

NEW YORK CITY MISSION SOCIETY

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

JUNE 30, 2015

NEW YORK CITY MISSION SOCIETY

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of New York City Mission Society, which comprise the balance sheet as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New York City Mission Society as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited New York City Mission Society's June 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 1, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Loeb & Troper LLP

January 20, 2016

NEW YORK CITY MISSION SOCIETY

EXHIBIT A

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

(With Summarized Financial Information
for the Year Ended June 30, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2015</u>	<u>2014</u>
Operating revenues, gains and other support					
Contributions (including in-kind contributions of \$323,900)	\$ 749,131			\$ 749,131	\$ 611,978
Grants from government agencies	8,318,427			8,318,427	6,838,630
Special events	676,369			676,369	492,825
Investment proceeds designated for current operations	1,249,636			1,249,636	997,840
Investment income from beneficial interest in perpetual trust (Note 7)	213,886			213,886	213,886
Camp and program fees	20,850			20,850	17,502
Occupancy income	19,857			19,857	340,725
Other income	12,253			12,253	19,962
	<u>11,260,409</u>			<u>11,260,409</u>	<u>9,533,348</u>
Total operating revenues, gains and other support					
Expenses (Exhibit C)					
Program services					
Minisink townhouse	3,220,492			3,220,492	2,873,455
School-based programs	4,552,595			4,552,595	3,824,481
Beacon programs	992,606			992,606	736,304
Program operations	251,859			251,859	297,511
	<u>9,017,552</u>			<u>9,017,552</u>	<u>7,731,751</u>
Total program services					
Management and general	1,168,042			1,168,042	1,560,718
Fund raising and public relations	582,172			582,172	501,747
Direct costs of special events	149,490			149,490	123,057
	<u>10,917,256</u>			<u>10,917,256</u>	<u>9,917,273</u>
Total expenses					

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NEW YORK CITY MISSION SOCIETY

EXHIBIT A

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STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

**(With Summarized Financial Information
for the Year Ended June 30, 2014)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2015</u>	<u>2014</u>
Change in net assets from operations	\$ <u>343,153</u>			\$ <u>343,153</u>	\$ <u>(383,925)</u>
Nonoperating revenues and gains					
Investment proceeds transferred to operations	(1,249,636)			(1,249,636)	(997,840)
Investment income (Note 5)	(673,100)	\$ (70,822)		(743,922)	864,790
Gain on investment in The United Charities (Note 3)					16,044
Gain on sale of The United Charities (Note 3)	30,780,428			30,780,428	
Gain on beneficial interest in perpetual trust (Note 7)			\$ 56,063	56,063	682,166
Pension adjustment	<u>(731,989)</u>			<u>(731,989)</u>	<u>324,203</u>
Total nonoperating revenues and gains	<u>28,125,703</u>	<u>(70,822)</u>	<u>56,063</u>	<u>28,110,944</u>	<u>889,363</u>
Change in net assets (Exhibit D)	28,468,856	(70,822)	56,063	28,454,097	505,438
Net assets - beginning of year	<u>5,192,001</u>	<u>1,150,432</u>	<u>10,084,360</u>	<u>16,426,793</u>	<u>15,921,355</u>
Net assets - end of year (Exhibit B)	\$ <u><u>33,660,857</u></u>	\$ <u><u>1,079,610</u></u>	\$ <u><u>10,140,423</u></u>	\$ <u><u>44,880,890</u></u>	\$ <u><u>16,426,793</u></u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

NEW YORK CITY MISSION SOCIETY

BALANCE SHEET

JUNE 30, 2015

(With Summarized Financial Information
for June 30, 2014)

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 177,475	\$ 168,033
Fees and other receivables	1,864,604	967,440
Receivable from The United Charities (Note 3)	500,000	
Prepaid expenses	113,774	42,183
Investments in securities (Note 2)	38,510,034	9,251,399
Investments in The United Charities (Note 3)		1,061,072
Fixed assets - net (Note 6)	1,284,426	1,169,709
Beneficial interest in perpetual trust (Notes 2 and 7)	<u>5,030,734</u>	<u>4,974,671</u>
Total assets	<u>\$ 47,481,047</u>	<u>\$ 17,634,507</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 937,051	\$ 602,324
Accrued pension costs (Note 4)	1,087,967	326,402
Line of credit (Note 9)	200,000	
Other liabilities	<u>375,139</u>	<u>278,988</u>
Total liabilities	<u>2,600,157</u>	<u>1,207,714</u>
Net assets (Exhibit A)		
Unrestricted	33,660,857	5,192,001
Temporarily restricted (Note 10)	1,079,610	1,150,432
Permanently restricted (Note 11)	<u>10,140,423</u>	<u>10,084,360</u>
Total net assets	<u>44,880,890</u>	<u>16,426,793</u>
Total liabilities and net assets	<u>\$ 47,481,047</u>	<u>\$ 17,634,507</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

