

**THE NATION INSTITUTE**  
**FINANCIAL STATEMENTS**  
**AND AUDITOR'S REPORT**  
**DECEMBER 31, 2016**

# **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, 2016, 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, 2016, 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, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 20, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Loeb & Troper LLP*

July 11, 2017

**THE NATION INSTITUTE**

**BALANCE SHEET**

**DECEMBER 31, 2016**  
**(With Summarized Financial Information**  
**for December 31, 2015)**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,572,622	\$ 1,177,584
Investments (Note 3)	3,753,076	3,807,795
Contributions receivable (Note 4)	1,358,436	729,584
Accounts receivable	113,452	101,004
Accrued interest receivable	7,533	8,693
Prepaid expenses and other assets	63,902	27,903
Security deposit (Note 7)	33,750	33,750
Fixed assets - net (Note 5)	1,639	6,739
Total assets	\$ 6,904,410	\$ 5,893,052
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 109,908	\$ 86,695
Grants payable - current	50,000	51,806
Deferred rent (Note 7)		2,555
Deferred income	8,500	8,500
Total liabilities	168,408	149,556
Net assets (Exhibit B)		
Unrestricted	1,181,308	1,157,597
Temporarily restricted (Note 6)	5,554,694	4,585,899
Total net assets	6,736,002	5,743,496
Total liabilities and net assets	\$ 6,904,410	\$ 5,893,052

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**THE NATION INSTITUTE**

**EXHIBIT B**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2016**  
**(With Summarized Financial Information**  
**for the Year Ended December 31, 2015)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2016</u>	<u>2015</u>
Revenues, gains and other support				
Contributions - individuals	\$ 250,945	\$ 156,433	\$ 407,378	\$ 568,765
Contributions - foundations, public charities, trusts and corporations	31,770	3,608,373	3,640,143	1,794,284
Program service fees	72,000		72,000	72,000
Special event revenues	\$ 400,861			
Less direct cost of special event	<u>(193,698)</u>			
Net special event revenue	207,163		207,163	196,375
Rental income (Note 7)	129,123		129,123	72,800
Royalties and book sales	180,583		180,583	172,137
Investment income (Note 3)	225,687		225,687	10,158
Miscellaneous income	10,911		10,911	29,559
Net assets released from restriction (Note 6)	<u>2,796,011</u>	<u>(2,796,011)</u>		
Total revenues, gains and other support	<u>3,904,193</u>	<u>968,795</u>	<u>4,872,988</u>	<u>2,916,078</u>

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**THE NATION INSTITUTE**

**EXHIBIT B**

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**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2016**  
**(With Summarized Financial Information**  
**for the Year Ended December 31, 2015)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2016</u>	<u>2015</u>
Expenses (Exhibit C)				
Program services				
Internships	\$ 330,405		\$ 330,405	\$ 324,794
Investigative Fund	1,233,375		1,233,375	1,010,082
Fellowships	882,368		882,368	906,907
Other programs	<u>789,125</u>		<u>789,125</u>	<u>756,277</u>
Total program services	3,235,273		3,235,273	2,998,060
Management and general	373,814		373,814	557,852
Fund raising	<u>271,395</u>		<u>271,395</u>	<u>156,220</u>
Total expenses	<u>3,880,482</u>		<u>3,880,482</u>	<u>3,712,132</u>
Change in net assets (Exhibit D)	23,711	\$ 968,795	992,506	(796,054)
Net assets - beginning of year	<u>1,157,597</u>	<u>4,585,899</u>	<u>5,743,496</u>	<u>6,539,550</u>
Net assets - end of year (Exhibit A)	<u>\$ 1,181,308</u>	<u>\$ 5,554,694</u>	<u>\$ 6,736,002</u>	<u>\$ 5,743,496</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016  
(With Summarized Financial Information  
for the Year Ended December 31, 2015)

