

THE NATION INSTITUTE
FINANCIAL STATEMENTS
AND AUDITOR'S REPORT
DECEMBER 31, 2015

THE NATION INSTITUTE

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Independent Auditor's Report

**Board of Directors
The Nation Institute**

Report on the Financial Statements

We have audited the accompanying financial statements of The Nation Institute which comprise the balance sheet as of December 31, 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.

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 financial position of The Nation Institute as of December 31, 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 Nation Institute's December 31, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 15, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Loeb & Troper LLP

May 20, 2016

THE NATION INSTITUTE

BALANCE SHEET

DECEMBER 31, 2015

(With Summarized Financial Information
for December 31, 2014)

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 1,177,584	\$ 815,338
Investments (Note 3)	3,807,795	3,986,448
Contributions receivable - net (Note 4)	729,584	1,763,230
Accounts receivable	101,004	87,531
Accrued interest receivable	8,693	8,063
Prepaid expenses and other assets	27,903	38,617
Security deposit (Note 7)	33,750	33,750
Fixed assets - net (Note 5)	<u>6,739</u>	<u>17,212</u>
Total assets	<u>\$ 5,893,052</u>	<u>\$ 6,750,189</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 86,695	\$ 149,113
Grants payable - current	51,806	49,914
Deferred rent (Note 7)	2,555	11,612
Deferred income	<u>8,500</u>	<u></u>
Total liabilities	<u>149,556</u>	<u>210,639</u>
Net assets (Exhibit B)		
Unrestricted	1,157,597	1,197,111
Temporarily restricted (Note 6)	<u>4,585,899</u>	<u>5,342,439</u>
Total net assets	<u>5,743,496</u>	<u>6,539,550</u>
Total liabilities and net assets	<u>\$ 5,893,052</u>	<u>\$ 6,750,189</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

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EXHIBIT B

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015
(With Summarized Financial Information
for the Year Ended December 31, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2015</u>	<u>2014</u>
Revenues, gains and other support				
Contributions - individuals	\$ 300,890	\$ 267,875	\$ 568,765	\$ 471,543
Contributions - foundations, public charities, trusts and corporations	228,418	1,565,866	1,794,284	3,091,412
Program service fees	72,000		72,000	58,128
Special event revenues	\$ 380,193			
Less direct cost of special event	<u>(183,818)</u>			
Net special event revenue	196,375		196,375	187,360
Rental income (Note 7)	72,800		72,800	80,977
Royalties and book sales	172,137		172,137	212,117
Investment income (Note 3)	10,158		10,158	311,241
Miscellaneous income	29,559		29,559	
Net assets released from restriction (Note 6)	<u>2,590,281</u>	<u>(2,590,281)</u>		
Total revenues, gains and other support	<u>3,672,618</u>	<u>(756,540)</u>	<u>2,916,078</u>	<u>4,412,778</u>

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EXHIBIT B

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STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015
(With Summarized Financial Information
for the Year Ended December 31, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2015</u>	<u>2014</u>
Expenses (Exhibit C)				
Program services				
Internships	\$ 324,794		\$ 324,794	\$ 297,397
Investigative Fund	1,010,082		1,010,082	1,102,151
Fellowships	906,907		906,907	1,067,157
Other programs	<u>756,277</u>		<u>756,277</u>	<u>551,045</u>
Total program services	2,998,060		2,998,060	3,017,750
Management and general	557,852		557,852	422,615
Fund raising	<u>156,220</u>		<u>156,220</u>	<u>315,137</u>
Total expenses	<u>3,712,132</u>		<u>3,712,132</u>	<u>3,755,502</u>
Change in net assets (Exhibit D)	(39,514)	\$ (756,540)	(796,054)	657,276
Net assets - beginning of year	<u>1,197,111</u>	<u>5,342,439</u>	<u>6,539,550</u>	<u>5,882,274</u>
Net assets - end of year (Exhibit A)	<u>\$ 1,157,597</u>	<u>\$ 4,585,899</u>	<u>\$ 5,743,496</u>	<u>\$ 6,539,550</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015
(With Summarized Financial Information
for the Year Ended December 31, 2014)