(With Summarized Financial Information
for the Year Ended June 30, 2014)

	Program Services					Supporting Services			Direct Cost of Special Events	Total	
	Minisink Townhouse	School-Based Programs	Beacon Programs	Program Operations	Total	Management and General	Fund Raising and Public Relations	Total		2015	2014
Salaries	\$ 1,640,768	\$ 3,363,557	\$ 684,192	\$ 164,828	\$ 5,853,345	\$ 623,138	\$ 347,888	\$ 971,026		\$ 6,824,371	\$ 5,670,733
Payroll taxes	182,768	392,776	93,425	1,613	670,582	26,740	22,685	49,425		720,007	675,087
Fringe benefits	138,636	189,937	49,190	46,249	424,012	91,958	38,278	130,236		554,248	801,395
Total personal services	1,962,172	3,946,270	826,807	212,690	6,947,939	741,836	408,851	1,150,687		8,098,626	7,147,215
Professional fees and contracted services	346,685	56,712	4,346		407,743	226,040	73,204	299,244		706,987	543,769
Participant stipend	18,580				18,580					18,580	33,617
Client needs/incentives	76,760	138,018	51,388		266,166	130	5,085	5,215		271,381	278,404
Rental, catering, printing and invitations									\$ 149,490	149,490	123,057
Supplies	86,423	155,924	45,216	1,658	289,221	42,745	11,413	54,158		343,379	331,884
Postage	1,225	582	147	69	2,023	913	2,196	3,109		5,132	11,774
Printing and training materials	2,192	480	245		2,917	196	12,641	12,837		15,754	20,639
Marketing/public relations						1,306	2,169	3,475		3,475	3,955
Occupancy (rent and utilities)	125,653	16,166		21,874	163,693	58,418	21,908	80,326		244,019	578,572
Maintenance and repairs	148,612	26,842	7,809	6,480	189,743	17,727	9,013	26,740		216,483	144,112
Equipment lease and rental	21,775	22,891	3,931	4,487	53,084	10,514	4,801	15,315		68,399	52,895
Telephone	52,323	15,533	3,392	1,376	72,624	9,676	1,362	11,038		83,662	83,325
Commercial insurance	137,617	67,129	15,895	2,691	223,332	6,222	3,691	9,913		233,245	137,937
Staff travel and messenger	9,786	4,070	5,808	132	19,796	5,890	1,572	7,462		27,258	29,424
Transportation	38,898	50,840	22,017		111,755		311	311		112,066	106,937
Investment management fees						60,792		60,792		60,792	36,400
Staff training and development	817	3,459	525		4,801	1,457	849	2,306		7,107	11,904
Meetings/ads/dues/subscriptions	11,105	10,618	1,505	10	23,238	13,304	19,229	32,533		55,771	33,163
Interest						285		285		285	
Bank fees and payroll charges	8,116	35,787	3,550	392	47,845	11,155	3,035	14,190		62,035	53,404
Miscellaneous	2,016	1,274	25		3,315	1,983	9	1,992		5,307	3,556
Total expenses before depreciation	3,050,755	4,552,595	992,606	251,859	8,847,815	1,210,589	581,339	1,791,928	149,490	10,789,233	9,765,943
Depreciation	169,737				169,737	18,245	833	19,078		188,815	187,730
Total functional expenses	3,220,492	4,552,595	992,606	251,859	9,017,552	1,228,834	582,172	1,811,006	149,490	10,978,048	9,953,673
Less:											
Investment management fees						(60,792)		(60,792)		(60,792)	(36,400)
Total expenses as reported by function in the statement of activities (Exhibit A)	\$ 3,220,492	\$ 4,552,595	\$ 992,606	\$ 251,859	\$ 9,017,552	\$ 1,168,042	\$ 582,172	\$ 1,750,214	\$ 149,490	\$ 10,917,256	\$ 9,917,273

See independent auditor's report.

