

**NEW YORK CITY MISSION SOCIETY**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT**

**JUNE 30, 2017**

# **NEW YORK CITY MISSION SOCIETY**

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## **Independent Auditor's Report**

**Board of Directors  
New York City Mission Society**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of New York City Mission Society, which comprise the balance sheet as of June 30, 2017, 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 New York City Mission Society as of June 30, 2017, 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 New York City Mission Society's June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 3, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Loeb & Troper LLP*

January 26, 2018

## NEW YORK CITY MISSION SOCIETY

## EXHIBIT A

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

(With Summarized Financial Information  
for the Year Ended June 30, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2017</u>	<u>2016</u>
Operating revenues, gains and other support					
Contributions (including in-kind contributions of \$211,511 in 2017 and \$22,767 in 2016)	\$ 701,390	\$ 552,166		\$ 1,253,556	\$ 407,536
Grants from government agencies	6,571,939			6,571,939	7,170,957
Special events	597,015			597,015	526,422
Investment proceeds designated for current operations (Note 2)	1,170,000			1,170,000	1,250,000
Investment income from beneficial interest in perpetual trust (Note 6)	213,886			213,886	213,886
Occupancy income	88,217			88,217	43,334
Other income	5,467			5,467	11,058
	<u>9,347,914</u>	<u>552,166</u>		<u>9,900,080</u>	<u>9,623,193</u>
Total operating revenues, gains and other support					
Operating expenses (Exhibit C)					
Program services					
Youth and family programs	3,425,088			3,425,088	3,747,577
Young adult programs	3,859,748			3,859,748	3,677,538
Preventive services programs	438,301			438,301	913,630
	<u>7,723,137</u>			<u>7,723,137</u>	<u>8,338,745</u>
Total program services					
Management and general	1,683,248			1,683,248	1,036,505
Fund raising and public relations	524,840			524,840	583,366
Direct costs of special events	216,942			216,942	171,921
	<u>10,148,167</u>			<u>10,148,167</u>	<u>10,130,537</u>
Total operating expenses					

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**NEW YORK CITY MISSION SOCIETY**

**EXHIBIT A**

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**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2017**

**(With Summarized Financial Information  
for the Year Ended June 30, 2016)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2017</u>	<u>2016</u>
Change in net assets from operations	\$ (800,253)	\$ 552,166		\$ (248,087)	\$ (507,344)
Nonoperating revenues and gains (losses)					
Investment proceeds transferred to operations (Note 2)	(1,170,000)			(1,170,000)	(1,250,000)
Investment income (loss) - net of investment fees (Note 4)	2,293,055	178,624		2,471,679	(1,362,668)
Gain (loss) on beneficial interest in perpetual trust (Note 6)			\$ 640,430	640,430	(376,350)
Pension funded status liability adjustment (Note 3)	1,744,009			1,744,009	(758,977)
Total nonoperating revenues and gains (losses)	<u>2,867,064</u>	<u>178,624</u>	<u>640,430</u>	<u>3,686,118</u>	<u>(3,747,995)</u>
Change in net assets (Exhibit D)	2,066,811	730,790	640,430	3,438,031	(4,255,339)
Net assets - beginning of year	<u>29,876,211</u>	<u>985,267</u>	<u>9,764,073</u>	<u>40,625,551</u>	<u>44,880,890</u>
Net assets - end of year (Exhibit B)	<u>\$ 31,943,022</u>	<u>\$ 1,716,057</u>	<u>\$ 10,404,503</u>	<u>\$ 44,063,582</u>	<u>\$ 40,625,551</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## NEW YORK CITY MISSION SOCIETY

## BALANCE SHEET

JUNE 30, 2017

(With Summarized Financial Information  
for June 30, 2016)

