

New York City Mission Society

Independent Auditor's Report and Financial Statements

June 30, 2019



New York City Mission Society

June 30, 2019

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Independent Auditor's Report

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

We have audited the accompanying financial statements of New York City Mission Society, which comprise the statement of financial position as of June 30, 2019, 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 statement of financial position of New York City Mission Society as of June 30, 2019, 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.

Emphasis of Matters

As described in *Note 1* to the financial statements, in 2019, New York City Mission Society adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* and ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited the June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 10, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BKD, LLP

New York, New York
December 18, 2019

New York City Mission Society
Statement of Financial Position
June 30, 2019
(With Summarized Financial Information for June 30, 2018)

	2019	2018
Assets		
Cash	\$ 1,374,353	\$ 873,208
Grants receivable	1,060,743	1,608,026
Contribution receivable	307,527	300,000
Prepaid expenses	35,888	26,831
Investments in securities	36,512,612	36,270,778
Property and equipment, net	1,225,166	1,284,693
Beneficial interest in perpetual trust	5,889,953	5,731,754
Total assets	\$ 46,406,242	\$ 46,095,290
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 597,607	\$ 948,017
Total liabilities	597,607	948,017
 Net Assets		
Without donor restrictions	33,336,030	32,813,728
With donor restrictions		
Perpetual in nature	12,366,078	12,120,977
Purpose restrictions	106,527	212,568
Net assets with donor restrictions	12,472,605	12,333,545
Total net assets	45,808,635	45,147,273
Total liabilities and net assets	\$ 46,406,242	\$ 46,095,290

New York City Mission Society
Statement of Activities
Year Ended June 30, 2019
(With Summarized Financial Information for the Year Ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Operating Revenues, Gains and Other Support				
Contributions	\$ 450,883	\$ -	\$ 450,883	\$ 1,404,703
Grants from government agencies	6,413,258	-	6,413,258	5,971,273
Special events	479,844	-	479,844	688,964
Less direct costs of special events	(155,546)	-	(155,546)	(202,713)
Investment proceeds designated for current operations	1,050,000	-	1,050,000	820,000
Investment income from beneficial interest in perpetual trust	208,424	-	208,424	213,122
Occupancy and other income	142,519	-	142,519	120,942
Net assets released from restrictions	231,038	(231,038)	-	-
Total operating revenues, gains and other support	<u>8,820,420</u>	<u>(231,038)</u>	<u>8,589,382</u>	<u>9,016,291</u>
Operating Expenses				
Program services				
Youth and family programs	2,969,349	-	2,969,349	4,487,554
Young adult programs	3,493,375	-	3,493,375	4,934,635
Preventive services programs	-	-	-	63,425
Total program services	<u>6,462,724</u>	<u>-</u>	<u>6,462,724</u>	<u>9,485,614</u>
Supporting services				
Management and general	1,300,932	-	1,300,932	1,458,578
Fund raising and public relations	484,138	-	484,138	621,941
Total operating expenses	<u>8,247,794</u>	<u>-</u>	<u>8,247,794</u>	<u>11,566,133</u>
Change in Net Assets from Operations	<u>572,626</u>	<u>(231,038)</u>	<u>341,588</u>	<u>(2,549,842)</u>
Nonoperating Revenues and Gains (Losses)				
Investment proceeds transferred to operations	(1,050,000)	-	(1,050,000)	(820,000)
Investment income - net of investment fees	999,676	211,899	1,211,575	1,696,004
Gain on beneficial interest in perpetual trust	-	158,199	158,199	436,940
Net pension loss arising during period	-	-	-	(870,015)
Less amortization of unrecognized net gain	-	-	-	123,604
Change in net loss - pension settlement	-	-	-	3,067,000
Total nonoperating revenues and gains	<u>(50,324)</u>	<u>370,098</u>	<u>319,774</u>	<u>3,633,533</u>
Change in Net Assets	522,302	139,060	661,362	1,083,691
Net Assets, Beginning of Year	<u>32,813,728</u>	<u>12,333,545</u>	<u>45,147,273</u>	<u>44,063,582</u>
Net Assets, End of Year	<u>\$33,336,030</u>	<u>\$12,472,605</u>	<u>\$45,808,635</u>	<u>\$45,147,273</u>

New York City Mission Society
Statement of Functional Expenses
Year Ended June 30, 2019
(With Summarized Financial Information for the Year Ended June 30, 2018)

