



THE AUTHORS GUILD, INC. AND RELATED ENTITY

Consolidated Audited Financial Statements

(With Supplemental Information)

September 30, 2015

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Authors Guild, Inc. and Related Entity

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Authors Guild, Inc. ("Guild") and the related entity, The Authors Guild Foundation, Inc. (the "Foundation"), collectively (the "Organization"), which comprise the consolidated statement of financial position as of September 30, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Authors Guild, Inc. and the related entity, 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 Organization's 2014 consolidated 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 consolidated financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position and consolidating schedule of activities on pages 17-18 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied to in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Schall & Ashenfarb
Certified Public Accountants, LLC

June 9, 2016

THE AUTHORS GUILD, INC. AND RELATED ENTITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT SEPTEMBER 30, 2015
(With comparative totals at September 30, 2014)

Assets	<u>9/30/15</u>	<u>9/30/14</u>
Cash and cash equivalents	\$969,990	\$694,956
Contribution receivables	3,927	0
Due from affiliates (Note 3)	371,136	723,801
Prepaid expenses	64,426	40,602
Security deposit and other assets	43,088	25,758
Cash restricted for custodial programs (Note 3)	24,240	35,690
Investments (Note 4)	152,104	250,555
Property and equipment, net (Note 5)	632,960	514,862
Cash and investments held for endowment (Note 7)	3,530,971	4,029,571
Interest in trust (Note 8)	0	114,362
	<u> </u>	<u> </u>
Total assets	<u><u>\$5,792,842</u></u>	<u><u>\$6,430,157</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$100,904	\$176,332
Accrued salaries and vacation	135,822	114,222
Deferred rent	8,064	30,953
Deferred revenue	198,620	164,113
Custodial funds payable (Note 3)	24,240	35,690
Total liabilities	<u>467,650</u>	<u>521,310</u>
Net assets:		
Unrestricted	2,887,247	3,617,682
Temporarily restricted (Note 6)	365,158	218,378
Permanently restricted (Note 7)	2,072,787	2,072,787
Total net assets	<u>5,325,192</u>	<u>5,908,847</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u><u>\$5,792,842</u></u>	<u><u>\$6,430,157</u></u>

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

THE AUTHORS GUILD, INC. AND RELATED ENTITY
CONSOLIDATED 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:					
Membership dues	\$929,729			\$929,729	\$913,560
Grants from Authors Coalition	791,846			791,846	835,504
Web services	255,464			255,464	258,033
Contributions	113,023	\$145,380		258,403	226,573
Fundraising event income (less direct benefit to donors) (Note 10)	101,051			101,051	101,956
Management fee (Note 3)	145,000			145,000	100,000
Dividend and interest income	1,484	13,820		15,304	18,912
Unrealized (loss)/gain on investments	990	(42,906)		(41,916)	14,246
Realized gain on investments	559	30,486		31,045	30,341
Other revenue	1,125			1,125	1,667
Total public support and revenue	<u>2,340,271</u>	<u>146,780</u>	<u>0</u>	<u>2,487,051</u>	<u>2,500,792</u>
Expenses:					
Program services	2,247,613			2,247,613	2,326,434
Management and general	698,401			698,401	1,026,958
Fundraising	124,692			124,692	35,506
Total expenses	<u>3,070,706</u>	<u>0</u>	<u>0</u>	<u>3,070,706</u>	<u>3,388,898</u>
Change in net assets	(730,435)	146,780	0	(583,655)	(888,106)
Net assets - beginning of year	<u>3,617,682</u>	<u>218,378</u>	<u>2,072,787</u>	<u>5,908,847</u>	<u>6,796,953</u>
Net assets - end of year	<u>\$2,887,247</u>	<u>\$365,158</u>	<u>\$2,072,787</u>	<u>\$5,325,192</u>	<u>\$5,908,847</u>

