditors' report are an integral part of these financial statements.

THE AUTHORS GUILD FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(With comparative totals for the year ended September 30, 2014)

	<u>9/30/15</u>	<u>9/30/14</u>
Cash flows from operating activities:		
Change in net assets	(\$381,564)	\$46,207
Adjustments to reconcile change in net assets to net cash (used for)/provided by operating activities:		
Depreciation	12,832	12,832
Contributions restricted for investment in endowment	0	(2,875)
Changes in assets and liabilities:		
Contributions receivable	(3,927)	0
Due from affiliates	(28,408)	(16,788)
Prepaid expenses	(18,691)	(1,233)
Cash restricted for custodial programs	11,450	(21,350)
Interest in trust	114,362	423,186
Accounts payable and accrued expenses	(24,253)	9,277
Deferred rent	(6,867)	(5,705)
Custodial funds payable	(11,450)	21,350
Due to affiliates	0	(55,000)
Total adjustments	<u>45,048</u>	<u>363,694</u>
Net cash (used for)/provided by operating activities	<u>(336,516)</u>	<u>409,901</u>
Cash flows from investing activities:		
Transfer from cash held for endowment	500,000	0
Transfer to cash held for endowment	0	(348,532)
Net cash provided by/(used for) investing activities	<u>500,000</u>	<u>(348,532)</u>
Cash flows from financing activities:		
Proceeds restricted for investment in endowment	0	2,875
Net cash provided by financing activities	<u>0</u>	<u>2,875</u>
Net increase in cash and cash equivalents	163,484	64,244
Cash and cash equivalents - beginning of year	<u>157,211</u>	<u>92,967</u>
Cash and cash equivalents - end of year	<u><u>\$320,695</u></u>	<u><u>\$157,211</u></u>
Supplemental disclosure:		
Taxes paid	<u>\$0</u>	<u>\$0</u>
Interest paid	<u>\$0</u>	<u>\$0</u>

The attached notes and auditors' report are an integral part of these financial statements.

THE AUTHORS GUILD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Note 1 – Organization

The Authors Guild Foundation, Inc. (the “Foundation”) is a not-for-profit entity organized on April 22, 1975 under the laws of the State of New York. The Foundation is a public charity and a supporting organization of The Authors Guild, Inc. (“Guild”). It was established for the purpose of improving the conditions and welfare of individual American authors by providing them with educational and informational resources. The mission has been expanded to operate an Emergency Relief Program. See Note 3 for additional details.

Note 2 – Significant Accounting Policies

a. Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting which is the process of recording income and expenses in the period earned or incurred rather than when received or paid.

b. Basis of Presentation

The Foundation reports information regarding their financial position and activities according to specific classes of net assets as follows:

- *Unrestricted* – represents all activity without donor imposed restrictions as well as activity with donor imposed restrictions, which expire within the same period.
- *Temporarily restricted* – accounts for activity based on specific donor restrictions that are expected to be satisfied by passage of time or performance of activities.
- *Permanently restricted* – relates to contributions of cash and other assets whereby the assets must remain intact in perpetuity due to restrictions placed by the donor.

c. Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Contributions whose restrictions expire in the same year they are received are recorded as unrestricted.

d. Cash and Cash Equivalents

The Foundation considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents except for cash held with an investment custodian for long-term purposes.

- e. Concentration of Credit Risk
Financial instruments that potentially subject the Foundation to concentration of credit risk consist of cash and money market accounts and are placed with financial institutions that management deems to be creditworthy. At year-end and at various times throughout the year, balances were materially in excess of insured amounts. The Foundation did not suffer any losses due to failure of any financial institutions.
- f. Cash Held for Custodial Programs
The Foundation operates an emergency relief program on behalf of another related not-for-profit organization (see Note 3 for details). Activity is treated as an exchange transaction. A liability has been established for funds received that have not yet been spent. As program spending is incurred, the liability is reduced. A separate bank account is used to account for this activity.
- g. Property and Equipment
Fixed assets that the Foundation retains title to and which benefit future periods are capitalized at cost, or if donated, at the estimated fair value at the time of donation. Fixed assets consist of office furniture and equipment and leasehold improvements which are carried at cost and are depreciated over their useful lives using the straight-line method.
- h. Deferred Rent
Rent expense is recorded evenly over the life of the lease using the straight-line method. A deferred rent liability has been recorded to reflect differences between amounts paid and recognized as expense, primarily due to the benefit of incentives included in the lease. At the end of the lease term, deferred rent will be reduced to zero.
- i. Management Estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.
- j. Tax Status
The Foundation is exempt from income taxes under Section 501(c)3 of the Internal Revenue Code and is a supporting organization of the Guild.

