

# **New York City Mission Society**

Independent Auditor's Report and Financial Statements

June 30, 2021



# New York City Mission Society

June 30, 2021

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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, 2021, 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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the New York City Mission Society 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 29, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*BKD, LLP*

New York, New York  
October 13, 2021

**New York City Mission Society**  
**Statement of Financial Position**  
**June 30, 2021**  
**(With Summarized Financial Information for June 30, 2020)**

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Cash	\$ 3,684,470	\$ 2,889,287
Grants receivable	1,123,965	1,566,569
Contribution receivable	73,160	72,910
Prepaid expenses	98,736	94,787
Investments	42,646,740	35,078,702
Property and equipment, net	883,617	1,044,187
Beneficial interest in perpetual trust	7,353,088	5,781,027
Total assets	\$ 55,863,776	\$ 46,527,469
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 927,374	\$ 877,041
Loan payable	1,260,945	1,274,162
Total liabilities	2,188,319	2,151,203
 <b>Net Assets</b>		
Without donor restrictions	38,968,457	32,143,698
With donor restrictions		
Perpetual in nature	12,462,777	10,890,716
Endowment accumulated investment gains	2,229,223	1,326,852
Purpose restrictions	15,000	15,000
Net assets with donor restrictions	14,707,000	12,232,568
Total net assets	53,675,457	44,376,266
Total liabilities and net assets	\$ 55,863,776	\$ 46,527,469

**New York City Mission Society**  
**Statement of Activities**  
**Year Ended June 30, 2021**  
**(With Summarized Financial Information for the Year Ended June 30, 2020)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
<b>Operating Revenues, Gains and Other Support</b>				
Contributions	\$ 1,063,068	\$ 80,000	\$ 1,143,068	\$ 817,163
Grants from government agencies	5,288,746	-	5,288,746	7,103,234
Special events	-	-	-	10,971
Less direct costs of special events	-	-	-	(12,198)
Investment proceeds designated for current operations	-	-	-	1,000,000
Investment income from beneficial interest in perpetual trust	213,886	-	213,886	213,886
Occupancy and other income	95,266	-	95,266	133,641
Gain on forgiveness of loan	1,274,717	-	1,274,717	-
Net assets released from restrictions	306,020	(306,020)	-	-
	<u>8,241,703</u>	<u>(226,020)</u>	<u>8,015,683</u>	<u>9,266,697</u>
<b>Operating Expenses</b>				
Program services				
Youth and family programs	2,316,423	-	2,316,423	2,908,168
Young adult programs	3,853,198	-	3,853,198	4,434,151
	<u>6,169,621</u>	<u>-</u>	<u>6,169,621</u>	<u>7,342,319</u>
Supporting services				
Management and general	1,192,259	-	1,192,259	1,265,266
Fundraising and public relations	414,711	-	414,711	468,116
	<u>7,776,591</u>	<u>-</u>	<u>7,776,591</u>	<u>9,075,701</u>
<b>Change in Net Assets from Operations</b>	<u>465,112</u>	<u>(226,020)</u>	<u>239,092</u>	<u>190,996</u>
<b>Nonoperating Revenues and Gains (Losses)</b>				
Investment proceeds transferred to operations	-	-	-	(1,000,000)
Investment income (loss) - net of investment fees	6,359,647	1,128,391	7,488,038	(514,439)
Gain (loss) on beneficial interest in perpetual trust	-	1,572,061	1,572,061	(108,926)
	<u>6,359,647</u>	<u>2,700,452</u>	<u>9,060,099</u>	<u>(1,623,365)</u>
<b>Change in Net Assets</b>	<u>6,824,759</u>	<u>2,474,432</u>	<u>9,299,191</u>	<u>(1,432,369)</u>
<b>Net Assets, Beginning of Year</b>	<u>32,143,698</u>	<u>12,232,568</u>	<u>44,376,266</u>	<u>45,808,635</u>
<b>Net Assets, End of Year</b>	<u>\$38,968,457</u>	<u>\$14,707,000</u>	<u>\$53,675,457</u>	<u>\$44,376,266</u>

**New York City Mission Society**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2021**  
**(With Summarized Financial Information for the Year Ended June 30, 2020)**