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

THE AUTHORS GUILD, INC. AND RELATED ENTITY
CONSOLIDATED 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 Consolidated 9/30/15	Total Consolidated 9/30/14
Salaries	\$979,691	\$302,747	\$57,892	\$1,340,330	\$1,262,577
Payroll taxes and benefits	265,193	82,821	15,117	363,131	331,632
Membership programs	162,869			162,869	552,001
Professional fees	99,774	100,877	5,188	205,839	162,638
Web services	199,593			199,593	199,216
Membership bulletin	65,285			65,285	79,462
Office supplies and expenses	41,832	13,175	2,314	57,321	73,876
Occupancy	87,408	21,817	8,472	117,697	115,336
Advertising	26,562	26,563		53,125	55,340
Computer expense	15,077	4,745	834	20,656	27,957
Insurance	20,666	10,205	1,143	32,014	30,975
Postage	31,081	2,148	4,297	37,526	37,232
Benefit expenses			16,722	16,722	18,735
Utilities	14,154	4,457	783	19,394	20,965
Travel	10,146	3,751		13,897	8,072
Seminar and conferences	34,726	12,839		47,565	17,679
Telephone	8,240	2,498	517	11,255	8,714
Bank fees		43,778		43,778	45,187
Other	4,819	8,892	266	13,977	21,369
Sponsorship		2,750		2,750	2,500
Books and references	1,703			1,703	2,366
Depreciation	178,794	54,338	11,147	244,279	315,069
Total expenses	\$2,247,613	\$698,401	\$124,692	\$3,070,706	\$3,388,898

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

THE AUTHORS GUILD, INC. AND RELATED ENTITY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

	9/30/15	9/30/14
Cash flows from operating activities:		
Change in net assets	(\$583,655)	(\$888,106)
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Depreciation	244,279	315,069
Unrealized gain on investments	41,916	(14,246)
Realized gain on investments	(31,045)	(30,341)
Loss of sale of fixed asset	374	0
Contributions restricted for investment in endowment	0	(2,875)
Changes in assets and liabilities:		
Contribution receivables	(3,927)	0
Due from affiliates	352,665	29,712
Prepaid expenses	(23,824)	2,357
Security deposit and other assets	(17,330)	10,850
Cash restricted for custodial programs	11,450	(21,350)
Interest in trust	114,362	423,186
Accounts payable and accrued expenses	(75,428)	40,561
Accrued salaries and vacation	21,600	(24,823)
Deferred rent	(22,889)	(19,016)
Deferred revenue	34,507	148,438
Custodial funds payable	(11,450)	21,350
Total adjustments	635,260	878,872
Net cash provided by/(used for) operating activities	51,605	(9,234)
Cash flows from investing activities:		
Purchases of investments	(199,536)	(203,804)
Proceeds from sales of investments	285,716	194,741
Cash transferred to operating account	500,000	(348,532)
Purchase of property and equipment	(363,551)	(158,865)
Sale of property and equipment	800	0
Net cash provided by/(used for) investing activities	223,429	(516,460)
Cash flows from financing activities:		
Proceeds restricted for investment in endowment	0	2,875
Net cash provided by financing activities	0	2,875
Net increase/(decrease) in cash and cash equivalents	275,034	(522,819)
Cash and cash equivalents - beginning of year	694,956	1,217,775
Cash and cash equivalents - end of year	\$969,990	\$694,956
Supplemental disclosure:		
Taxes paid	\$0	\$0
Interest paid	\$0	\$0

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

**THE AUTHORS GUILD, INC. AND RELATED ENTITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

Note 1 - Organization

The Authors Guild, Inc. (“Guild”) is a not-for-profit entity organized in 1964 under the not-for-profit membership corporation laws of the State of New York. It was established for the purpose of serving and protecting the interests of authors.

The Authors Guild Foundation (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. 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.

The accompanying consolidated financial statements include the financial position, operating activities and cash flows of Guild and the Foundation, which collectively are referred to as the “Organization.” Guild is the sole member of the Foundation and appoints the Foundation’s board. Revenue of Guild comes primarily from membership dues and grants from Authors Coalition of America, while revenue from the Foundation comes from contributions and fundraising events.

Note 2 - Significant Accounting Policies

a. Basis of Accounting

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting which is the process of recording revenue and expenses when earned or incurred, rather than when received or paid.

b. Basis of Presentation

The Organization reports information regarding their financial position and activities according to the following classes of net assets:

- *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. Revenue Recognition

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.