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash	\$ 974,827	\$ 712,331
Other receivables	1,310,062	981,885
Prepaid expenses	32,369	81,168
Investments in securities (Note 2)	37,174,627	36,131,451
Fixed assets - net (Note 5)	972,320	1,043,538
Beneficial interest in perpetual trust (Notes 2 and 6)	5,294,814	4,654,384
	<u>45,759,019</u>	<u>43,604,757</u>
Total assets	<u>\$ 45,759,019</u>	<u>\$ 43,604,757</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 673,123	\$ 699,232
Accrued pension costs (Note 3)	1,022,314	1,967,796
Other liabilities	<u>312,178</u>	<u>312,178</u>
Total liabilities	<u>1,695,437</u>	<u>2,979,206</u>
Net assets (Exhibit A)		
Unrestricted	31,943,022	29,876,211
Temporarily restricted (Note 9)	1,716,057	985,267
Permanently restricted (Note 10)	<u>10,404,503</u>	<u>9,764,073</u>
Total net assets	<u>44,063,582</u>	<u>40,625,551</u>
Total liabilities and net assets	<u>\$ 45,759,019</u>	<u>\$ 43,604,757</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## NEW YORK CITY MISSION SOCIETY

EXHIBIT C

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

(With Summarized Financial Information  
for the Year Ended June 30, 2016)

	Program Services				Supporting Services			Direct Costs of Special Events	Total	
	Youth and Family Programs	Young Adult Programs	Preventive Services Programs	Total	Management and General	Fund Raising and Public Relations	Total		2017	2016
Salaries	\$ 2,174,642	\$ 2,465,052	\$ 309,541	\$ 4,949,235	\$ 647,409	\$ 292,251	\$ 939,660		\$ 5,888,895	\$ 6,530,315
Payroll taxes	232,360	282,407	27,806	542,573	35,872	23,865	59,737		602,310	703,946
Fringe benefits	471,138	589,732	25,808	1,086,678	364,458	39,807	404,265		1,490,943	644,853
Total personal services	2,878,140	3,337,191	363,155	6,578,486	1,047,739	355,923	1,403,662		7,982,148	7,879,114
Professional fees and contracted services (including in-kind of \$211,511 in 2017 and \$22,767 in 2016)	39,824	32,367	2,083	74,274	276,399	75,060	351,459		425,733	363,376
Participant stipend		13,000		13,000					13,000	2,935
Client needs/incentives	82,603	106,442	26,554	215,599	405		405		216,004	230,520
Rental, catering, printing and invitations								\$ 216,942	216,942	171,921
Supplies	156,966	96,277	8,719	261,962	28,096	7,801	35,897		297,859	283,176
Postage	1,884	1,753	27	3,664	2,787	601	3,388		7,052	5,035
Printing and training materials	435	1,844	84	2,363	592	8,735	9,327		11,690	22,589
Marketing/public relations	489			489	206		206		695	693
Occupancy	18,974	14,199	2,128	35,301	36,634	14,888	51,522		86,823	86,938
Maintenance and repairs	42,082	40,843	5,287	88,212	30,271	9,094	39,365		127,577	225,526
Equipment lease and rental	27,040	22,689	1,388	51,117	13,267	3,687	16,954		68,071	75,515
Telephone	22,218	21,192	6,137	49,547	24,916	9,882	34,798		84,345	88,698
Commercial insurance	78,938	70,663	7,579	157,180	7,090	3,040	10,130		167,310	165,299
Staff travel and messenger	3,814	3,304	5,847	12,965	3,182	833	4,015		16,980	24,871
Transportation	15,609	30,425	5,587	51,621	1,828		1,828		53,449	68,330
Investment management fees					280,486		280,486		280,486	138,939
Staff training and development	6,884	1,557		8,441	213		213		8,654	11,936
Meetings/ads/dues/subscriptions	15,518	18,864	1,310	35,692	23,004	21,238	44,242		79,934	53,404
Interest										192
Bank fees and payroll charges	33,172	46,459	2,416	82,047	4,572	12,986	17,558		99,605	97,660
Miscellaneous	498	679		1,177	12,220		12,220		13,397	14,147
Total expenses before depreciation	3,425,088	3,859,748	438,301	7,723,137	1,793,907	523,768	2,317,675	216,942	10,257,754	10,010,814
Depreciation					169,827	1,072	170,899		170,899	258,662
Total functional expenses	3,425,088	3,859,748	438,301	7,723,137	1,963,734	524,840	2,488,574	216,942	10,428,653	10,269,476
Less:										
Investment management fees (Note 4)					(280,486)		(280,486)		(280,486)	(138,939)
Total expenses as reported by function in the statement of activities (Exhibit A)	\$ 3,425,088	\$ 3,859,748	\$ 438,301	\$ 7,723,137	\$ 1,683,248	\$ 524,840	\$ 2,208,088	\$ 216,942	\$ 10,148,167	\$ 10,130,537

See independent auditor's report.