	Program Services			Supporting Services			Total	
	Youth and Family Programs	Young Adult Programs	Total	Management and General	Fundraising and Public Relations	Total	2021	2020
Salaries	\$ 1,505,683	\$ 2,589,024	\$ 4,094,707	\$ 645,494	\$ 277,492	\$ 922,986	\$ 5,017,693	\$ 6,099,430
Payroll taxes	160,548	281,030	441,578	24,664	22,495	47,159	488,737	580,912
Fringe benefits	125,380	268,810	394,190	44,642	22,339	66,981	461,171	456,627
Total personal services	1,791,611	3,138,864	4,930,475	714,800	322,326	1,037,126	5,967,601	7,136,969
Professional fees and contracted services	-	-	-	306,164	17,850	324,014	324,014	457,970
Client needs/incentives	87,155	91,681	178,836	5,481	-	5,481	184,317	170,764
Rental, catering, printing and invitations	-	-	-	-	-	-	-	12,198
Supplies	133,051	30,403	163,454	9,957	1,183	11,140	174,594	163,041
Food	13,631	9,822	23,453	72	146	218	23,671	64,839
Postage	9,922	1,680	11,602	1,970	237	2,207	13,809	4,773
Printing and training materials	-	-	-	416	492	908	908	7,375
Marketing/public relations	-	-	-	462	-	462	462	1,578
Occupancy	23,881	21,661	45,542	25,178	17,344	42,522	88,064	89,582
Maintenance and repairs	45,750	75,072	120,822	17,450	7,495	24,945	145,767	158,473
Equipment lease and rental	18,613	39,944	58,557	18,857	4,248	23,105	81,662	71,874
Telephone	24,986	67,143	92,129	18,643	10,585	29,228	121,357	104,461
Commercial insurance	59,525	167,753	227,278	10,575	3,800	14,375	241,653	206,025
Staff travel and messenger	2,285	1,570	3,855	149	-	149	4,004	11,355
Transportation	-	-	-	-	-	-	-	41,770
Staff training and development	882	53,613	54,495	-	-	-	54,495	3,138
Meetings/ads/dues/subscriptions	10,631	33,173	43,804	11,550	26,010	37,560	81,364	112,639
Bank fees and payroll charges	23,637	45,009	68,646	3,291	2,995	6,286	74,932	82,567
Miscellaneous	-	4,947	4,947	-	-	-	4,947	5,529
Total expenses before depreciation	2,245,560	3,782,335	6,027,895	1,145,015	414,711	1,559,726	7,587,621	8,906,920
Depreciation	70,863	70,863	141,726	47,244	-	47,244	188,970	180,979
Total functional expenses	\$ 2,316,423	\$ 3,853,198	\$ 6,169,621	\$ 1,192,259	\$ 414,711	\$ 1,606,970	\$ 7,776,591	\$ 9,087,899

**New York City Mission Society**  
**Statement of Cash Flows**  
**Year Ended June 30, 2021**  
**(With Summarized Financial Information for the Year Ended June 30, 2020)**

	<b>2021</b>	<b>2020</b>
<b>Operating Activities</b>		
Change in net assets	\$ 9,299,191	\$ (1,432,369)
Items not requiring (providing) operating cash flows		
Depreciation	188,970	180,979
Net realized and unrealized loss (gain) on investments	(9,319,346)	831,605
Loss (gain) on beneficial interest in perpetual trust	(1,572,061)	108,926
Gain on forgiveness of loan	(1,274,162)	-
Changes in		
Grants receivable	442,604	(505,826)
Contribution receivable	(250)	234,617
Prepaid expenses	(3,949)	(58,899)
Accounts payable and accrued expenses	50,333	279,434
Net cash used in operating activities	(2,188,670)	(361,533)
<b>Investing Activities</b>		
Purchase of investments	(5,412,349)	(5,674,630)
Proceeds from sales of investments	7,163,657	6,276,935
Purchase of property and equipment	(28,400)	-
Net cash provided by investing activities	1,722,908	602,305
<b>Financing Activities</b>		
Proceeds from loan	1,260,945	1,274,162
Net cash provided by financing activities	1,260,945	1,274,162
<b>Increase in Cash</b>	795,183	1,514,934
<b>Cash, Beginning of Year</b>	2,889,287	1,374,353
<b>Cash, End of Year</b>	\$ 3,684,470	\$ 2,889,287



# **New York City Mission Society**

## **Notes to Financial Statements**

**June 30, 2021**

**(With Summarized Financial Information as of and for the Year Ended June 30, 2020)**

### **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 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***

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

At June 30, 2021, the Society's cash accounts exceeded federally insured limits by approximately \$6,100,000.

#### ***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, 2021

(With Summarized Financial Information as of and for the Year Ended June 30, 2020)

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, 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, 2021 and 2020, 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, 2021 and 2020.

### **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.

# New York City Mission Society

## Notes to Financial Statements

June 30, 2021

(With Summarized Financial Information as of and for the Year Ended June 30, 2020)

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.

### 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:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<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, 2021 and 2020, the 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, 2021**

**(With Summarized Financial Information as of and for the Year Ended June 30, 2020)**

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.

