

# **New York City Mission Society**

Independent Auditor's Report and Financial Statements

June 30, 2022

# New York City Mission Society

June 30, 2022

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## Independent Auditor's Report

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

### ***Opinion***

We have audited the financial statements of New York City Mission Society, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of New York Mission Society as of June 30, 2022, 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.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of New York City Mission Society and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about New York City Mission Society's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 New York City Mission Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about New York City Mission Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Report on Summarized Comparative Information**

We have previously audited the June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 13, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**FORVIS,LLP**

New York, New York  
December 2, 2022

**New York City Mission Society**  
**Statement of Financial Position**  
**June 30, 2022**  
**(With Summarized Financial Information for June 30, 2021)**

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Cash	\$ 1,386,893	\$ 3,684,470
Grants receivable	2,756,010	1,123,965
Contribution receivable	35,575	73,160
Prepaid expenses	35,882	98,736
Investments	37,091,339	42,646,740
Property and equipment, net	734,587	883,617
Beneficial interest in perpetual trust	5,976,692	7,353,088
Total assets	\$ 48,016,978	\$ 55,863,776
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 692,404	\$ 927,374
Loan payable	-	1,260,945
Total liabilities	692,404	2,188,319
 <b>Net Assets</b>		
Without donor restrictions	34,572,674	38,968,457
With donor restrictions		
Perpetual in nature	11,086,381	12,462,777
Endowment accumulated investment gains	1,112,908	2,229,223
Purpose restrictions	552,611	15,000
Net assets with donor restrictions	12,751,900	14,707,000
Total net assets	47,324,574	53,675,457
Total liabilities and net assets	\$ 48,016,978	\$ 55,863,776

**New York City Mission Society**  
**Statement of Activities**  
**Year Ended June 30, 2022**  
**(With Summarized Financial Information for the Year Ended June 30, 2021)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
<b>Operating Revenues, Gains, and Other Support</b>				
Contributions	\$ 618,518	\$ -	\$ 618,518	\$ 960,732
Contributed services	217,751	-	217,751	182,336
Grants from government agencies	7,058,900	694,800	7,753,700	5,288,746
Investment income from beneficial interest in perpetual trust	213,886	-	213,886	213,886
Occupancy and other income	879,539	-	879,539	95,266
Gain on forgiveness of loan	1,260,945	-	1,260,945	1,274,717
Net assets released from restrictions	157,189	(157,189)	-	-
	<u>10,406,728</u>	<u>537,611</u>	<u>10,944,339</u>	<u>8,015,683</u>
Total operating revenues, gains, and other support				
<b>Operating Expenses</b>				
Program services				
Youth and family programs	3,244,250	-	3,244,250	2,316,423
Young adult programs	4,583,720	-	4,583,720	3,853,198
	<u>7,827,970</u>	<u>-</u>	<u>7,827,970</u>	<u>6,169,621</u>
Total program services				
Supporting services				
Management and general	1,858,227	-	1,858,227	1,192,259
Fundraising and public relations	583,008	-	583,008	414,711
	<u>10,269,205</u>	<u>-</u>	<u>10,269,205</u>	<u>7,776,591</u>
Total operating expenses				
<b>Change in Net Assets from Operations</b>	<u>137,523</u>	<u>537,611</u>	<u>675,134</u>	<u>239,092</u>
<b>Nonoperating Revenues and Gains (Losses)</b>				
Investment return	(4,533,306)	(1,116,315)	(5,649,621)	7,488,038
Gain (loss) on beneficial interest in perpetual trust	-	(1,376,396)	(1,376,396)	1,572,061
	<u>(4,533,306)</u>	<u>(2,492,711)</u>	<u>(7,026,017)</u>	<u>9,060,099</u>
Total nonoperating revenues and gains (losses)				
<b>Change in Net Assets</b>	(4,395,783)	(1,955,100)	(6,350,883)	9,299,191
<b>Net Assets, Beginning of Year</b>	<u>38,968,457</u>	<u>14,707,000</u>	<u>53,675,457</u>	<u>44,376,266</u>
<b>Net Assets, End of Year</b>	<u>\$ 34,572,674</u>	<u>\$ 12,751,900</u>	<u>\$ 47,324,574</u>	<u>\$ 53,675,457</u>