	Program Services			Supporting Services			Direct Costs of Special Events	Total	
	Youth and Family Programs	Young Adult Programs	Total	Management and General	Fundraising and Public Relations	Total		2019	2018
Salaries	\$ 2,095,283	\$ 2,312,790	\$ 4,408,073	\$ 421,707	\$ 241,371	\$ 663,078	\$ -	\$ 5,071,151	\$ 5,244,402
Payroll taxes	219,325	239,838	459,163	33,750	21,363	55,113	-	514,276	515,296
Fringe benefits	104,825	260,309	365,134	36,953	15,922	52,875	-	418,009	3,619,713
Total personal services	2,419,433	2,812,937	5,232,370	492,410	278,656	771,066	-	6,003,436	9,379,411
Professional fees and contracted services	15,650	7,218	22,868	594,701	106,541	701,242	-	724,110	487,491
Client needs/incentives	81,797	131,715	213,512	500	-	500	-	214,012	213,712
Rental, catering, printing and invitations	-	-	-	-	-	-	155,546	155,546	202,713
Supplies	104,549	98,096	202,645	19,724	7,504	27,228	-	229,873	222,921
Food	37,251	73,396	110,647	2,323	392	2,715	-	113,362	93,860
Postage	1,039	1,350	2,389	2,498	809	3,307	-	5,696	7,330
Printing and training materials	205	-	205	4,342	9,744	14,086	-	14,291	9,545
Marketing/public relations	-	-	-	580	729	1,309	-	1,309	4,963
Occupancy	24,090	12,406	36,496	21,237	13,795	35,032	-	71,528	80,682
Maintenance and repairs	27,307	56,711	84,018	2,792	6,059	8,851	-	92,869	176,028
Equipment lease and rental	31,907	36,646	68,553	17,871	8,274	26,145	-	94,698	72,350
Telephone	31,732	23,123	54,855	19,534	13,859	33,393	-	88,248	78,964
Commercial insurance	68,390	109,952	178,342	8,638	4,938	13,576	-	191,918	177,894
Staff travel and messenger	3,188	1,706	4,894	2,669	536	3,205	-	8,099	11,679
Transportation	30,429	18,417	48,846	4,535	-	4,535	-	53,381	62,793
Investment management fees	-	-	-	128,940	-	128,940	-	128,940	330,402
Staff training and development	8,345	7,534	15,879	350	333	683	-	16,562	31,014
Meetings/ads/dues/subscriptions	18,184	24,715	42,899	37,262	30,835	68,097	-	110,996	87,393
Bank fees and payroll charges	31,543	43,134	74,677	1,237	1,073	2,310	-	76,987	88,288
Miscellaneous	445	455	900	-	61	61	-	961	131,744
Total expenses before depreciation	2,935,484	3,459,511	6,394,995	1,362,143	484,138	1,846,281	155,546	8,396,822	11,951,177
Depreciation	33,865	33,864	67,729	67,729	-	67,729	-	135,458	148,071
Total functional expenses	2,969,349	3,493,375	6,462,724	1,429,872	484,138	1,914,010	155,546	8,532,280	12,099,248
Less:									
Direct costs of special events	-	-	-	-	-	-	(155,546)	(155,546)	(202,713)
Investment management fees	-	-	-	(128,940)	-	(128,940)	-	(128,940)	(330,402)
Total expenses as reported by function in the statement of activities	\$ 2,969,349	\$ 3,493,375	\$ 6,462,724	\$ 1,300,932	\$ 484,138	\$ 1,785,070	\$ -	\$ 8,247,794	\$ 11,566,133