	Program Services				Supporting Services				Total		
	Internships	Investigative Fund	Fellowships	Other Programs	Total	Management and General	Fund Raising	Direct Cost of Special Event	Total	2016	2015
Salaries	\$ 243,252	\$ 265,263		\$ 287,322	\$ 795,837	\$ 95,350	\$ 102,698		\$ 198,048	\$ 993,885	\$ 848,138
Payroll taxes and benefits	36,886	95,410		110,225	242,521	36,301	28,581		64,882	307,403	263,880
	280,138	360,673		397,547	1,038,358	131,651	131,279		262,930	1,301,288	1,112,018
Professional fees	4,293	16,261		17,925	38,479	31,319	48,519		79,838	118,317	190,886
Consulting	2,327	45,199		178,317	225,843	13,043	44,641		57,684	283,527	333,074
Telephone and internet charges	25,118	8,664		13,084	46,866	2,767	2,802		5,569	52,435	54,917
Equipment rental	530	2,002		2,205	4,737	799	729		1,528	6,265	6,325
Occupancy (Note 7)	9,134	34,591		38,130	81,855	141,822	12,588		154,410	236,265	218,172
Insurance	3,868	14,650		16,147	34,665	8,152	5,333		13,485	48,150	46,992
Travel and entertainment	591	38,800		33,526	72,917	5,011	4,440		9,451	82,368	86,874
Postage, printing and production	326	1,259		13,279	14,864	1,508	10,446		11,954	26,818	30,916
Advertising and publicity	410	26,512		9,110	36,032					36,032	41,892
Bank charges and other fees	427	1,621		1,813	3,861	1,036	4,971		6,007	9,868	4,374
Fellowships and grants	300	653,875	\$ 882,368		1,536,543					1,536,543	1,478,678
Catering and facility rental								\$ 193,698	193,698	193,698	183,818
Website costs	176	731		25,841	26,748	240	271		511	27,259	31,540
Conferences, dues and subscriptions	92	14,708		1,731	16,531	4,630	100		4,730	21,261	20,720
Office expenses	2,675	13,829		40,470	56,974	6,246	2,262		8,508	65,482	38,962
Tape, CD production and book purchases							3,014		3,014	3,014	5,319
Depreciation and amortization						5,100			5,100	5,100	10,473
Investment fees						34,505			34,505	34,505	34,418
Bad debt						20,490			20,490	20,490	
Total expenses	330,405	1,233,375	882,368	789,125	3,235,273	408,319	271,395	193,698	873,412	4,108,685	3,930,368
Less expenses deducted directly on the statement of activities											
Direct cost of special events								(193,698)	(193,698)	(193,698)	(183,818)
Investment fees						(34,505)			(34,505)	(34,505)	(34,418)
Total expenses reported by function on the statement of activities (Exhibit B)	\$ 330,405	\$ 1,233,375	\$ 882,368	\$ 789,125	\$ 3,235,273	\$ 373,814	\$ 271,395	\$ -	\$ 645,209	\$ 3,880,482	\$ 3,712,132

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, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 992,506	\$ (796,054)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Loss (gain) on investments	(194,506)	34,829
Depreciation and amortization	5,100	10,473
Decrease (increase) in assets		
Contributions receivable	(628,852)	1,033,646
Accounts receivable	(12,448)	(13,473)
Accrued interest receivable	1,160	(630)
Prepaid expenses and other assets	(35,999)	10,714
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	23,213	(62,418)
Grants payable	(1,806)	1,892
Deferred rent	(2,555)	(9,057)
Deferred income		8,500
	<u>145,813</u>	<u>218,422</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchase of investments	(1,029,463)	(556,972)
Proceeds from sales of investments	1,278,688	700,796
	<u>249,225</u>	<u>143,824</u>
Net cash provided by investing activities		
Net change in cash and cash equivalents	395,038	362,246
Cash and cash equivalents - beginning of year	<u>1,177,584</u>	<u>815,338</u>
Cash and cash equivalents - end of year	<u>\$ 1,572,622</u>	<u>\$ 1,177,584</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, 2016**

**NOTE 1 - NATURE OF ENTITY**

A nonprofit media center, The Nation Institute (the “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, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Accounts receivable** - Accounts receivable are recorded when sales are made. The Institute does not charge interest on accounts receivable. No allowance was deemed necessary as of December 31, 2016.