	Program Services				Supporting Services				Total		
	Internships	Investigative Fund	Fellowships	Other Programs	Total	Management and General	Fund Raising	Direct Cost of Special Event	Total	2015	2014
Salaries	\$ 230,640	\$ 196,724		\$ 234,410	\$ 661,774	\$ 109,399	\$ 76,965		\$ 186,364	\$ 848,138	\$ 839,588
Payroll taxes and benefits	33,394	74,646		74,077	182,117	60,291	21,472		81,763	263,880	242,925
	264,034	271,370		308,487	843,891	169,690	98,437		268,127	1,112,018	1,082,513
Professional fees						190,886			190,886	190,886	88,681
Consulting	1,174	45,791		235,811	282,776	37,695	12,603		50,298	333,074	197,976
Telephone and internet charges	24,606	11,282		12,496	48,384	3,622	2,911		6,533	54,917	54,719
Equipment rental	453	1,565		1,803	3,821	1,916	588		2,504	6,325	7,034
Occupancy (Note 7)	12,812	44,271		43,882	100,965	100,571	16,636		117,207	218,172	212,401
Insurance	3,791	13,099		15,085	31,975	10,095	4,922		15,017	46,992	44,057
Travel and entertainment	10,917	21,616		34,317	66,850	14,232	5,792		20,024	86,874	76,790
Postage, printing and production		219		15,035	15,254	6,175	9,487		15,662	30,916	34,295
Advertising and publicity	910	954		39,298	41,162	730			730	41,892	8,840
Bank charges and other fees				21	21	3,495	858		4,353	4,374	7,506
Fellowships and grants	4,000	567,771	\$ 906,907		1,478,678					1,478,678	1,766,148
Catering and facility rental								\$ 183,818	183,818	183,818	174,484
Website costs		7,616		23,740	31,356	184			184	31,540	30,514
Conferences, dues and subscriptions	115	14,530		1,395	16,040	4,303	377		4,680	20,720	19,566
Stipends											350
Office expenses	1,982	5,756		24,907	32,645	3,785	2,532		6,317	38,962	65,456
Tape, CD production and book purchases		4,242			4,242		1,077		1,077	5,319	35,290
Depreciation and amortization						10,473			10,473	10,473	11,741
Investment fees						34,418			34,418	34,418	26,880
Bad debt											11,625
Total expenses	324,794	1,010,082	906,907	756,277	2,998,060	592,270	156,220	183,818	932,308	3,930,368	3,956,866
Less expenses deducted directly on the statement of activities											
Direct cost of special events								(183,818)	(183,818)	(183,818)	(174,484)
Investment fees						(34,418)			(34,418)	(34,418)	(26,880)
Total expenses reported by function on the statement of activities (Exhibit B)	\$ 324,794	\$ 1,010,082	\$ 906,907	\$ 756,277	\$ 2,998,060	\$ 557,852	\$ 156,220	\$ -	\$ 714,072	\$ 3,712,132	\$ 3,755,502

See independent auditor's report.

The accompanying notes are an integral part of these statements.

THE NATION INSTITUTE

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ (796,054)	\$ 657,276
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Loss (gain) on investments	34,829	(270,858)
Depreciation and amortization	10,473	11,741
Decrease (increase) in assets		
Contributions receivable	1,033,646	(505,134)
Accounts receivable	(13,473)	(12,760)
Accrued interest receivable	(630)	6,339
Prepaid expenses and other assets	10,714	(9,626)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(62,418)	60,356
Grant payable	1,892	(86)
Deferred rent	(9,057)	(57)
Deferred income	8,500	
	<u>218,422</u>	<u>(62,809)</u>
Net cash provided (used) by operating activities		
Cash flows from investing activities		
Purchases of investments	(556,972)	(3,369,687)
Proceeds from sales of investments	700,796	3,410,040
	<u>143,824</u>	<u>40,353</u>
Net cash provided by investing activities		
Net change in cash and cash equivalents	362,246	(22,456)
Cash and cash equivalents - beginning of year	<u>815,338</u>	<u>837,794</u>
Cash and cash equivalents - end of year	<u>\$ 1,177,584</u>	<u>\$ 815,338</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