New York City Mission Society

Statement of Cash Flows

Year Ended June 30, 2019

(With Summarized Financial Information for the Year Ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
Operating Activities		
Change in net assets	\$ 661,362	\$ 1,083,691
Items not requiring (providing) activities cash flows		
Depreciation	135,458	148,071
Net realized and unrealized gain on investments	(1,070,576)	(1,629,695)
Gain on beneficial interest in perpetual trust	(158,199)	(436,940)
Loss on disposal of property and equipment	37,604	-
Change in net loss related to pension settlement	-	775,548
Changes in		
Grants receivable	547,283	(597,964)
Contribution receivable	(7,527)	-
Prepaid expenses	(9,057)	5,538
Accounts payable and accrued expenses	(350,410)	274,894
Accrued pension costs	-	(1,797,862)
	<u>(214,062)</u>	<u>(2,174,719)</u>
Net cash used in operating activities		
	<u>(214,062)</u>	<u>(2,174,719)</u>
Investing Activities		
Purchase of investments	(4,205,000)	(5,403,640)
Proceeds from sales of investments	5,033,742	7,937,184
Purchase of property and equipment	(113,535)	(460,444)
	<u>715,207</u>	<u>2,073,100</u>
Net cash provided by investing activities		
	<u>715,207</u>	<u>2,073,100</u>
Increase (Decrease) in Cash	501,145	(101,619)
Cash, Beginning of Year	<u>873,208</u>	<u>974,827</u>
Cash, End of Year	<u>\$ 1,374,353</u>	<u>\$ 873,208</u>

New York City Mission Society

Notes to Financial Statements

June 30, 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

New York City Mission Society (the Society) operates as a not-for-profit voluntary health and welfare society. Since 1812, the Society has worked to end intergenerational poverty by building life-long educational capacity for New York's most vulnerable youth and families. Today, the Society provides thousands of young people and parents with a progressive suite education and career readiness programs and counseling at their flagship building on Malcolm X Boulevard and 12 public school programs in Harlem, the Bronx, Brooklyn, and Chinatown. The Society is supported primarily by grants from government agencies, investment income and contributions.

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, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

At June 30, 2019, the Society's cash accounts exceeded federally insured limits by approximately \$1,300,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investments in private comingled funds and hedge funds are recorded at net asset value (NAV), as a practical expedient. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statement of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Society maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

New York City Mission Society

Notes to Financial Statements

June 30, 2019

Grants Receivable

Grants receivable from government agencies, occupancy and other sources of income are recorded when services are rendered or qualifying expenses are incurred. 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. Grants receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. As of June 30, 2019 and 2018, the Society had no allowance for doubtful accounts.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building and improvements	3 - 50 years
Equipment	3 - 5 years

Long-Lived Asset Impairment

The Society evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2019 and 2018.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity but permit the Society to use or expend part or all of the income derived from the resources for either specified or unspecified purposes. Net assets with donor restrictions also include the Society's beneficial interest in a perpetual trust.

New York City Mission Society

Notes to Financial Statements

June 30, 2019

Contributions

Contributions are provided to the Society either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Society overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service. As of June 30, 2019 and 2018, the contribution receivables do not have any donor restrictions.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

New York City Mission Society

Notes to Financial Statements

June 30, 2019

In-Kind Contributions

In addition to receiving cash contributions, the Society receives in-kind contributions of donated legal services from various donors. It is the policy of the Society to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by a like amount. For the years ended June 30, 2019 and 2018, \$175,039 and \$85,535, respectively, were received in in-kind contributions.

Grants from Government Agencies

Support funded by government agencies is recognized as the Society performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income Taxes

The Society is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. The Society is also exempt from New York State and New York City income and sales taxes. However, the Society is subject to federal income tax on any unrelated business taxable income.

The Society files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Costs have been directly assigned between the programs and supporting services benefited.

Summarized 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Reclassifications and Revisions

Certain reclassifications and revisions have been made to the 2018 financial statements to conform to the 2019 financial statement presentation. The revision correction relates to the removal of cash and cash equivalents of approximately \$2,040,000 reported within the fair value disclosures as Level 1 investments in the 2018 financial statements. These reclassifications and revisions had no effect on the change in net assets.

New York City Mission Society

Notes to Financial Statements

June 30, 2019

Changes in Accounting Principles

In 2019, the Society adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

Statement of Activities

- Investment return is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.

This change had no impact on previously reported total change in net assets.

In 2019, the Society adopted ASU 2018-13, *Fair Value Measurement* (Topic 820): *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU eliminates, modifies, and adds disclosure requirements for fair value measurements. Disclosures about fair value of assets in *Note 3* have been modified for this adoption.

Subsequent Events

Subsequent events have been evaluated through December 18, 2019, which is the date the financial statements were available to be issued.