The accompanying notes are an integral part of these statements.



**NEW YORK CITY MISSION SOCIETY**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets (Exhibit A)	\$ 3,438,031	\$ (4,255,339)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	170,899	258,662
Net realized and unrealized loss (gain) on investments	(2,333,133)	1,618,199
Loss (gain) on beneficial interest in perpetual trust	(640,430)	376,350
Decrease (increase) in assets		
Other receivables	(328,177)	882,719
Prepaid expenses	48,799	32,606
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(26,109)	(237,819)
Accrued pension costs	(945,482)	879,829
Other liabilities	(312,178)	(62,961)
Net cash used by operating activities	<u>(927,780)</u>	<u>(507,754)</u>
Cash flows from investing activities		
Purchase of investments	(10,217,888)	(7,291,937)
Proceeds from sales of investments	11,507,845	8,052,321
Proceeds from sale of The United Charities		500,000
Purchase of fixed assets	(99,681)	(17,774)
Net cash provided by investing activities	<u>1,190,276</u>	<u>1,242,610</u>
Cash flows from financing activities		
Proceeds from line of credit		50,000
Repayments to line of credit		(250,000)
Net cash used by financing activities		<u>(200,000)</u>
Net change in cash	262,496	534,856
Cash - beginning of year	<u>712,331</u>	<u>177,475</u>
Cash - end of year	<u>\$ 974,827</u>	<u>\$ 712,331</u>
Supplemental disclosure of cash flow information		
Interest expense paid during the year	<u>\$ -</u>	<u>\$ 192</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## NEW YORK CITY MISSION SOCIETY

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

#### NOTE 1 - NATURE OF ENTITY

New York City Mission Society (the “Society”) operates as a not-for-profit voluntary health and welfare organization. For over 200 years, the Society has been making a positive, long-term impact on children, youth, and families in New York City’s most underserved communities. The Society’s progressive portfolio of educational, workforce development and cultural enrichment programs provide those they serve with the tools to break the cycle of poverty and achieve success. From their flagship community center in Central Harlem and 11 sites throughout the Bronx, Brooklyn, and the Lower East Side, they serve thousands of children and young adults annually with their programs, services, and events. The Society is supported primarily by grants from government agencies, investment income, and contributions.

The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Society is also exempt from New York State and New York City income and sales taxes.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of presentation*** - The financial statements of the Society have been 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.

***Other receivables*** - Other receivables from government agencies, occupancy and other sources of income are recorded when services are rendered or qualifying expenses are incurred.

***Allowance for doubtful accounts*** - The Society determines whether an allowance for uncollectibles should be provided for other receivables. Such estimates are based on management’s assessment of the aged basis of its receivables, current economic conditions, subsequent collections and historical information. Other receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. As of June 30, 2017, the Society had no allowance for doubtful accounts.

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**NEW YORK CITY MISSION SOCIETY****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2017****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Investments in securities* - Investments in securities are reported at fair value. Investment transactions are recorded on a trade-date basis and gains and losses on the sale of the investments are calculated using the average cost method. Investment income and net gains or losses on investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulations.

The Society uses a spending rate to allocate a portion of investment proceeds to operations. The proceeds that can be spent annually for operations are between 5% and 7%, as needed, of the average fair value of pooled investments as of March 31st of the preceding year, and are reported as operating revenues.

The Society invests in various types of investment securities. 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 Society's financial statements.

*Beneficial interest in perpetual trust* - The beneficial interest in a perpetual trust is carried at fair value.