**Allowance for doubtful accounts** - The Institute determines whether an allowance for uncollectibles should be provided for its receivables. Such estimates are based on management's assessment of the aged basis of its receivables, current economic condition, 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 the Institute's 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.

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

**Advertising** - Advertising costs are expensed in the year incurred. Advertising expense for the year ended December 31, 2016 was \$6,403.

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**THE NATION INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*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, 2016**

**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, 2016 as compared to those used in 2015.

*Government agency bonds* - Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing values on yields currently available on comparable securities of issuers with similar credit ratings.

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

The investments at December 31, 2016 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, 2013 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, 2015, from which the summarized information was derived.

*Subsequent events* - Subsequent events have been evaluated through July 11, 2017, 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, 2016**

**NOTE 3 - INVESTMENTS**

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Mutual funds			
International equities	\$ 151,994		\$ 151,994
Fixed income	233,255		233,255
U.S. equities	<u>2,308,711</u>		<u>2,308,711</u>
Total mutual funds	2,693,960		2,693,960
Fixed income			
Government agency bonds	<u>                    </u>	\$ <u>649,866</u>	<u>649,866</u>
Total investments reported on the fair value hierarchy	<u>\$ 2,693,960</u>	<u>\$ 649,866</u>	3,343,826
Money market funds			<u>409,250</u>
Total investments			<u>\$ 3,753,076</u>

Investment income consists of:

Interest and dividends	\$ 65,686
Gains on investments	194,506
Investment fees	<u>(34,505)</u>
	<u>\$ 225,687</u>

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**THE NATION INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 4 - CONTRIBUTIONS RECEIVABLE**

The Institute received promises to give for its various programs. Noncurrent contributions receivable have been discounted over the payment period using a discount rate of 4%. Contributions receivable are due as follows:

2017	\$ 952,172
2018	150,000
2019	150,000
2020	<u>150,000</u>
	1,402,172
Less discount to present value	(33,736)
Less allowance for doubtful accounts	<u>(10,000)</u>
	<u>\$ 1,358,436</u>

**NOTE 5 - FIXED ASSETS**

		<b>Estimated Useful Lives (in Years)</b>
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>(194,631)</u>	
	<u>\$ 1,639</u>	

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**THE NATION INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

Fellowship	
Puffin	\$ 1,187,368
Other	1,296,681
Investigative Fund	2,133,548
Interns	699,881
Other programs	
Schell Lecture	14,193
Tom Dispatch	189,330
John Hiss Oral History	<u>33,693</u>
	<u>\$ 5,554,694</u>

During the year ended December 31, 2016, net assets were released from donor restrictions for the following purpose:

Fellowship	
Puffin	\$ 82,794
Other	745,973
Investigative Fund	1,248,592
Interns	329,841
Other programs	
Schell Lecture	75,424
Strategic Plan	33,966
Tom Dispatch	151,731
John Hiss Oral History	530
Alger Hiss (investigative fund)	<u>127,160</u>
	<u>\$ 2,796,011</u>

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**THE NATION INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**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 effective January 1, 2017 and is set to expire on December 31, 2021. The Institute is obligated for base monthly rent plus additional charges for rent and real estate tax escalation. Rent expense was \$197,293 for 2016. 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 \$129,123 of rental income for the year ended December 31, 2016.

The lease calls for an annual base rent as follows:

	<u>Total Commitment</u>	<u>Sublessor Payments</u>	<u>Net</u>
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
2021	<u>218,760</u>	<u>115,404</u>	<u>103,356</u>
Total	<u>\$ 1,044,586</u>	<u>\$ 549,552</u>	<u>\$ 495,034</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 2016, the Institute contributed 5% of an employee's compensation to the plan. Pension expense for the year ended December 31, 2016 was \$30,303.

**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.