New York City Mission Society

Notes to Financial Statements

June 30, 2019

Note 2: Grant Reimbursements Receivable and Future Commitments

The Society receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the Society are prepared on the accrual basis, all earned portions of the grants not yet received as of June 30, 2019, have been recorded as receivables. The following are the grant commitments that extend beyond June 30, 2019:

Grant	Term	Grant Amount	Earned Through 2019	Funding Available
Power Academy @ PS 85	09/01/2015 - 08/31/2019	\$ 2,377,129	\$ 2,188,152	\$ 188,977
Power Academy @ PS 175	09/01/2015 - 08/31/2019	2,152,187	1,961,945	190,242
Power Academy @ PS 33	09/01/2015 - 08/31/2019	1,510,496	1,393,515	116,981
Power Academy @ HVA	07/01/2018 - 06/30/2020	555,086	258,326	296,760
Learn-to-work @ Washington Irving	07/01/2015 - 06/30/2020	3,887,218	3,109,775	777,443
Learn-to-work @ Harlem Renaissance	07/01/2015 - 06/30/2020	3,043,273	2,434,619	608,654
Learn-to-work @ Emma Lazarus	07/01/2015 - 06/30/2020	3,043,273	2,434,619	608,654
Learn-to-work @ Bronx Community	07/01/2018 - 06/30/2021	1,589,996	777,444	812,552
Learn-to-work @ Ellis	07/01/2018 - 06/30/2021	2,208,509	648,495	1,560,014
		<u>\$ 20,367,167</u>	<u>\$ 15,206,890</u>	<u>\$ 5,160,277</u>

The funding agreements include certain clauses that allow them to be terminated in whole or in part by the funding agency as well as the Society.

Note 3: Property and Equipment

Property and equipment at June 30, 2019 and 2018 consists of:

	2019	2018
Land	\$ 210,000	\$ 210,000
Buildings and improvements	3,161,793	3,148,983
Equipment	898,961	835,840
	4,270,754	4,194,823
Less accumulated depreciation	<u>3,045,588</u>	<u>2,910,130</u>
	<u>\$ 1,225,166</u>	<u>\$ 1,284,693</u>

New York City Mission Society

Notes to Financial Statements

June 30, 2019

Note 4: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019 and 2018:

	2019			
	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds				
Equities	\$ 9,363,152	\$ 9,363,152	\$ -	\$ -
Fixed income	7,358,718	7,358,718	-	-
Balanced	762,577	762,577	-	-
	17,484,447	<u>\$ 17,484,447</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents	2,567,879			
Investments measured at net asset value (A):				
Hedge funds	11,312,023			
Private comingled funds	919,387			
Real estate fund	4,228,876			
Total investments	<u>\$ 36,512,612</u>			
Beneficial interest in perpetual trust	<u>\$ 5,889,953</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,889,953</u>

New York City Mission Society

Notes to Financial Statements

June 30, 2019

	2018			
	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds				
Equities	\$ 12,133,947	\$ 12,133,947	\$ -	\$ -
Fixed income	8,202,494	8,202,494	-	-
Balanced	1,345,166	1,345,166	-	-
	<u>21,681,607</u>	<u>\$ 21,681,607</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents	2,042,150			
Investments measured at net asset value (A):				
Hedge funds	10,957,947			
Private comingled funds	<u>1,589,074</u>			
Total investments	<u>\$ 36,270,778</u>			
Beneficial interest in perpetual trust	<u>\$ 5,731,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,731,754</u>

(A) In accordance with Subtopic 820-10, certain investments that are measured at fair value using NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2019 and 2018. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Beneficial Interest in Perpetual Trust

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

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Alternative Investments

Investments in certain entities measured at fair value using NAV per share as a practical expedient consist of the following:

	2019		
	Fair Value	Redemption Frequency	Redemption Notice Period
Hedge fund (A)	\$ 1,526,065	Quarterly (up to 25%)	60 days
Hedge funds (B)	6,593,162	Quarterly	45 - 90 days
Hedge funds (C)	2,472,324	Annually	45 - 90 days
Hedge fund (D)	720,472	Monthly	30 days
Private comingled funds (E)	919,387	Monthly	5 - 10 days
Real estate fund (F)	<u>4,228,876</u>	Daily	2 days
	<u>\$ 16,460,286</u>		

	2018		
	Fair Value	Redemption Frequency	Redemption Notice Period
Hedge fund (A)	\$ 1,395,497	Quarterly (up to 25%)	60 days
Hedge funds (B)	6,360,451	Quarterly	45 - 90 days
Hedge funds (C)	2,419,904	Annually	45 - 90 days
Hedge fund (D)	782,095	Monthly	30 days
Private comingled funds (E)	<u>1,589,074</u>	Monthly	5 - 10 days
	<u>\$ 12,547,021</u>		

There were no unfunded commitments as of June 30, 2019 and 2018.