Membership Dues and Web Services are recognized as revenue when earned. Cash received for future periods are recorded as deferred revenue and are recognized as income in the period that it relates to. No accrual is made for unpaid dues at year-end because membership is voluntary; unpaid dues are not considered to have been earned.

d. Cash and Cash Equivalents

The Organization 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 Organization to concentration of credit risk consist of cash, money market accounts, and investment securities which are placed with financial institutions that management deems to be creditworthy. The market value of investments is subject to fluctuation; however, management believes the investment policy is prudent for the long-term welfare of the Organization. At year-end and at various times throughout the year, balances were materially in excess of insured amounts. The Organization did not suffer any losses due to failure of any financial institution.

f. Investments

Investments are recorded at fair value, which is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in income on the statement of activities.

g. 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.

h. Property and Equipment

Fixed assets that the Organization 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. Depreciation is recorded using the straight line method over the assets estimated useful life.

i. 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.

j. Advertising

Advertising is expensed as incurred. The Organization had advertising expenses of \$53,125 and \$55,340 during the years ended September 30, 2015 and 2014, respectively.

k. Management Estimates

The preparation of consolidated 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.

l. Tax Status

Guild is exempt from income taxes under Section 501(c)6 of the Internal Revenue Code. Additionally, as of January 9, 1997, Guild is considered exempt from franchise taxes by the New York State Department of Taxation and Finance.

The Foundation is exempt from income taxes under Section 501(c)3 of the Internal Revenue Code and is a supporting organization of Guild. Effective October 1, 2007, the Foundation changed its classification from a private foundation to a public charity. In December 2012, filings were submitted to the Internal Revenue Service ("IRS") demonstrating that the Foundation met the supporting organization requirement through the five year private foundation termination period that ended on September 30, 2012. Notification was received on June 24, 2015 from the IRS that the Foundation's advance ruling period has been completed and the private foundation status was officially terminated. Therefore, effective October 1, 2007, the Foundation has been reclassified as a public charity as described by Section 507(b)1(B) of the code.

The Organization 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.

m. Comparative Financial Information

The consolidated 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 consolidated financial statements for the year ended September 30, 2014, from which the summarized information was derived.

n. 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 Organization.

o. 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, the Foundation, The Authors League Fund, Inc. ("Fund"), The Authors Registry, Inc. ("Registry"), and The Authors League of America, Inc. ("League"). Certain expenses are charged to each entity based on their estimated usage.

Guild entered into management agreements with Registry and Fund for various administrative expenses, which amounted to \$145,000 and \$100,000 in the years ended September 30, 2015 and 2014, respectively.

In 2011, the Authors Guild Foundation'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 the Foundation	<u>(235,450)</u>	<u>(247,100)</u>
Custodial funds payable - ending	<u>\$24,240</u>	<u>\$35,690</u>

A summary of various related party receivables/payables are as follows:

	<u>9/30/15</u>	<u>9/30/14</u>
Guild receivables:		
Registry	\$366,765	\$672,765
League	<u>4,371</u>	<u>6,871</u>
Total – Guild receivables	<u>371,136</u>	<u>679,636</u>
The Foundation receivables:		
Due from Fund – salaries (see below)	0	18,300
Due from Fund – event expenses (Note 10)	0	25,865
Due from Guild	<u>72,573</u>	<u>0</u>
Total – Foundation receivables	<u>72,573</u>	<u>44,165</u>
Total due from affiliates	443,709	723,801
Less: amounts eliminated in consolidation	<u>(72,573)</u>	<u>0</u>
Due from affiliate – net	<u>\$371,136</u>	<u>\$723,801</u>

The amount Guild owes the Foundation at September 30, 2015 relates to the collection of a receivable that was due to the Foundation that was deposited by Guild.

The amount Fund owed to the Foundation at September 30, 2014 of \$44,165 was for reimbursement of salaries for one employee who monitored the program (\$18,300) and shared fundraising event expenses (\$25,865).

The Secretary of the Board of Directors (officer position) received a salary for services performed.

The 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 - Investments

A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the securities based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs that market participants would use in pricing the security developed based on the best information available in the circumstances.

At September 30, 2015 and 2014, all of the investments consist of a bond mutual fund and are considered Level 1, which is defined as securities valued at the closing price reported on the active market that they are traded on.