The Foundation does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending September 30, 2012 and later are subject to examination by applicable taxing authorities.
- k. Comparative Financial Information
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended September 30, 2014, from which the summarized information was derived.

l. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

m. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through June 9, 2016, the date the financial statements were available to be issued. All events that have occurred subsequent to the statement of financial position date through our evaluation date have been adjusted or disclosed in the financial statements.

Note 3 – Related Party Transactions

The following organizations are affiliated through the use of shared facilities and shared members of their respective boards of directors, managers and related staff: Guild, Foundation and The Authors League Fund, Inc. (“Fund”). Certain expenses are charged to each entity based on their estimated usage.

In 2011, The Authors Guild Foundation, Inc.’s Emergency Relief Program was created within the Foundation to distribute charitable grants to individual writers. These grants were formerly distributed by the Fund. A subcommittee was created on the Foundation’s board to oversee the program. The subcommittee is made up of the Fund’s board members. Both boards authorize transfers from the Fund to the Foundation and oversee the procedures for evaluating requests for aid.

Per the terms of this arrangement, the Fund makes transfers to the Foundation, and the Foundation distributes charitable grants to individual writers. Activity related to this program is treated as an exchange transaction and amounts received by the Foundation in advance of expenses incurred are reflected as custodial funds payable. Subsequent to year end, the Foundation ceased running this program and all remaining custodial funds have been transferred.

The following summarizes the activity for this program:

	<u>9/30/15</u>	<u>9/30/14</u>
Custodial funds payable - beginning	\$35,690	\$14,340
Payments received from Fund	224,000	268,450
Program costs incurred by Foundation	<u>(235,450)</u>	<u>(247,100)</u>
Custodial funds payable - ending	<u>\$24,240</u>	<u>\$35,690</u>

The Foundation was the partial ultimate beneficiary of several trust agreements. In 2014, the Foundation was notified that the last standing beneficiary was deceased in all of these trusts, which entitled the Foundation to its share in the proceeds in prearranged proportions. The total amount owed to the Foundation from those agreements was \$114,362 as of September 30, 2014 which was collected in full during the year ended September 30, 2015. Of those funds, \$72,573 was deposited in Guild and the entire amount was due to Foundation as of September 30, 2015.

In addition, in 2014, Fund owed Foundation \$44,165 for reimbursement of salaries for one employee who monitored the program (\$18,300) and shared fundraising event expenses (\$25,865). There was no similar receivable in 2015.

Foundation paid consulting fees to a company that the former Executive Director was a partner in. Total consulting costs from this agreement totaled \$44,000 during the year ended September 30, 2015.

Note 4 – Property and Equipment

Property and equipment consist of the following:

	<u>September 30, 2015</u>			
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Estimated Useful Life</u>
Furniture and equipment	\$47,773	(\$47,773)	\$0	5 years
Leasehold Improvements	<u>128,315</u>	<u>(122,408)</u>	<u>5,907</u>	10 years
Total	<u>\$176,088</u>	<u>(\$170,181)</u>	<u>\$5,907</u>	

	<u>September 30, 2014</u>			
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Estimated Useful Life</u>
Furniture and equipment	\$47,773	(\$47,773)	\$0	5 years
Leasehold Improvements	<u>128,315</u>	<u>(109,576)</u>	<u>18,739</u>	10 years
Total	<u>\$176,088</u>	<u>(\$157,349)</u>	<u>\$18,739</u>	

Note 5 – Temporarily Restricted Net Assets

There were no net assets released from restriction due to satisfaction of donor stipulations during the years ended September 30, 2015 and 2014.

Net assets are temporarily restricted by donors for the following purposes:

	<u>9/30/15</u>	<u>9/30/14</u>
Copyright and free speech fund	\$145,380	\$0
Unappropriated endowment earnings	<u>6,433</u>	<u>6,433</u>
Total restrictions	<u>\$151,813</u>	<u>\$6,433</u>

Note 6 – Endowment

The Foundation’s endowment includes permanently restricted individual and estate funds to be held indefinitely. The income from these investments can be used to support the Foundation’s author-supporting activities.

Interpretation of Relevant Law

On September 17, 2010, New York State adopted New York Prudent Management of Institutional Funds Act (“NYPMIFA”), which the Foundation has interpreted as requiring certain amounts to be retained permanently. Absent explicit donor stipulations to the contrary, the Foundation will preserve the fair value of the original gift as of the gift date of all donor-restricted endowment funds. However, under certain circumstances, the Foundation has the right to appropriate for expenditure the fair value of the original gift in a manner consistent with the standard of prudence specifically prescribed by NYPMIFA.