### ***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, 2021 and 2020, \$182,336 and \$192,939, 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(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.

### ***Revision***

Certain immaterial revision has been made to the 2020 financial statements to present net assets with donor restriction resulting from accumulated investment gains on the statement of financial position flows separately from net assets with donor restrictions perpetual in nature. This revision did not have a significant impact on the financial statements.

# New York City Mission Society

## Notes to Financial Statements

June 30, 2021

(With Summarized Financial Information as of and for the Year Ended June 30, 2020)

### 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, 2020, from which the summarized information was derived.

### 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, 2021, have been recorded as receivables. The following are the grant commitments that extend beyond June 30, 2021:

Grant	Term	Grant Amount	Funds Earned and Forfeited Through 2021	Funding Available
Learn-to-work	07/01/2021 - 06/30/2022	\$ 1,320,788	\$ -	\$ 1,320,788
Learn-to-work	07/01/2021 - 06/30/2023	6,116,627	-	6,116,627
Power Academy	07/01/2021 - 06/30/2023	1,541,614	-	1,541,614
Power Academy	09/01/2020 - 06/30/2023	4,248,852	1,085,484	3,163,368
Total		<u>\$ 13,227,881</u>	<u>\$ 1,085,484</u>	<u>\$ 12,142,397</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, 2021 and 2020 consists of:

	2021	2020
Land	\$ 210,000	\$ 210,000
Buildings and improvements	3,190,193	3,161,793
Equipment	898,961	898,961
	4,299,154	4,270,754
Less accumulated depreciation	<u>3,415,537</u>	<u>3,226,567</u>
	<u>\$ 883,617</u>	<u>\$ 1,044,187</u>

# New York City Mission Society

## Notes to Financial Statements

June 30, 2021

(With Summarized Financial Information as of and for the Year Ended June 30, 2020)

### 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, 2021 and 2020:

	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	-	-
	16,139,889	<u>\$16,139,889</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents	2,485,586			
Investments measured at net asset value (A):				
Hedge funds	14,428,035			
Private comingled funds	4,675,055			
Real estate fund	4,918,175			
	<u>\$42,646,740</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>

# New York City Mission Society

## Notes to Financial Statements

June 30, 2021

(With Summarized Financial Information as of and for the Year Ended June 30, 2020)

	2020			
	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	\$ 5,344,762	\$ 5,344,762	\$ -	\$ -
Fixed income	8,169,498	8,169,498	-	-
	13,514,260	<u>\$13,514,260</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents	2,985,007			
Investments measured at net asset value (A):				
Hedge funds	11,348,917			
Private comingled funds	3,898,825			
Real estate fund	3,331,693			
Total investments	<u>\$ 35,078,702</u>			
Beneficial interest in perpetual trust	<u>\$ 5,781,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,781,027</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, 2021 and 2020. 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.

# New York City Mission Society

## Notes to Financial Statements

June 30, 2021

(With Summarized Financial Information as of and for the Year Ended June 30, 2020)

### ***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>2021</b>		
	<b>Fair Value</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Hedge fund (A)	\$ 2,713,779	Quarterly	60 days
Hedge funds (B)	7,181,034	Quarterly	45 - 90 days
Hedge funds (C)	3,671,273	Every 2 years/Annual/Quarterly	45 - 90 days
Hedge fund (D)	861,949	Monthly	30 days
Private comingled funds (E)	4,675,055	Monthly/Quarterly	10 - 60 days
Real estate fund (F)	<u>4,918,175</u>	Daily	2 days
	<u>\$ 24,021,265</u>		
		<b>2020</b>	
	<b>Fair Value</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Hedge fund (A)	\$ 1,707,167	Quarterly	60 days
Hedge funds (B)	5,683,666	Quarterly	45 - 90 days
Hedge funds (C)	3,256,375	Every 2 years/Quarterly	45 - 90 days
Hedge fund (D)	701,709	Monthly	30 days
Private comingled funds (E)	3,898,825	Monthly/Quarterly	10 - 60 days
Real estate fund (F)	<u>3,331,693</u>	Daily	2 days
	<u>\$ 18,579,435</u>		

There were no unfunded commitments as of June 30, 2021 and 2020.

- (A) 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.



# New York City Mission Society

## Notes to Financial Statements

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- (B) 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 percent of its total capital in the securities of a single issuer.
- (C) 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).
- (D) 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.
- (E) 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.
- (F) 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 \$7,353,088 and \$5,781,027, which represents the fair value of the trust assets at June 30, 2021 and 2020, respectively. The income/(loss) from this trust for the years ended June 30, 2021 and 2020 was \$1,572,061 and \$(108,926), respectively.