- (A) This category includes an investment in a hedge fund that takes 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.
- (B) This category includes investments in hedge funds that utilize conservative investment philosophy as they seek to produce absolute returns. The funds seek to invest in corporate, consumer and real estate loans, structured products, high yield debt and certain equity securities and derivatives primarily in the U.S. and Europe. Management of the funds has the ability to shift investments among differing investment strategies and generally concentrate no more than 25 percent of its total capital in the securities of a single issuer.

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- (C) This category includes investments in hedge funds that take both long and short positions, employ fundamental analysis to pursue multiple strategies to diversify risks and reduce volatility. The funds seek to perform extensive internal and external research and due diligence on all investments and target 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).
- (D) This category includes an investment in a hedge fund that seeks to provide its investors with an above average long-term return from portfolios invested primarily in equity securities, primarily of small and mid-size companies located outside the United States. The fund may invest in a wide variety of other financial instruments, including without limitation, common stock, preferred stock, warrants, debt, exchange-traded notes, exchange-traded funds, currencies and cash and cash equivalents.
- (E) This category includes investments in private comingled funds that seek to preserve capital while constructing a portfolio that reflects attractive returns for a given level of risk.
- (F) This category includes investment in real estate investment trust that seeks to provide broad exposure to the U.S. commercial real estate market with low turnover and consistent benchmark tracking.

Note 5: Beneficial Interest in Perpetual Trust

The Society is the beneficiary under a perpetual trust administered by an outside party. Under the terms of the trust, the Society has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is \$5,889,953 and \$5,731,754, which represents the fair value of the trust assets at June 30, 2019 and 2018, respectively. The income from this trust for the years ended June 30, 2019 and 2018 was \$158,199 and \$436,940, respectively.

Note 6: Note Payable to Bank

The Society has a \$500,000 revolving bank line of credit that expired on December 10, 2018. There were no borrowings against this line during the year. The line was collateralized by substantially all of the Society's assets. Interest was at the adjusted LIBOR plus 3 percent, which was 5.25 and 5.0 percent at June 30, 2019 and 2018, respectively. On April 9, 2019, the line of credit was renewed without a formal expiration date. Based on the renewal agreement, written notice will be provided to the Society when the financial institution decides to terminate the agreement.

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Note 7: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2019 and 2018 are restricted for the following purposes:

	2019	2018
Subject to expenditure for specified purpose		
Renovations	\$ 106,527	\$ 212,568
	106,527	212,568
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for		
Scholarships	1,342,689	1,342,689
Available for general use	3,767,000	3,767,000
	5,109,689	5,109,689
Subject to NFP endowment spending policy and appropriation		
Scholarships	1,356,436	1,269,534
Other	10,000	10,000
	1,366,436	1,279,534
Total endowments	6,476,125	6,389,223
Not subject to spending policy or appropriation		
Beneficial interest in perpetual trust	5,889,953	5,731,754
	\$ 12,472,605	\$ 12,333,545

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. There were net assets released from restrictions by satisfaction of renovations purpose restriction of \$231,038 and \$339,598 during the years ended June 30, 2019 and 2018, respectively.

New York City Mission Society

Notes to Financial Statements

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Note 8: Endowment

The Society's Board of Directors has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. NYPMIFA moves away from the "historical 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 percent of the average of its previous five years' balance. As a result of this interpretation, the Society classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

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

1. Duration and preservation of the fund
2. Purposes of the Society and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Society
7. Investment policies of the Society

The Society's endowment consists of individual funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of donor-restricted net assets by type of endowment fund at June 30, 2019 and 2018 was:

	<u>2019</u>	<u>2018</u>
Donor-restricted endowment funds		
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	\$ 5,109,689	\$ 5,109,689
Accumulated investment gains	<u>1,366,436</u>	<u>1,270,534</u>
Total endowment funds	<u>\$ 6,476,125</u>	<u>\$ 6,380,223</u>

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Changes in donor-restricted endowment net assets for the years ended June 30, 2019 and 2018, were:

	<u>2019</u>	<u>2018</u>
Endowment net assets, beginning of year	\$ 6,380,223	\$ 6,264,580
Interest and dividend income	88,452	68,251
Net realized and unrealized gains	168,818	280,378
Investment fees	(36,371)	(56,844)
Appropriation of endowment assets for expenditures	<u>(124,997)</u>	<u>(176,142)</u>
Endowment net assets, end of year	<u>\$ 6,476,125</u>	<u>\$ 6,380,223</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Society is required to retain as a fund of perpetual duration pursuant to donor stipulation or NYPMIFA. There was no deficiency at June 30, 2019 and 2018.