Note 5 - Property and Equipment

Property and equipment consists of the following:

	<u>September 30, 2015</u>		
	<u>Guild</u>	<u>Foundation</u>	<u>Total</u>
Furniture and fixtures	\$48,062	\$47,773	\$95,835
Office equipment	114,173	0	114,173
Computer equipment	190,857	0	190,857
Leasehold improvements	396,978	128,315	525,293
Computer software	<u>1,970,135</u>	<u>0</u>	<u>1,970,135</u>
	2,720,205	176,088	2,896,293
Less: accumulated depreciation	<u>(2,093,152)</u>	<u>(170,181)</u>	<u>(2,263,333)</u>
Total fixed assets	<u>\$627,053</u>	<u>\$5,907</u>	<u>\$632,960</u>

	<u>September 30, 2014</u>		
	<u>Guild</u>	<u>Foundation</u>	<u>Total</u>
Furniture and fixtures	\$46,946	\$47,773	\$94,719
Office equipment	116,557	0	116,557
Computer equipment	223,519	0	223,519
Leasehold improvements	396,978	128,315	525,293
Computer software	<u>1,620,234</u>	<u>0</u>	<u>1,620,234</u>
	2,404,234	176,088	2,580,322
Less: accumulated depreciation	<u>(1,908,111)</u>	<u>(157,349)</u>	<u>(2,065,460)</u>
Total fixed assets	<u>\$496,123</u>	<u>\$18,739</u>	<u>\$514,862</u>

Note 6 - 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>219,778</u>	<u>218,378</u>
Total restrictions	<u>\$365,158</u>	<u>\$218,378</u>

Note 7 - Endowment

The Organization's endowment includes permanently restricted individual and estate funds to be held indefinitely. The income from these investments can be used to support Guild'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 Organization has interpreted as requiring certain amounts to be retained permanently. Absent explicit donor stipulations to the contrary, the Organization 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 Organization 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 Organization 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 Organization 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 Organization 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 Organization
- (7) The investment policies of the Organization
- (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 Organization

The Organization 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>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$1,738,406	\$218,378	\$2,072,787	\$4,029,571
Cash transferred to operating account	(500,000)	0	0	(500,000)
Interest and dividend income	0	13,820	0	18,986
Net loss on investments	<u>0</u>	<u>(12,420)</u>	<u>0</u>	<u>(17,586)</u>
Endowment net assets, end of year	<u>\$1,238,406</u>	<u>\$219,778</u>	<u>\$2,072,787</u>	<u>\$3,530,971</u>

	<u>September 30, 2014</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	(\$408,433)	\$163,993	\$3,871,125	\$3,626,685
Contributions	0	0	2,875	2,875
Cash transferred from operating account	345,626	0	0	345,626
Donor release of restriction	1,801,213	0	(1,801,213)	0
Interest and dividend income	0	17,388	0	17,388
Net gain on investments	<u>0</u>	<u>36,997</u>	<u>0</u>	<u>36,997</u>
Endowment net assets, end of year	<u>\$1,738,406</u>	<u>\$218,378</u>	<u>\$2,072,787</u>	<u>\$4,029,571</u>

Funds with Deficiencies

From time to time, the fair market value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of September 30, 2015 and 2014.

During the year ended September 30, 2014, a donor released the permanent restriction on their contribution in the amount of \$1,801,213.

Investments held for endowment consist of:

	<u>9/30/15</u>	<u>9/30/14</u>
Mutual funds – fixed income	\$257,533	\$239,695
Mutual funds – equities	194,974	198,372
Equities	277,557	286,771
Money market account	<u>2,800,907</u>	<u>3,304,733</u>
Total	<u>\$3,530,971</u>	<u>\$4,029,571</u>

Note 8 - Interest in Trust

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. However, as referred to in Note 3, \$72,573 of those funds was deposited in Guild.

Note 9 - Program Activities

Guild has been involved in a number of lawsuits against various parties as part of its mission of protecting the rights of authors when questionable conduct of copyright infringement has come to its attention. In addition, Guild has filed several amicus briefs in support of authors in other copyright infringement lawsuits. Guild does not expect to receive any monetary gains from these various legal cases. However, to provide this program service, Guild incurred legal fees of \$30,000 and \$280,000 during the years ended September 2015 and 2014, respectively.

Note 10 - 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. Expenses of \$82,014 were allocated between the Fund and the Foundation in the amounts of \$25,865 and \$56,149, respectively, in 2014.