THE NATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 - NATURE OF ENTITY

A nonprofit media center, The Nation Institute is dedicated to strengthening the independent press and advancing social justice and civil rights. Our dynamic range of programs includes a bestselling book publishing imprint, Nation Books; our award-winning Investigative Fund, which supports groundbreaking investigative journalism; the widely read and syndicated website TomDispatch; the Victor S. Navasky Internship Program; and Journalism Fellowships that fund over 20 high-profile reporters every year.

The Institute is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Institute is funded primarily by contributions, and special events.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - Cash equivalents include highly liquid instruments with maturities, when acquired, of three months or less.

Investments - Investments are recorded at fair value. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in the Institute's financial statements.

Contributions receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be allocated in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

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THE NATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable - Accounts receivable are recorded when sales are made or services are rendered. The Institute determines whether an allowance for uncollectibles should be provided for accounts receivable. Such estimates are based on management's assessment of the aged basis of its receivables and other sources, current economic conditions, subsequent receipts and historical information. Accounts receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. The Institute does not charge interest on accounts receivable. No allowance was deemed necessary as of December 31, 2015.

Allowance for doubtful accounts - The Institute determines whether an allowance for uncollectibles should be provided for receivables. Such estimates are based on management's assessment of the aged basis of its receivables, current economic conditions, subsequent receipts and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted.

Fixed assets - Fixed assets are recorded at cost. Fixed assets with useful lives of greater than one year and a cost in excess of \$2,500 are capitalized.

Depreciation and amortization - Depreciation is recorded on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is provided on the straight-line method over the shorter of the estimated useful lives of the assets or the lease term.

Grants payable - The Institute grants funds to different writers to further their mission. Grants are recorded when approved by the Board of Directors.

Unrestricted net assets - Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors.

Temporarily restricted net assets - Temporarily restricted net assets are those whose use by the Institute has been limited by donors to a specific time period or purpose.

Contributions - Unconditional promises to give cash and other assets are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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THE NATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Program fees - Fees are earned and recorded when services are provided.

Advertising - Advertising costs are expensed in the year incurred.

Functional allocation of expenses - The costs of providing the Institute's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Lease accounting - Operating leases are recorded on the straight-line basis over the term of the lease. Deferred rent, when material, is recorded for the difference between the fixed payment and rent expense.

Fair Value Measurements

Fair Value Measurements establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Institute has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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THE NATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015 as compared to those used in 2014.

Government agency bonds and government sponsored enterprise (GSE) bonds -Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds - Valued at the net asset value (“NAV”) of shares held at year end.

The investments at December 31, 2015 are shown in Note 3 by level within the fair value hierarchy.

Uncertainty in income taxes - The Institute has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2012 and subsequent remain subject to examination by applicable taxing authorities.

Summarized 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 organization’s financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Subsequent events - Subsequent events have been evaluated through May 20, 2016, which is the date the financial statements were available to be issued.