**New York City Mission Society**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2022**  
**(With Summarized Financial Information for the Year Ended June 30, 2021)**

	Program Services			Supporting Services			Total	
	Power Academy Programs	Level Up Programs	Total	Management and General	Fundraising and Public Relations	Total	2022	2021
Salaries	\$ 2,193,676	\$ 2,812,945	\$ 5,006,621	\$ 904,611	\$ 430,617	\$ 1,335,228	\$ 6,341,849	\$ 5,017,693
Payroll taxes	241,296	289,523	530,819	45,931	36,386	82,317	613,136	488,737
Fringe benefits	139,035	293,364	432,399	85,660	49,191	134,851	567,250	461,171
<b>Total personal services</b>	<b>2,574,007</b>	<b>3,395,832</b>	<b>5,969,839</b>	<b>1,036,202</b>	<b>516,194</b>	<b>1,552,396</b>	<b>7,522,235</b>	<b>5,967,601</b>
Professional fees and contracted services	3,800	-	3,800	590,079	5,141	595,220	599,020	324,014
Client needs and incentives	89,178	211,509	300,687	8,840	-	8,840	309,527	184,317
Supplies	189,157	51,362	240,519	12,123	-	12,123	252,642	174,594
Food	44,292	71,413	115,705	542	-	542	116,247	23,671
Postage	965	1,690	2,655	1,171	2,396	3,567	6,222	13,809
Printing and training materials	-	-	-	3,500	3,844	7,344	7,344	908
Marketing and public relations	-	-	-	-	-	-	-	462
Occupancy	2,184	-	2,184	9,378	4,704	14,082	16,266	88,064
Maintenance and repairs	38,030	81,518	119,548	20,352	4,755	25,107	144,655	145,767
Equipment lease and rental	24,018	41,042	65,060	10,053	2,436	12,489	77,549	81,662
Telephone	26,017	58,990	85,007	18,346	10,708	29,054	114,061	121,357
Commercial insurance	70,304	177,561	247,865	16,755	3,150	19,905	267,770	241,653
Staff travel and messenger	4,284	3,885	8,169	1,750	559	2,309	10,478	4,004
Transportation	13,134	11,455	24,589	-	-	-	24,589	-
Staff training and development	49,680	12,710	62,390	-	-	-	62,390	54,495
Meetings, ads, dues, and subscriptions	20,046	41,164	61,210	61,297	25,389	86,686	147,896	81,364
Bank fees and payroll charges	34,268	41,992	76,260	5,142	3,732	8,874	85,134	74,932
Participant scholarships and stipends	-	220,060	220,060	-	-	-	220,060	4,947
Miscellaneous	33	96,753	96,786	-	-	-	96,786	-
<b>Total expenses before depreciation</b>	<b>3,183,397</b>	<b>4,518,936</b>	<b>7,702,333</b>	<b>1,795,530</b>	<b>583,008</b>	<b>2,378,538</b>	<b>10,080,871</b>	<b>7,587,621</b>
Depreciation	60,853	64,784	125,637	62,697	-	62,697	188,334	188,970
<b>Total functional expenses</b>	<b>\$ 3,244,250</b>	<b>\$ 4,583,720</b>	<b>\$ 7,827,970</b>	<b>\$ 1,858,227</b>	<b>\$ 583,008</b>	<b>\$ 2,441,235</b>	<b>\$ 10,269,205</b>	<b>\$ 7,776,591</b>

**New York City Mission Society**  
**Statement of Cash Flows**  
**Year Ended June 30, 2022**  
**(With Summarized Financial Information for the Year Ended June 30, 2021)**