The full amounts due from the Fund were outstanding as of September 30, 2015 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 donors received 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 11 - 401(k) Plan

Guild and the Foundation both sponsor their own qualified profit sharing plans under the provisions of Section 401(k) of the internal revenue code. The plans cover substantially all eligible employees. Each participant may defer up to 12% of their eligible compensation. The plan provides a matching contribution by the employer to a maximum of 4% of eligible employee compensation. Amounts contributed to the plan by Guild and the Foundation was \$43,224 and \$528, respectively, for the year ended September 30, 2015. For the year ended September 30, 2014, amounts contributed to the plan by Guild and the Foundation was \$39,252 and \$2,380, respectively.

Note 12 - 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 both parties is based on their 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>

As outlined in Note 9, as part of its mission, Guild is involved in protecting the rights of authors by becoming a party to various lawsuits when they feel copyright infringements have taken place. Guild has been party to various counter suits and claims, including motions to pay legal fees in cases where the lawsuits brought forward by Guild have not been successful. There are no amounts accrued for potential losses because there are no claims that are considered probable of requiring a payout. Any future claims will be recorded if such claims are considered to be probable.

**THE AUTHORS GUILD, INC. AND RELATED ENTITY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AT SEPTEMBER 30, 2015**

	<u>Authors Guild, Inc.</u>	<u>Authors Guild Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$649,295	\$320,695		\$969,990
Contribution receivables		3,927		3,927
Due from affiliates (Note 3)	371,136	72,573	(\$72,573)	371,136
Prepaid expenses	41,603	22,823		64,426
Security deposit and other assets	43,088			43,088
Cash restricted for custodial programs (Note 3)		24,240		24,240
Investments (Note 4)	152,104			152,104
Property and equipment, net (Note 5)	627,053	5,907		632,960
Cash and investments held for endowment (Note 7)	986,089	2,544,882		3,530,971
	<u>\$2,870,368</u>	<u>\$2,995,047</u>	<u>(\$72,573)</u>	<u>\$5,792,842</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$86,990	\$13,914		\$100,904
Accrued salaries and vacation	135,822			135,822
Deferred rent	5,645	2,419		8,064
Deferred revenue	198,620			198,620
Custodial funds payable (Note 3)		24,240		24,240
Due to affiliates (Note 3)	72,573		(\$72,573)	0
Total liabilities	<u>499,650</u>	<u>40,573</u>	<u>(72,573)</u>	<u>467,650</u>
Net assets:				
Unrestricted	1,400,965	1,486,282		2,887,247
Temporarily restricted (Note 6)	213,345	151,813		365,158
Permanently restricted (Note 7)	756,408	1,316,379		2,072,787
Total net assets	<u>2,370,718</u>	<u>2,954,474</u>	<u>0</u>	<u>5,325,192</u>
Total liabilities and net assets	<u>\$2,870,368</u>	<u>\$2,995,047</u>	<u>(\$72,573)</u>	<u>\$5,792,842</u>

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

**THE AUTHORS GUILD, INC. AND RELATED ENTITY
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Authors Guild, Inc.	Authors Guild Foundation	Eliminations	Total
Public support and revenue:				
Membership dues	\$929,729			\$929,729
Grants from Authors Coalition	791,846			791,846
Web services	255,464			255,464
Contributions	25,858	\$232,545		258,403
Fundraising event income (less direct benefit to donors) (Note 10)		101,051		101,051
Management fee (Note 3)	645,000		(\$500,000)	145,000
Dividend and interest income	15,304			15,304
Unrealized loss on investments	(41,916)			(41,916)
Realized gain on investments	31,045			31,045
Other revenue	1,125			1,125
Total public support and revenue	<u>2,653,455</u>	<u>333,596</u>	<u>(500,000)</u>	<u>2,487,051</u>
Expenses:				
Program services	2,125,190	434,478	(312,055)	2,247,613
Management and general	639,821	172,844	(114,264)	698,401
Fundraising	90,535	107,838	(73,681)	124,692
Total expenses	<u>2,855,546</u>	<u>715,160</u>	<u>(500,000)</u>	<u>3,070,706</u>
Change in net assets	(202,091)	(381,564)	0	(583,655)
Net assets - beginning of year	<u>2,572,809</u>	<u>3,336,038</u>	<u>0</u>	<u>5,908,847</u>
Net assets - end of year	<u><u>\$2,370,718</u></u>	<u><u>\$2,954,474</u></u>	<u><u>\$0</u></u>	<u><u>\$5,325,192</u></u>

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