The accompanying notes are an integral part of these statements.

NEW YORK CITY MISSION SOCIETY

STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets (Exhibit A)	\$ 28,454,097	\$ 505,438
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	188,815	187,730
Loss (gain) on investments	991,471	(725,769)
Gain on beneficial interest in perpetual trust	(56,063)	(682,166)
Principal distribution from perpetual trust		383,856
Gain on investment in The United Charities	(30,780,428)	(16,044)
Increase in assets		
Fees and other receivables	(897,164)	(234,257)
Prepaid expenses	(71,591)	(14,184)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	334,727	(88,469)
Accrued pension costs	761,565	(82,181)
Other liabilities	96,151	57,253
Net cash used by operating activities	<u>(978,420)</u>	<u>(708,793)</u>
Cash flows from investing activities		
Purchase of investments	(62,540,047)	(2,256,466)
Proceeds from sales of investments	32,289,941	3,017,834
Proceeds from sale of The United Charities	31,387,766	
Purchase of fixed assets	(349,798)	(31,084)
Net cash provided by investing activities	<u>787,862</u>	<u>730,284</u>
Cash flows from financing activities		
Proceeds from line of credit	375,000	
Repayments from line of credit	(175,000)	
Net cash provided by financing activities	<u>200,000</u>	
Net change in cash and cash equivalents	9,442	21,491
Cash and cash equivalents - beginning of year	168,033	146,542
Cash and cash equivalents - end of year	<u>\$ 177,475</u>	<u>\$ 168,033</u>
Supplemental disclosure of cash flow information		
Interest expense paid during the year	<u>\$ 285</u>	

See independent auditor's report.

The accompanying notes are an integral part of these statements.

NEW YORK CITY MISSION SOCIETY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - NATURE OF ENTITY

New York City Mission Society (the "Society") operates as a not-for-profit voluntary health and welfare organization. Since 1812, New York City Mission Society has changed the lives of New Yorkers in need. The organization serves over 10,000 people annually. A leader in the human services field, the Society assists children and families in acquiring the knowledge, skills and access to resources that enhance the quality of their lives. The Society does this in the context of love and kindness while providing programs through the following service strategies: education, prevention, personal growth and development, and arts and recreation. The Society is supported primarily by grants from government agencies, investment income, and contributions.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation - The financial statements of the Society have been prepared on the accrual basis of accounting.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash equivalents - Cash and cash equivalents include highly liquid instruments with maturities, when acquired, of three months or less.

Fees and other receivables - Fees and other receivables from government agencies, camp and program fees, occupancy and other sources of income are recorded when services are rendered or qualifying expenses are incurred.

Allowance for doubtful accounts - The Society has determined that no allowance for uncollectible accounts for fees and other receivables is necessary as of June 30, 2015. Such an estimate is based on management's assessments of the aged basis of its receivables, as well as current economic conditions, historical information, and subsequent cash receipts.

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NEW YORK CITY MISSION SOCIETY**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2015****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

The Society invests in various types of investment securities. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in the Society's financial statements.

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

Fair Value Measurements

Fair Value Measurements establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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NEW YORK CITY MISSION SOCIETY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015 as compared to those used at June 30, 2014.

Money market funds and mutual funds - Valued at the net asset value (NAV) of the shares held by the Society.

Alternative investments - limited liability partnerships - There are no observable inputs and certain of the underlying investments are not publicly traded and there is no secondary market for such funds. The investments are valued by the managers of the underlying funds using the NAV of the underlying investments.

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

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2015:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Investments			
Mutual funds - equities	\$ 24,962,747	\$ -	\$ 24,962,747
Money market funds	6,952,321	-	6,952,321
Alternative investments - limited liability partnerships	<u>-</u>	<u>6,594,966</u>	<u>6,594,966</u>
Subtotal	31,915,068	6,594,966	38,510,034
Beneficial interest in perpetual trust	<u>-</u>	<u>5,030,734</u>	<u>5,030,734</u>
Total investments	<u>\$ 31,915,068</u>	<u>\$ 11,625,700</u>	<u>\$ 43,540,768</u>

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NEW YORK CITY MISSION SOCIETY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

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

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Level 3 assets for the year ended June 30, 2015:

	Alternative Investments - Limited Liability Partnerships	Beneficial Interest in Perpetual Trust	Total
Balance, beginning of year	\$ 2,151,468	\$ 4,974,671	\$ 7,126,139
Purchases	4,350,000		4,350,000
Unrealized gain on assets held at year end*	<u>93,498</u>	<u>56,063</u>	<u>149,561</u>
Balance, end of year	<u>\$ 6,594,966</u>	<u>\$ 5,030,734</u>	<u>\$ 11,625,700</u>

* The amount of total gains (losses) for the period included in changes in net assets attributable to the change in unrealized gains (losses) relating to assets still held at the reporting date

\$ <u>93,498</u>	\$ <u>56,063</u>	\$ <u>149,561</u>
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	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative investments - limited liability partnership	\$ 2,917,154	-	Annually	95 days
Alternative investments - limited liability partnership	3,677,812	-	Semiannually	90 days
Beneficial interest in perpetual trust	<u>5,030,734</u>	N/A	N/A	N/A
	<u>\$ 11,625,700</u>			

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NEW YORK CITY MISSION SOCIETY**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2015****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*****Fair Value Measurements (continued)***

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

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

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

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

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

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

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NEW YORK CITY MISSION SOCIETY**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2015****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measure of operations - The Society excludes investment income in excess of the amount designated for operations per the spending policy adopted by the Society, gain on investment in The United Charities, gain on sale of The United Charities, gain on beneficial interest in perpetual trust and pension adjustment.

Rent expense - The Society recognizes rent expense on the straight-line basis. Deferred rent is reported when material.

Donated services (in-kind contributions) - The value of donated services is estimated based upon the average value of services performed. Revenues and expenses are reflected in these financial statements, since the services provided meet the criteria for recognition under generally accepted accounting principles. Donated services consist of legal services.

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

Summarized prior-year information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Professional fees and contracted services as which were reported separately on the statement of functional expenses in 2014 have been combined to conform with the 2015 presentation.

Uncertainty in income taxes - The Society has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending June 30, 2012 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through January 20, 2016, which is the date the financial statements were available to be issued.

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NEW YORK CITY MISSION SOCIETY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 3 - INVESTMENT IN THE UNITED CHARITIES

The Society had a 25% undivided interest in The United Charities, a not-for-profit corporation organized to provide a center in which benevolent institutions can have their headquarters. By resolution at its June 4, 2014 meeting, the Board of Directors of the Society authorized the representatives of the Board of The United Charities to vote in favor of the sale of the United Charities Building. The sale was consummated on August 26, 2014. In connection with the sale, the Society received distributions of \$31,387,766. At June 30, 2015, \$500,000 was being held in escrow pending final distribution.

NOTE 4 - PENSION PLAN

The Society maintains a noncontributory defined benefit pension plan for substantially all of its employees. Plan benefits are based on a percentage of the highest three-year average compensation for each year of service. The Society's funding policy is to annually contribute amounts recommended by its consulting actuaries. No contributions were required for the year ended June 30, 2015.

The following table sets forth the plan's funded status and amounts recognized in the balance sheet at June 30, 2015:

Benefit obligation at June 30, 2015	\$ 7,903,743
Fair value of plan assets at June 30, 2015	<u>6,815,776</u>
Funded status	\$ <u>(1,087,967)</u>
Accrued pension cost recognized in the balance sheet	\$ <u>(1,087,967)</u>

Actuarial assumptions as of June 30, 2015:

Discount rate	4.59%
Expected return on plan assets	6.00%
Rate of compensation increase	0.00%
Net periodic pension cost	\$ 29,576
Employer contribution	-
Benefits paid	175,734

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NEW YORK CITY MISSION SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 - PENSION PLAN (continued)

Plan Assets

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

	<u>Level 1</u>
Investments at fair value	
Money market funds	\$ <u>1,579,859</u>
Mutual funds	
Global equity	1,225,664
Fixed income	<u>3,927,699</u>
Total mutual funds	<u>5,153,363</u>
Total investments at fair value	6,733,222
Receivables	<u>82,554</u>
Total plan assets	\$ <u>6,815,776</u>
	<u>Limited Partnership</u>
Balance, beginning of year	\$ 1,589,374
Sales	(1,544,000)
Realized losses	<u>(45,374)</u>
Total	\$ <u> -</u>

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

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NEW YORK CITY MISSION SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 - PENSION PLAN (continued)

Cash Flows

Contribution

The Society does not expect to contribute to its pension plan for fiscal year 2016.