	<u>2022</u>	<u>2021</u>
<b>Operating Activities</b>		
Change in net assets	\$ (6,350,883)	\$ 9,299,191
Items not requiring (providing) operating cash flows		
Depreciation	188,334	188,970
Net realized and unrealized loss (gain) on investments	7,178,732	(9,319,346)
Loss (gain) on beneficial interest in perpetual trust	1,376,396	(1,572,061)
Gain on forgiveness of loan	(1,260,945)	(1,274,162)
Changes in		
Grants receivable	(1,632,045)	442,604
Contribution receivable	37,585	(250)
Prepaid expenses	62,854	(3,949)
Accounts payable and accrued expenses	<u>(234,970)</u>	<u>50,333</u>
Net cash used in operating activities	<u>(634,942)</u>	<u>(2,188,670)</u>
<b>Investing Activities</b>		
Purchase of investments	(47,513,474)	(5,412,349)
Proceeds from sales of investments	45,890,143	7,163,657
Purchase of property and equipment	<u>(39,304)</u>	<u>(28,400)</u>
Net cash provided by (used in) investing activities	<u>(1,662,635)</u>	<u>1,722,908</u>
<b>Financing Activities</b>		
Proceeds from loan	<u>-</u>	<u>1,260,945</u>
Net cash provided by financing activities	<u>-</u>	<u>1,260,945</u>
<b>Increase (Decrease) in Cash</b>	(2,297,577)	795,183
<b>Cash, Beginning of Year</b>	<u>3,684,470</u>	<u>2,889,287</u>
<b>Cash, End of Year</b>	<u>\$ 1,386,893</u>	<u>\$ 3,684,470</u>



# **New York City Mission Society**

## **Notes to Financial Statements**

**June 30, 2022**

**(With Summarized Financial Information as of and for the Year Ended June 30, 2021)**

### **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 social service organization. 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 of education and career readiness programs and counseling at their flagship building on Malcolm X Boulevard and 13 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***

Uninvested cash and cash equivalents included in investment accounts, including endowment accounts, are not considered to be cash.

On June 30, 2022, the Society's cash accounts exceeded federally insured limits by approximately \$3,500,000.

#### ***Investments***

The Society measures securities, other than investments that qualify for the equity method of accounting, at fair value. Investments in real estate funds, private comingled funds, and hedge funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments.

#### ***Investment Return***

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, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

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.

# New York City Mission Society

## Notes to Financial Statements

June 30, 2022

(With Summarized Financial Information as of and for the Year Ended June 30, 2021)

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.

### **Grants Receivable**

Grants receivable from government agencies are recorded when services are rendered or qualifying expenses are incurred. The Society determines whether an allowance for uncollectibles should be provided for grants receivable. 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, 2022 and 2021, the Society had no allowance for doubtful accounts.

### **Property and Equipment**

Property and equipment acquisitions over \$5,000 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, 2022 and 2021.

### **Net Assets**

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

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

# New York City Mission Society

## Notes to Financial Statements

June 30, 2022

(With Summarized Financial Information as of and for the Year Ended June 30, 2021)

Net assets with donor restrictions are subject to donor or certain grantor 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 or grantor 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.

### 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:

<u>Nature of the Gift</u>	<u>Value Recognized</u>
<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, 2022 and 2021, contributions receivable 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.

# **New York City Mission Society**

## **Notes to Financial Statements**

**June 30, 2022**

**(With Summarized Financial Information as of and for the Year Ended June 30, 2021)**

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.

### ***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(c)(3) 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 presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on actual expenditures and cost allocations estimated by the Society's personnel based on square footage, time spent, and other methods.

### ***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, 2021, from which the summarized information was derived.

### ***Reclassifications***

Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 financial statement presentation. These reclassifications had no effect on net earnings.

# New York City Mission Society

## Notes to Financial Statements

June 30, 2022

(With Summarized Financial Information as of and for the Year Ended June 30, 2021)

### 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, 2022 have been recorded as receivables. The conditional contributions will be recognized as income once the qualifying expenses are incurred for the specific programs. The following are the grant commitments that extend beyond June 30, 2022:

Grant	Term	Grant Amount	Funds Earned and Forfeited Through 2022	Funding Available
Learn-to-work	07/01/2021 - 06/30/2023	\$ 6,116,627	\$ 3,058,314	\$ 3,058,313
Power Academy	07/01/2021 - 06/30/2023	2,109,269	1,338,462	770,807
Power Academy	09/01/2020 - 06/30/2023	<u>5,023,272</u>	<u>3,441,588</u>	<u>1,581,684</u>
Total		<u>\$ 13,249,168</u>	<u>\$ 7,838,364</u>	<u>\$ 5,410,804</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, 2022 and 2021 consists of:

	2022	2021
Land	\$ 210,000	\$ 210,000
Buildings and improvements	3,229,497	3,190,193
Equipment	<u>898,961</u>	<u>898,961</u>
	4,338,458	4,299,154
Less accumulated depreciation	<u>3,603,871</u>	<u>3,415,537</u>
	<u>\$ 734,587</u>	<u>\$ 883,617</u>

# New York City Mission Society

## Notes to Financial Statements

June 30, 2022

(With Summarized Financial Information as of and for the Year Ended June 30, 2021)

### 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

# New York City Mission Society

## Notes to Financial Statements

June 30, 2022

(With Summarized Financial Information as of and for the Year Ended June 30, 2021)

### 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, 2022 and 2021:

	2022			
	Total 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	\$ 8,050,086	\$ 8,050,086	\$ -	\$ -
Fixed income	5,313,441	5,313,441	-	-
	<u>13,363,527</u>	<u>\$ 13,363,527</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents	<u>4,332,682</u>			
Investments measured at net asset value (A):				
Hedge funds	9,782,806			
Private comingled funds	5,304,323			
Real estate fund	3,405,549			
Private equity/credit	<u>902,452</u>			
	<u>19,395,130</u>			
Total investments	<u>\$ 37,091,339</u>			
Beneficial interest in perpetual trust	<u>\$ 5,976,692</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,976,692</u>

# New York City Mission Society

## Notes to Financial Statements

June 30, 2022

(With Summarized Financial Information as of and for the Year Ended June 30, 2021)

	2021			
	Total 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	\$ 3,315,303	\$ 3,315,303	\$ -	\$ -
Fixed income	12,824,586	12,824,586	-	-
	<u>16,139,889</u>	<u>\$ 16,139,889</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents	<u>2,485,586</u>			
Investments measured at net asset value (A):				
Hedge funds	14,428,035			
Private comingled funds	4,675,055			
Real estate fund	<u>4,918,175</u>			
	<u>24,021,265</u>			
Total investments	<u>\$ 42,646,740</u>			
Beneficial interest in perpetual trust	<u>\$ 7,353,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,353,088</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, 2022 and 2021. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.



# New York City Mission Society

## Notes to Financial Statements

June 30, 2022

(With Summarized Financial Information as of and for the Year Ended June 30, 2021)

### 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.

### Alternative Investments

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

	<b>2022</b>			
	<b>Fair Value</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>	<b>Unfunded Commitments</b>
Hedge funds (A)	\$ 9,782,806	Monthly/Quarterly	30–120 days	
Private commingled funds (B)	5,304,323	Monthly/Quarterly	2–60 days	
Real estate fund (C)	3,405,550	Daily/Quarterly	2–90 days	
Private Equity/Credit (D)	902,452	Illiquid	NA	\$ 2,133,332
	<u>\$ 19,395,130</u>			

	<b>2021</b>		
	<b>Fair Value</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Hedge fund (E)	\$ 2,713,779	Quarterly	60 days
Hedge funds (F)	7,181,034	Quarterly	45–90 days
Hedge funds (G)	3,671,273	Every 2 years/Quarterly	45–90 days
Hedge fund (H)	861,949	Monthly	30 days
Private comingled funds (I)	4,675,055	Monthly/Quarterly	10–60 days
Real estate fund (J)	4,918,175	Daily	2 days
	<u>\$ 24,021,265</u>		

There were no unfunded commitments as of June 30, 2021.