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Society must hold in perpetuity or for donor-specified periods. The Society expects its endowment funds to provide a total return (net of investment management fees) of at least 6 percent per year in excess of inflation. This objective assumes that withdrawals from the fund will average, long-term, no more than 6 percent of the fund's value over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Society relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). Under the Society's policies, endowment assets are invested in a manner that is intended to produce results to achieve its long-term return objectives within prudent risk constraints.

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Note 9: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 comprise the following:

Financial assets	
Cash	\$ 1,374,353
Grants receivable	1,060,743
Contribution receivable	307,527
Investments	<u>36,512,612</u>
	39,255,235
Donor-imposed restrictions	
Purpose restricted and endowment funds	<u>(12,472,605)</u>
Net financial assets donor imposed restrictions and available to meet general expenditures within one year	<u>\$ 26,782,630</u>

The Society receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

The Society manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Society forecasts its future cash flows and monitors its liquidity.

Note 10: Retirement Plans

Defined Benefit Plan

The Society had a noncontributory defined benefit pension plan covering substantially all employees. Plan benefits were based on a percentage of the highest three-year average compensation for each year of service. The Society's funding policy was to annually contribute amounts recommended by its consulting actuaries. The governing body of the Plan approved a plan of termination effective April 10, 2017. After filing the application to terminate the Plan on February 15, 2017 with the Department of the Treasury Internal Revenue Service, the Society received the related approval dated December 28, 2017. Subsequently, the Society settled the remaining obligations of the Plan utilizing the existing plan assets and by contributing an additional \$1,797,862 to the Plan.

As of June 30, 2019 and 2018, there were no assets or liabilities recognized in the statement of financial position.

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403(b) Plan

The Society has a 403(b) plan that covers substantially all employees. 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. Effective July 1, 2018, the Society's 1 percent match of elective deferrals of compensation was amended to an annual discretionary match. All full-time employees who have worked for the Society for at least three months will be eligible for the employer contributions. For the year ended June 30, 2019, the Board approved a 3 percent match. The expense related to this plan for the year ended June 30, 2019 and 2018 was \$60,337 and \$31,708, respectively.

Note 11: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Grants

Approximately 79 and 81 percent of all other receivables were due from two governmental agencies at June 30, 2019 and 2018, respectively, and approximately all grant revenues were from two governmental agencies for the years ended June 30, 2019 and 2018.

Litigation

The Society is subject to other claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the statement of financial position, change in net assets and cash flows of the Society. Events could occur that would change this estimate materially in the near term.

Investments

The Society invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit 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 and that such change could materially affect the amounts reported in the accompanying statement of financial position.

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Notes to Financial Statements

June 30, 2019

Note 12: Future Accounting Changes

Revenue Recognition

The Financial Accounting Standards Board (FASB) amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018. The Society is in the process of evaluating the impact the amendment will have on the financial statements.

Accounting for Grants and Contributions

FASB amended its standards related to contributions received and contributions made. The amendment clarifies existing guidance on determining whether a transaction with a resource provider, *e.g.*, the receipt of funds under a government grant or contract, is a contribution or an exchange transaction. The guidance requires all organization to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction, and whether contributions are conditional or unconditional. If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, *Revenue from Contracts with Customers*, or other topics. The standards clarify that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provide, *i.e.*, the transaction is nonexchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional.

FASB expects that the new standard could result in more grants and contracts being accounted for as contributions (often conditional contributions) than under current generally accepted accounting principles. Because of this, it believes the clarifying guidance about whether a contribution is conditional or unconditional, which affects the timing of revenue recognition, is important. Both the recipient and resource provider would equally apply the guidance. The standard will be effective for reporting periods beginning on or after December 15, 2018.