Estimated future benefit payments

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

Year Ending June 30	
2016	\$ 282,598
2017	360,285
2018	362,020
2019	365,406
2020	372,301
2021-2025	2,127,427

The Society is holding \$82,554 that was received as the final distribution from the sales of the limited partnership investment of the Plan. This is included in other liabilities in the balance sheet.

NOTE 5 - INVESTMENT INCOME

Investment income for fiscal 2015 was as follows:

Dividends and interest	\$ 308,341
Net realized and unrealized loss on securities	<u>(991,471)</u>
	(683,130)
Less investment management fees	<u>(60,792)</u>
Total investment income	<u>\$ (743,922)</u>

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NEW YORK CITY MISSION SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 - FIXED ASSETS

At June 30, 2015, fixed assets consist of the following:

		<u>Estimated Useful Lives</u>
Land	\$ 210,000	
Buildings and building improvements	2,709,321	5 - 50 years
Equipment	<u>723,582</u>	3 - 5 years
	3,642,903	
Accumulated depreciation	<u>(2,358,477)</u>	
	<u>\$ 1,284,426</u>	

NOTE 7 - BENEFICIAL INTEREST IN PERPETUAL TRUST

The Society has a beneficial interest in a perpetual trust which is valued at \$5,030,734 at June 30, 2015. Included in unrestricted investment return are distributions to the Society totaling \$213,886. The Society will receive investment income in perpetuity from this trust so long as the trust has assets.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

A portion of the office facilities which were leased from The United Charities was subleased to other organizations during the fiscal year. The subrental income is included in occupancy income in the statement of activities. Such income aggregated \$19,857 for the year ended June 30, 2015. The rental and subrental ceased upon the sale of The United Charities.

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

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NEW YORK CITY MISSION SOCIETY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 8 - COMMITMENTS AND CONTINGENCIES (continued)

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

Given the uncertainty inherent in such lawsuits, investigations and disputes, the Society does not believe it is possible to develop estimates of reasonably possible loss for these matters and, accordingly, no provision for any claims or assessments are included within these financial statements. Considering the Society's past experience, the Society does not expect the outcome of these matters, either individually or in the aggregate, to have a material adverse effect on its financial position, results of operations or cash flows. Potential liabilities are subject to change due to new developments, changes in settlement strategy or the impact of evidentiary requirements, which could cause us to pay damage awards or settlements (or become subject to equitable remedies) that could have a material adverse effect on the Society's results of operations or operating cash flows in the periods recognized or paid.

NOTE 9 - LINE OF CREDIT

The Society obtained a \$500,000 line of credit with JP Morgan Chase collateralized by the organization's assets. The interest rate charged on amounts drawn on the line of credit is at LIBOR plus 3.956%. The credit line expired during the year and was subsequently renewed and now expires June 15, 2016. As of June 30, 2015, the outstanding balance was \$200,000, which was repaid in July 2015.

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2015 are available for the following purposes:

Scholarships	\$ 1,066,943
Unappropriated endowment earnings	3,667
Other	<u>9,000</u>
Total temporarily restricted net assets	\$ <u>1,079,610</u>

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NEW YORK CITY MISSION SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2015 are restricted to:

Endowments, which consists of 2 funds:	
Scholarships	\$ 1,342,689
General operations	<u>3,767,000</u>
Subtotal	5,109,689
Beneficial interest in perpetual trust	<u>5,030,734</u>
Total permanently restricted net assets	\$ <u>10,140,423</u>

Interpretation of Relevant Law

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

Return Objectives, Strategies Employed and Spending Policy

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

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

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NEW YORK CITY MISSION SOCIETY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 11 - PERMANENTLY RESTRICTED NET ASSETS (continued)

Funds with Deficiencies

The Society does not have any funds with deficiencies.

Changes in Endowment Net Assets for the Year Ended June 30, 2015

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,141,432	\$ 5,109,689	\$ 6,251,121
Dividends and interest	68,231		68,231
Net realized and unrealized loss	<u>(139,053)</u>	<u> </u>	<u>(139,053)</u>
Endowment net assets, end of year	<u>\$ 1,070,610</u>	<u>\$ 5,109,689</u>	<u>\$ 6,180,299</u>

NOTE 12 - CONCENTRATIONS

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