**ASU 2015-07**

In 2017, the Society adopted Accounting Standards Update (ASU) No. 2015-07, Fair Value Measurements (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent). Investments in certain entities for which fair value is measured using the net asset value per share (or its equivalent) as a practical expedient are not categorized within the fair value hierarchy, but are included in the disclosure to reconcile investments to the balance sheet. This change does not impact the change in net assets or net assets.

***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 Society has the ability to access. Level 2 inputs to the valuation methodology include:

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## NEW YORK CITY MISSION SOCIETY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

*Fair Value Measurements (continued)*

- 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.

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 June 30, 2017 as compared to those used at June 30, 2016.

***Mutual funds*** - Valued at the net asset value (NAV) of shares held at year end. These items are deemed to be actively traded.

***Limited liability partnership, hedge funds and private comingled funds*** - Valued at the NAV of shares held at year end as determined by the investment managers and/or similar market prices. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held less any liability. The practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than reported at NAV.

***Beneficial interest in perpetual trust*** - Valued using the fair value of the underlying assets held by the trust.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The Society's assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

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**NEW YORK CITY MISSION SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

*Fair Value Measurements (continued)*

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2017:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Investments			
Mutual funds - equities	\$ 13,063,155		\$ 13,063,155
Mutual funds - fixed income	7,610,266		7,610,266
Mutual funds - balanced	<u>1,055,595</u>		<u>1,055,595</u>
Subtotal	21,729,016		21,729,016
Beneficial interest in perpetual trust	<u>                    </u>	\$ <u>5,294,814</u>	<u>5,294,814</u>
Total investments reported on the fair value hierarchy	<u>\$ 21,729,016</u>	<u>\$ 5,294,814</u>	<u>27,023,830</u>
Investments at NAV as practical expedient			
Limited liability partnership			2,378,722
Hedge funds			7,973,668
Private comingled funds			<u>1,705,829</u>
Total investments at NAV as practical expedient			<u>12,058,219</u>
Cash and cash equivalents			<u>3,387,392</u>
			<u>\$ 42,469,441</u>

These estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

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**NEW YORK CITY MISSION SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

*Fair Value Measurements (continued)*

**Level 3 Gains and Losses**

The table below sets forth a summary of changes in the fair value of the Level 3 assets for the year ended June 30, 2017:

	<b>Beneficial Interest in Perpetual Trust</b>
Balance, beginning of year	\$ 4,654,384
Unrealized gain on assets held at year-end	640,430
Balance, end of year	\$ 5,294,814
* The amount of total gains (losses) for the period included in changes in net assets attributable to the change in unrealized gains (losses) relating to assets still held at the reporting date	\$ 640,430

Investments that are reported at fair value using NAV as a practical expedient are as follows:

	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Limited partnership	\$ 2,378,722	-	Annual	95 days
Hedge Fund (a)	493,588	-	Annual	90 days
Hedge Fund (b)	1,269,050	-	Quarterly (up to 25%)	60 days
Hedge Fund (c)	1,101,918	-	Annual	45 days
Hedge Fund (d)	1,154,566	-	Annual	90 days
Hedge Fund (e)	1,534,948	-	Quarterly	65 days
Hedge Fund (f)	1,235,626	-	Quarterly	60 days
Hedge Fund (g)	1,183,972	-	Quarterly	90 days
Comingled Private Fund (a)	1,060,025	-	Monthly	10 days
Comingled Private Fund (b)	645,804	-	Monthly	5 days
	\$ 12,058,219			

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## NEW YORK CITY MISSION SOCIETY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

*Fair Value Measurements (continued)*

**Limited partnership** - The investment objective of the partnership is to provide long-term capital appreciation with reduced volatility by allocating its capital among various money managers that, as a group, employ a variety of investment techniques and strategies.

**Hedge Fund (a)** - The investment objective of the fund is to provide value enhancement as well as a partial inflation hedge, with an attractive risk/return profile as compared to other products using a commodity index or pool of commodities.