As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the donor’s intention.

Absent any specific donor-stipulations, when endowment funds have earnings in excess of amounts that need to be retained permanently, these excess amounts are classified as temporarily restricted net assets until appropriated for expenditure by the organization’s governing board.

Spending Policies

In accordance with NYPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation
- (8) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Foundation

The Foundation does not have a spending policy and they are currently accumulating interest, dividends and other market value gains for future appropriation, if deemed prudent and necessary.

Changes in endowment net assets were as follows:

	<u>September 30, 2015</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment net assets, beginning of year	\$1,722,070	\$6,433	\$1,316,379	\$3,044,882
Cash transferred to operating account	<u>(500,000)</u>	<u>0</u>	<u>0</u>	<u>(500,000)</u>
Endowment net assets, end of year	<u>\$1,222,070</u>	<u>\$6,433</u>	<u>\$1,316,379</u>	<u>\$2,544,882</u>

	<u>September 30, 2014</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment net assets, beginning of year	(\$424,768)	\$6,401	\$3,114,717	\$2,696,350
Contributions	0	0	2,875	2,875
Cash transferred from operating account	345,625	0	0	345,625
Donor release of restriction	1,801,213	0	(1,801,213)	0
Interest and dividend income	<u>0</u>	<u>32</u>	<u>0</u>	<u>32</u>
Endowment net assets, end of year	<u>\$1,722,070</u>	<u>\$6,433</u>	<u>\$1,316,379</u>	<u>\$3,044,882</u>

Funds with Deficiencies

Investments held for endowment consist of all money market or cash accounts. In previous years, the Foundation used a portion of these restricted funds to support operations. During the year ended September 30, 2014, a donor released the permanent restriction on their contribution of \$1,801,213. As a result, there are no funds with deficiencies at September 30, 2015 and 2014.

Note 7 - Fundraising Event

The Foundation and the Fund host a joint event. Each organization is responsible to send out their own invitations and make their own collections. The Foundation initially incurs the expenses of the event and gets reimbursed by the Fund based on each organization's pro rata share of income collected.

Total expenses of \$76,000 were allocated between the Fund and the Foundation in the amounts of \$25,334 and \$50,666, respectively, in 2015. Total expenses of \$82,014 were allocated to the Fund and Foundation in the amounts of \$25,865 and \$56,149, respectively, in 2014.

The amount due from the Fund for the year ended September 30, 2015 was paid in full prior to the year-end. As of September 30, 2014 the full amount due from the Fund was outstanding and included in due from affiliates on the statement of financial position (See Note 3).

The following summarizes the activity for the event:

	<u>9/30/15</u>	<u>9/30/14</u>
Gross event revenue	\$135,650	\$139,370
Less: expenses where donor receives a direct benefit	<u>(34,599)</u>	<u>(37,414)</u>
	101,051	101,956
Less: other event expenses	<u>(16,722)</u>	<u>(18,735)</u>
Total event revenue	<u>\$84,329</u>	<u>\$83,221</u>

Note 8 – 401K Plan

The Foundation sponsored a qualified profit sharing plan under the provisions of Section 401(k) of the Internal Revenue Code. During the year, the plan terminated. The plan covered substantially all eligible employees. Each participant was able to defer up to 12% of their eligible compensation. The plan provided a matching contribution by the employer to a maximum of 4% of eligible employee compensation. The Foundation contributed \$528 and \$2,380 during 2015 and 2014, respectively.

Note 9 – Commitments and Contingencies

The Foundation and Guild lease office space under a joint non-cancelable lease agreement which expires January 31, 2016. The lease was renewed subsequent to year end. The extension expires January 31, 2026. Rent expense for the Foundation is based on its pro-rata share of the lease, on a straight line basis.

Future minimum rental payments on the office lease are as follows:

<u>Year Ending</u>	<u>Guild</u>	<u>Foundation</u>	<u>Total</u>
September 30, 2016	\$84,042	\$36,018	\$120,060
September 30, 2017	152,680	65,435	218,115
September 30, 2018	156,879	67,234	224,113
September 30, 2019	161,193	69,083	230,276
September 30, 2020	165,626	70,983	236,609
Thereafter	<u>1,023,732</u>	<u>438,743</u>	<u>1,462,475</u>
Total	<u>\$1,744,152</u>	<u>\$747,496</u>	<u>\$2,491,648</u>