# New York City Mission Society

## Notes to Financial Statements

June 30, 2022

(With Summarized Financial Information as of and for the Year Ended June 30, 2021)

- (A) This class includes investments in hedge fund strategies, including equity, fixed income, and global macro style strategies. The funds generally may invest in a wide variety of financial instruments, including derivatives. Valuations are measured at net asset value using practical expediency.
- (B) This class consists of investments in private fund vehicles which follow a long-only strategy in public markets, including equity and fixed income.
- (C) This class consists of investments in real estate private fund vehicles which typically hold a mix of commercial real estate property types and may include leverage.
- (D) This class consists of investments in drawdown vehicles which invest in equity or debt of private companies and call capital from the investor during the investment period while distributing proceeds during the harvest years. Expenses may be called outside of commitments.
- (E) This class 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.
- (F) This class 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% of its total capital in the securities of a single issuer.
- (G) This class 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).
- (H) This class 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.
- (I) This class 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.

# New York City Mission Society

## Notes to Financial Statements

June 30, 2022

(With Summarized Financial Information as of and for the Year Ended June 30, 2021)

- (J) This class 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 \$5,976,692 and \$7,353,088, which represents the fair value of the trust assets at June 30, 2022 and 2021, respectively. The income (loss) from this trust for the years ended June 30, 2022 and 2021 was \$(1,376,396) and \$1,572,061, respectively.

### Note 6: Loan Payable

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act*. On April 7, 2020, the Society received a loan in the amount of \$1,274,162 (PPP 1) pursuant to the Paycheck Protection Program. On February 16, 2021, the Society received a second loan in the amount of \$1,260,945 (PPP 2) pursuant to the Paycheck Protection Program. The Society has elected to account for the funding as a loan in accordance with Accounting Standards Codification Topic 470, *Debt*. Any forgiveness of the loan will be recognized as a gain in the financial statements in the period the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to any gain recognized.

PPP 1 was due two years from the date of the first disbursement under the loan and had a fixed interest rate of 1% per year. On June 17, 2021, the Society received a notice of full forgiveness on PPP 1, recognizing revenues of \$1,274,717. On November 8, 2021, the Society received a notice of full forgiveness on PPP 2, recognizing revenue of \$1,260,945 and is reflected as a gain on forgiveness of loan in the statement of activities.

### Note 7: Line of Credit

The Society has a \$500,000 revolving bank line of credit without a formal expiration date. There were no borrowings against this line. The line was collateralized by substantially all of the Society's assets. Interest was at the adjusted Prime Rate plus .25%, which was 5% and 3.5% at June 30, 2022 and 2021, respectively. Based on the renewal agreement, written notice will be provided to the Society when the financial institution decides to terminate the agreement.

# New York City Mission Society

## Notes to Financial Statements

June 30, 2022

(With Summarized Financial Information as of and for the Year Ended June 30, 2021)

### Note 8: Net Assets

#### *Net Assets With Donor Restrictions*

Net assets with donor restrictions at June 30, 2022 and 2021 are restricted for the following purposes:

	<b>2022</b>	<b>2021</b>
Subject to expenditure for specified purpose		
Renovations and aquaponic lab program	\$ 15,000	\$ 15,000
Power Academy programs	537,611	-
	552,611	15,000
 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	1,307,602	1,783,823
General operations	(204,694)	435,400
Other	10,000	10,000
	1,112,908	2,229,223
Total endowments	6,222,597	7,338,912
Not subject to spending policy or appropriation		
Beneficial interest in perpetual trust	5,976,692	7,353,088
	\$ 12,751,900	\$ 14,707,000

#### *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. Net assets released from restrictions for the year ended June 30, 2022 were \$157,189 for mental health supports for children and employees.

# New York City Mission Society

## Notes to Financial Statements

June 30, 2022

(With Summarized Financial Information as of and for the Year Ended June 30, 2021)

### Note 9: 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% 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, 2022 and 2021 were:

	<u>2022</u>	<u>2021</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>1,112,908</u>	<u>2,229,223</u>
Total endowment funds	<u>\$ 6,222,597</u>	<u>\$ 7,338,912</u>

# New York City Mission Society

## Notes to Financial Statements

June 30, 2022

(With Summarized Financial Information as of and for the Year Ended June 30, 2021)

Changes in donor-restricted endowment net assets for the years ended June 30, 2022 and 2021 were:

	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of year	\$ 7,338,912	\$ 6,436,541
Interest and dividend income	63,342	38,393
Net realized and unrealized gains (losses)	(1,146,489)	1,167,457
Investment fees	(33,168)	(77,459)
Appropriation of endowment assets for expenditures	-	(226,020)
	<u>                    </u>	<u>                    </u>
Endowment net assets, end of year	<u>\$ 6,222,597</u>	<u>\$ 7,338,912</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, 2022 and 2021.