**Hedge Fund (b)** - The fund follows a classic value approach that relies upon thorough fundamental analysis to identify and understand mispricing in the market. The fund seeks to be contrarian in its views and avoid highly trafficked investment opportunities, preferring to focus on off-the-run opportunities where it has a variant perspective.

**Hedge Fund (c)** - The fund seeks to use long and short strategy, employ fundamental analysis, and use a combination of internal and external research to make its investments.

**Hedge Fund (d)** - The fund is a multi-strategy absolute return vehicle looking across the capital structure. The fund seeks to perform extensive due diligence on all investments and targets investments with an emphasis on potential cash flows which can include bank debt, high yield bonds, convertible arbitrage, distressed debt, securitized assets, and equity securities related to a particular event (such as a bankruptcy or restructuring).

**Hedge Fund (e)** - The fund utilizes a conservative investment philosophy as it seeks to produce absolute returns with a high priority on capital preservation by investing in merger arbitrage and distressed securities. The fund seeks to maintain a diversified portfolio and generally to concentrate no more than 25% of its total capital in the securities of a single issuer.

**Hedge Fund (f)** - The fund seeks to invest in equities of all sizes and typically looks for long ideas with a multi-year investment horizon and what it believes to be a significant margin of safety.

**Hedge Fund (g)** - The fund seeks to invest in nonperforming and underperforming corporate, consumer, and real estate loans, structured products, high yield debt, and certain equity securities and derivatives primarily in the U.S. and Europe. The fund is not simply a passive investor in nonperforming loans but is very active in seeking to generate the highest value from its positions.

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## NEW YORK CITY MISSION SOCIETY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

***Comingled Private Fund (a)*** - The fund seeks to construct a portfolio that reflects the greatest relative investment potential for a given level of risk.

***Comingled Private Fund (b)*** - The fund seeks to preserve capital while producing attractive absolute returns.

***Fixed assets*** - Items with a cost of \$1,000 or more and an estimated useful life of greater than one year are subject to capitalization and are recorded at cost. Fixed assets are carried at cost, net of accumulated depreciation. Depreciation of buildings, building improvements and equipment is provided on the straight-line basis over the estimated useful lives of the assets.

***Net asset classifications*** - Unrestricted net assets are funds that have not been restricted as to use or purpose by donors. Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets contain donor-imposed restrictions that stipulate that the resources are to be maintained permanently, but permit the Society to use or expend part or all of the income derived from the resources for either specified or unspecified purposes. Permanently restricted net assets also include the Society's beneficial interest in a perpetual trust.

***Contributions*** - Unconditional contributions and grants, including promises to give and other assets, are recorded at fair value at the date the contribution is received. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. The Society records contributions received with donor stipulations that limit the use of the donated assets as temporarily or permanently restricted support. When the donor restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

***Grants from government agencies*** - Revenues from government agencies are recognized when earned and are subject to audit by the agencies. Expense-based grants are recognized as allowable expenses are incurred. Performance-based grants are recognized as milestones are achieved. No provisions for any disallowances are reflected in the financial statements, since management does not anticipate any material adjustments.

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**NEW YORK CITY MISSION SOCIETY****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2017****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Occupancy income*** - Occupancy income is recognized based upon tenant leases, which are cancelable by the Society.

***Measure of operations*** - The Society excludes investment income in excess of the investment proceeds transferred to operations per the spending policy adopted by the Society, gain (loss) on beneficial interest in perpetual trust and pension funded status liability adjustment.

***In-kind contributions*** - Represents donated services valued at the standard market rates that would have been incurred by the Society to obtain them and are reported as both revenue and expense in the accompanying financial statements because they meet the criteria as prescribed by accounting principles generally accepted in the United States of America. Donated services consist of legal services.

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

***Summarized prior-year 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 June 30, 2016, from which the summarized information was derived.

***Uncertainty in income taxes*** - The Society has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending June 30, 2014 and subsequent remain subject to examination by applicable taxing authorities.

***Subsequent events*** - Subsequent events have been evaluated through January 26, 2018, which is the date the financial statements were available to be issued.