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THE NATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 3 - INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of December 31, 2015:

	<u>Level 1</u>
Mutual funds	
International equities	\$ 88,834
Fixed income	226,695
U.S. equities	<u>2,434,547</u>
Total mutual funds	<u>2,750,076</u>
Fixed income	
Government sponsored enterprise (GSE) bonds	203,576
Government agency bonds	<u>570,349</u>
Total fixed income	<u>773,925</u>
Total investments reported on the fair value hierarchy	3,524,001
Money market funds	<u>283,794</u>
	<u>\$ 3,807,795</u>
Investment income consists of:	
Interest and dividends	\$ 79,405
Loss on investments	(34,829)
Investment fees	<u>(34,418)</u>
	<u>\$ 10,158</u>

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THE NATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4 - CONTRIBUTIONS RECEIVABLE

The Institute received promises to give for its various programs. Discounting on these receivables was not material to the financial statements taken as a whole and therefore not recorded. Contributions receivable are due as follows:

2016	\$ 534,584
2017	<u>200,000</u>
	734,584
Less allowance for doubtful accounts	<u>(5,000)</u>
	<u>\$ 729,584</u>

NOTE 5 - FIXED ASSETS

		Estimated Useful Lives (in Years)
		<u> </u>
Furniture and fixtures	\$ 63,182	3-10
Leasehold improvements	28,330	3-10
Computer equipment	21,963	4
Website	68,340	3
Telephone hardware	<u>14,455</u>	10
	196,270	
Less accumulated depreciation and amortization	<u>(189,531)</u>	
	<u>\$ 6,739</u>	

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THE NATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Fellowship	
Puffin	\$ 1,141,007
Other	1,230,620
Investigative Fund	1,126,000
Interns	852,231
Other programs	
Schell Lecture	69,617
Strategic Plan	24,750
Tom Dispatch	91,662
John Hiss Oral History	34,223
Alger Hiss (investigative fund)	<u>15,789</u>
	<u>\$ 4,585,899</u>

During the year ended December 31, 2015, net assets were released from donor restrictions for the following purpose:

Fellowship	
Puffin	\$ 139,610
Other	637,583
Nation Books	22,170
Investigative Fund	1,051,042
Interns	329,353
Other programs	
Schell Lecture	5,383
Strategic Plan	250
Tom Dispatch	135,370
Alger Hiss (investigative fund)	<u>269,520</u>
	<u>\$ 2,590,281</u>

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THE NATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 7 - OCCUPANCY

In January 2006, the Institute leased approximately 6,000 square feet of office space at 116 East 16th Street in the City of New York. The lease was renewed in 2015 and is set to expire on December 31, 2021. The Institute is obligated for base monthly rent of \$17,740 plus additional charges for rent and real estate tax escalation. The Institute was granted a two and one-half month rent concession starting January 1, 2006. The rent concession is being amortized over the term of the lease. Rent expense was \$188,862 for 2015. In connection with the lease, the Institute was required to make a security deposit of \$33,750.

The Institute has a sublease agreement for part of its space with two sub-tenants. Agreements are in place with both sub-tenants, with one expiring on December 31, 2021 and the other on a month-to-month basis. The Institute earned \$72,800 of rental income for the year ended December 31, 2015.

Deferred rent as of December 31, 2015 was \$2,555.

The lease calls for an annual base rent as follows:

	<u>Total Commitment</u>	<u>Sublessor Payments</u>	<u>Net</u>
2016	\$ 171,597	\$ 102,000	\$ 69,597
2017	199,314	104,556	94,758
2018	203,997	107,160	96,837
2019	208,797	109,848	98,949
2020	213,718	112,584	101,134
Thereafter	<u>218,760</u>	<u>115,404</u>	<u>103,356</u>
Total	\$ <u>1,216,183</u>	\$ <u>651,552</u>	\$ <u>564,631</u>

NOTE 8 - RETIREMENT PLANS

The Institute maintains a 403(b) retirement plan covering substantially all eligible employees over 21 years of age. The Institute also maintains a Simplified Employee Pension (SEP) covering substantially all eligible employees. During 2015, the Institute contributed 5% of an employee's compensation to the plan. Pension expense for the year ended December 31, 2015 was \$26,119.

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THE NATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 9 - CONCENTRATIONS

Financial instruments which potentially subject the Institute to a concentration of credit risk are cash accounts with financial institutions in excess of FDIC insurance limits.