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% 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. Generally, the Board will approve a spending policy limiting annual expenditures for grants and operating expenses to 5% to 7% of the value of fund assets based on a twelve (12) quarter rolling average. 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.

# New York City Mission Society

## Notes to Financial Statements

June 30, 2022

(With Summarized Financial Information as of and for the Year Ended June 30, 2021)

### Note 10: 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, 2022 and 2021, comprise the following:

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash	\$ 1,386,893	\$ 3,684,470
Grants receivable	2,756,010	1,123,965
Contribution receivable	35,575	73,160
Investments	<u>37,091,339</u>	<u>42,646,740</u>
	41,269,817	47,528,335
Donor-imposed restrictions		
Purpose restricted and endowment funds	<u>(6,775,208)</u>	<u>(7,353,912)</u>
Net financial assets available to meet cash needs for general expenditures within one year	<u>\$ 34,494,609</u>	<u>\$ 40,174,423</u>

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 11: Subsequent Events

Subsequent events have been evaluated through December 2, 2022, which is the date the financial statements were available to be issued.

### Note 12: Retirement Plan

#### *403(b) Plan*

The Society has a 403(b) plan that covers eligible employees. Effective July 1, 2018, the Society's 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 years ended June 30, 2022 and 2021, the Board approved a 5% and 3.5% match, respectively. The expense related to this plan for the years ended June 30, 2022 and 2021 was \$155,612 and \$82,488, respectively.

# New York City Mission Society

## Notes to Financial Statements

June 30, 2022

(With Summarized Financial Information as of and for the Year Ended June 30, 2021)

### Note 13: 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 99% and 95% of all grants receivable was due from two governmental agencies at June 30, 2022 and 2021, respectively, and approximately 91% and 100% of all grant revenues were from two governmental agencies for the years ended June 30, 2022 and 2021, respectively.

#### **Litigation**

The Society is subject to other claims and lawsuits that arose primarily in the ordinary course of its activities. While certain amounts have been recorded for possible losses, 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 can occur in the near term and that such change could materially affect the amounts reported in the accompanying statement of financial position.

### Note 14: Occupancy Income

Commencing October 1, 2021, the Society entered into a lease agreement for space and facilities management services expiring September 30, 2024. The lease contains renewal options of an additional two years. On September 12, 2022, the tenant exercised its option to renew the lease for an additional one-year period, extending the lease through September 30, 2025. The corresponding income was \$876,369 for the year ended June 30, 2022.

Future minimum lease payments at June 30, 2022 were:

2023	\$	1,168,219
2024		1,187,911
2025		1,208,039
2026		<u>303,275</u>
	\$	<u>3,867,444</u>



# New York City Mission Society

## Notes to Financial Statements

June 30, 2022

(With Summarized Financial Information as of and for the Year Ended June 30, 2021)

### Note 15: Contributed Nonfinancial Services

For the years ended June 30, 2022 and 2021, contributed nonfinancial services recognized within the statement of activities included pro-bono legal services in the amounts of \$217,751 and \$182,336, respectively.

The nonfinancial services listed above were recognized within revenue. Unless otherwise noted, contributed nonfinancial services did not have donor-imposed restrictions.

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

### Note 16: Changes in Accounting Principles

In 2022, the Society adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, on a retrospective basis. ASU 2020-07 requires contributed nonfinancial assets to be presented separately from contributions of cash or other financial assets in the statement of activities and disclosures within the notes to financial statements about the valuation methodology for use of and donor-imposed restrictions associated with contributed nonfinancial assets. Adoption of ASU 2020-07 had no impact on previously reported total change in net assets.