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## NEW YORK CITY MISSION SOCIETY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

**NOTE 3 - RETIREMENT PLANS**

- (a) The Society maintains a noncontributory defined benefit pension plan (the Plan) for substantially all of its employees. Plan benefits are based on a percentage of the highest three-year average compensation for each year of service. The Society's funding policy is to annually contribute amounts recommended by its consulting actuaries. No contributions were required for the year ended June 30, 2017. The governing body of the Plan approved a plan of termination. An application to terminate the Plan was filed on February 15, 2017 with the Department of the Treasury Internal Revenue Service, however the application has not been approved as of the report date.

The following table sets forth the plan's funded status and amounts recognized in the balance sheet at June 30, 2017:

Benefit obligation at June 30, 2017	\$ (6,381,745)
Fair value of plan assets at June 30, 2017	<u>5,359,431</u>
Funded status	<u>\$ (1,022,314)</u>
Accrued pension cost recognized in the balance sheet	<u>\$ (1,022,314)</u>

Actuarial assumptions as of June 30, 2017:

Discount rate	3.93%
Expected return on plan assets	6.00%
Rate of compensation increase	0.00%
Net periodic pension cost	\$ 798,527
Employer contribution	-
Benefits paid	204,352
Pension funded status liability adjustment	1,744,009

As of December 31, 2013, the Plan has frozen benefit accruals and future compensation increases are no longer assumed.

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**NEW YORK CITY MISSION SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 3 - RETIREMENT PLANS (continued)**

**Plan Assets**

The Society's pension plan asset allocations by asset category are as follows:

	<u>Level 1</u>
Investments at fair value	
Mutual funds	
Fixed income	\$ 3,710,317
Global equity	<u>1,115,966</u>
Total mutual funds	<u>4,826,283</u>
Total investments reported on the fair value hierarchy	4,826,283
Cash and cash equivalents	<u>533,148</u>
Total plan assets	<u>\$ 5,359,431</u>

The Society's investment policies are designed to ensure that adequate plan assets are available to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, the Society formulates the investment portfolio composed of the optimal combination of equity and debt securities.

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**NEW YORK CITY MISSION SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 3 - RETIREMENT PLANS (continued)**

**Cash Flows**

**Contribution**

The Society does not expect to contribute to its pension plan for fiscal year 2018.

Commencing September 2016, the Society amended the pension plan to offer a special lump sum benefit distribution to certain vested terminated participants, deferred alternated payees and deferred beneficiaries who were terminated prior to July 1, 2016. The lump sum distributions paid out during December 2016 were \$1,802,414 and approximately \$1,700,000 will be paid out in December 2017.

**Estimated future benefit payments**

The following benefit payments, which reflect expected future service, are expected to be paid as follows:

<b>Year Ending June 30</b>	
2018	\$ 324,335
2019	316,064
2020	326,571
2021	320,923
2022	316,792
2023-2027	1,764,073

- (b) On January 1, 2017, the Society amended its 403(b) plan to include employer contributions. Beginning March 1, 2017, the Society will make a one-time contribution of \$500 for all eligible employees upon plan entry and an ongoing 1% match of elective deferrals of compensation per payroll period. All full-time employees who have worked for the Society for at least 3 months will be eligible for the employer contributions. The expense related to this plan for the year ended June 30, 2017 was \$39,038.

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**NEW YORK CITY MISSION SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 4 - INVESTMENT INCOME**

Investment income for fiscal 2017 was as follows:

Dividends and interest	\$ 419,032
Net realized and unrealized gain on investments	<u>2,333,133</u>
	2,752,165
Less investment management fees	<u>(280,486)</u>
Total investment income	<u>\$ 2,471,679</u>

**NOTE 5 - FIXED ASSETS**

At June 30, 2017, fixed assets consist of the following:

		<u>Estimated Useful Lives</u>
Land	\$ 210,000	
Buildings and building improvements	2,771,781	3 - 50 years
Equipment	<u>752,598</u>	3 - 5 years
	3,734,379	
Accumulated depreciation	<u>(2,762,059)</u>	
	<u>\$ 972,320</u>	

**NOTE 6 - BENEFICIAL INTEREST IN PERPETUAL TRUST**

The Society has a beneficial interest in a perpetual trust which is valued at \$5,294,814 at June 30, 2017. Included in unrestricted net assets are investment return distributions to the Society totaling \$213,886 for the year ended June 30, 2017. The Society will receive investment income in perpetuity from this trust so long as the trust has assets. For the year ended June 30, 2017 the Society recognized a gain on beneficial interest in perpetual trust of \$640,430.