# New York City Mission Society

## Notes to Financial Statements

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(With Summarized Financial Information as of and for the Year Ended June 30, 2020)

### 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 ASC 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 percent per year. On June 17, 2021, the Society received a notice of full forgiveness on PPP 1, recognizing revenues of \$1,274,717. PPP 2 is due five years from the date of the first disbursement under the loan and has a fixed interest rate of 1 percent per year.

Annual maturities of the loan payable as of June 30, 2021 are:

2022	\$	-
2023		311,612
2024		331,981
2025		335,336
2026		282,016
		<hr/>
	\$	<u>1,260,945</u>

### 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 percent, which was 3.5 percent at June 30, 2021 and 2020, 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, 2021

(With Summarized Financial Information as of and for the Year Ended June 30, 2020)

### Note 8: Net Assets

#### *Net Assets With Donor Restrictions*

Net assets with donor restrictions at June 30, 2021 and 2020 are restricted for the following purposes:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose		
Renovations and aquaponic lab program	\$ 15,000	\$ 15,000
	<u>15,000</u>	<u>15,000</u>
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	<u>3,767,000</u>	<u>3,767,000</u>
	<u>5,109,689</u>	<u>5,109,689</u>
Subject to NFP endowment spending policy and appropriation		
Scholarships	1,783,823	1,316,852
General operations	435,400	-
Other	<u>10,000</u>	<u>10,000</u>
	<u>2,229,223</u>	<u>1,326,852</u>
Total endowments	<u>7,338,912</u>	<u>6,436,541</u>
Not subject to spending policy or appropriation		
Beneficial interest in perpetual trust	<u>7,353,088</u>	<u>5,781,027</u>
	<u>\$ 14,707,000</u>	<u>\$ 12,232,568</u>

#### *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, 2021 were \$226,020 for general operations and \$80,000 for education and career readiness programs.

# New York City Mission Society

## Notes to Financial Statements

June 30, 2021

(With Summarized Financial Information as of and for the Year Ended June 30, 2020)

### 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 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, 2021 and 2020 were:

	<u>2021</u>	<u>2020</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>2,229,223</u>	<u>1,326,852</u>
Total endowment funds	<u>\$ 7,338,912</u>	<u>\$ 6,436,541</u>

# New York City Mission Society

## Notes to Financial Statements

June 30, 2021

(With Summarized Financial Information as of and for the Year Ended June 30, 2020)

Changes in donor-restricted endowment net assets for the years ended June 30, 2021 and 2020, were:

	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ 6,436,541	\$ 6,476,125
Interest and dividend income	38,393	35,034
Net realized and unrealized gains (losses)	1,167,457	(55,607)
Investment fees	(77,459)	(19,011)
Appropriation of endowment assets for expenditures	<u>(226,020)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 7,338,912</u>	<u>\$ 6,436,541</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, 2021 and 2020.

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. Generally, the Board will approve a spending policy limiting annual expenditures for grants and operating expenses to 5-7 percent of the value of fund assets based on a twenty (20) 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, 2021

(With Summarized Financial Information as of and for the Year Ended June 30, 2020)

### 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, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash	\$ 3,684,470	\$ 2,889,287
Grants receivable	1,123,965	1,566,569
Contribution receivable	73,160	72,910
Investments	<u>42,646,740</u>	<u>35,078,702</u>
	47,528,335	39,607,468
Donor-imposed restrictions		
Purpose restricted and endowment funds	<u>(7,353,912)</u>	<u>(6,451,541)</u>
	40,174,423	33,155,927
Net financial assets available to meet cash needs for general expenditures within one year	<u>\$ 40,174,423</u>	<u>\$ 33,155,927</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 October 13, 2021, which is the date the financial statements were available to be issued.

During August 2021, the Society entered into a lease agreement for the Minisink building. The lease commences on October 1, 2021 and expires September 30, 2024, with an option to renew for two additional one year periods. The rent will start at \$81,099 per month and increase to \$84,368. As a part of the lease agreement, the Society also entered into a service maintenance agreement for the building.

# **New York City Mission Society**

## **Notes to Financial Statements**

**June 30, 2021**

**(With Summarized Financial Information as of and for the Year Ended June 30, 2020)**

### **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 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 years ended June 30, 2021 and 2020, the Board approved a .53 percent match. The expense related to this plan for the years ended June 30, 2021 and 2020 was \$82,488 and \$83,113, respectively.

### **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 95 and 81 percent of all grants receivable were due from two governmental agencies at June 30, 2021 and 2020, respectively, and approximately all grant revenues were from two governmental agencies for the years ended June 30, 2021 and 2020.

#### ***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.