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**NEW YORK CITY MISSION SOCIETY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

The Society is responsible for reporting to various government granting agencies. Besides these parties, the New York State Office of the Attorney General and the Internal Revenue Service also have the right to audit the Society.

The Society is subject to lawsuits, investigations and disputes (some of which involve substantial amounts claimed) arising out of the conduct of the organization or other third parties in the normal and ordinary course of business. A liability is recognized for any contingency that is probable of occurrence and reasonably estimable. The Society continually assesses the likelihood of adverse judgments or outcomes in these matters, as well as potential ranges of possible losses (taking into consideration insurance coverage as well as recoveries), based on an analysis of each matter with the assistance of legal counsel and, if applicable, other experts. Potential liabilities are subject to change due to new developments, changes in settlement strategy or the impact of evidentiary requirements.

**NOTE 8 - LINE OF CREDIT**

The Society obtained a \$500,000 line of credit with JP Morgan Chase collateralized by the organization's assets. The interest rate charged on amounts drawn on the line of credit is at the adjusted LIBOR rate plus 3%. The interest rate was 7.24% as of June 30, 2017. The credit line expires on December 10, 2018. There were no drawdowns on the line during the year.

**NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2017 are available for the following purposes:

Scholarships	\$ 1,130,450
Renovations	552,166
Unappropriated earnings	24,441
Other	<u>9,000</u>
Total temporarily restricted net assets	\$ <u>1,716,057</u>

There were no temporarily restricted net assets released from restriction during the year ended June 30, 2017.

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**NEW YORK CITY MISSION SOCIETY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets at June 30, 2017 are restricted to:

Endowments, which consist of two funds:	
Scholarships	\$ 1,342,689
General operations	<u>3,767,000</u>
Total endowments	5,109,689
Beneficial interest in perpetual trust	<u>5,294,814</u>
Total permanently restricted net assets	<u>\$ 10,404,503</u>

**Interpretation of Relevant Law**

The Board of Directors of the Society has adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA moves away from the “historic dollar value” standard, and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. The Society is now governed by the NYPMIFA spending policy, which establishes a standard maximum prudent spending limit of 7% of the average of its previous five years’ balance. As a result of this interpretation, the Society 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 direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standards of prudence prescribed by NYPMIFA.

**Return Objectives, Strategies Employed and Spending Policy**

The overall financial objective of the endowment is to maintain the principal endowment funds at the original amount designated by the donors and to generate income to support the Society’s programs.

The long-term investment objective for the total endowment is to attain a total return (net of investment management fees) of at least 6% per year in excess of inflation. This objective assumes that withdrawals from the fund will average, long term, no more than 6% of the fund’s value over time.

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**NEW YORK CITY MISSION SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS (continued)**

**Funds with Deficiencies**

The Society does not have any funds with deficiencies.

**Changes in Endowment Net Assets for the Year Ended June 30, 2017**

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 976,267	\$ 5,109,689	\$ 6,085,956
Dividends and interest	68,600		68,600
Net realized and unrealized gain	381,963		381,963
Investment fees	(45,919)		(45,919)
Appropriation for expenditure	<u>(226,020)</u>	<u>                    </u>	<u>(226,020)</u>
Endowment net assets, end of year	<u>\$ 1,154,891</u>	<u>\$ 5,109,689</u>	<u>\$ 6,264,580</u>

**NOTE 11 - CONCENTRATIONS**

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

51% of other receivables at June 30, 2017 and 47% of grants revenue for the year ended June 30, 2017 are from one governmental agency.