

NEW YORK CITY MISSION SOCIETY

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

JUNE 30, 2016

NEW YORK CITY MISSION SOCIETY

TABLE OF CONTENTS

Independent Auditor's Report

Exhibit

A - Statement of Activities

B - Balance Sheet

C - Statement of Functional Expenses

D - Statement of Cash Flows

Notes to Financial Statements

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, 2016, 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, 2016, 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, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 20, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Loeb & Troper LLP

March 3, 2017

NEW YORK CITY MISSION SOCIETY

EXHIBIT A

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

(With Summarized Financial Information
for the Year Ended June 30, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2016</u>	<u>2015</u>
					(Reclassified - Note 2)
Operating revenues, gains and other support					
Contributions (including in-kind contributions of \$22,767 in 2016 and \$323,900 in 2015)	\$ 407,536			\$ 407,536	\$ 749,131
Grants from government agencies	7,170,957			7,170,957	8,318,427
Special events	526,422			526,422	676,369
Investment proceeds designated for current operations (Note 2)	1,250,000			1,250,000	1,249,636
Investment income from beneficial interest in perpetual trust (Note 7)	213,886			213,886	213,886
Camp and program fees					20,850
Occupancy income	43,334			43,334	19,857
Other income	11,058			11,058	12,253
	<u>9,623,193</u>			<u>9,623,193</u>	<u>11,260,409</u>
Total operating revenues, gains and other support					
Expenses (Exhibit C)					
Program services					
Youth and family programs	3,747,577			3,747,577	2,926,493
Young adult programs	3,677,538			3,677,538	4,009,398
Preventive services programs	913,630			913,630	2,081,661
	<u>8,338,745</u>			<u>8,338,745</u>	<u>9,017,552</u>
Total program services					
Management and general	1,036,505			1,036,505	1,168,042
Fund raising and public relations	583,366			583,366	582,172
Direct costs of special events	171,921			171,921	149,490
	<u>10,130,537</u>			<u>10,130,537</u>	<u>10,917,256</u>
Total expenses					

-continued-

NEW YORK CITY MISSION SOCIETY

EXHIBIT A

-2-

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

**(With Summarized Financial Information
for the Year Ended June 30, 2015)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2016</u>	<u>2015</u>
Change in net assets from operations	\$ (507,344)			\$ (507,344)	\$ 343,153
Nonoperating revenues and gains (losses)					
Investment proceeds transferred to operations (Note 2)	(1,250,000)			(1,250,000)	(1,249,636)
Investment loss - net of investment fees (Note 5)	(1,268,325)	\$ (94,343)		(1,362,668)	(743,922)
Gain on sale of The United Charities (Note 3)					30,780,428
Gain (loss) on beneficial interest in perpetual trust (Note 7)			\$ (376,350)	(376,350)	56,063
Pension funded status liability adjustment (Note 4)	(758,977)			(758,977)	(731,989)
Total nonoperating revenues and gains (losses)	(3,277,302)	(94,343)	(376,350)	(3,747,995)	28,110,944
Change in net assets (Exhibit D)	(3,784,646)	(94,343)	(376,350)	(4,255,339)	28,454,097
Net assets - beginning of year	33,660,857	1,079,610	10,140,423	44,880,890	16,426,793
Net assets - end of year (Exhibit B)	\$ <u>29,876,211</u>	\$ <u>985,267</u>	\$ <u>9,764,073</u>	\$ <u>40,625,551</u>	\$ <u>44,880,890</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, 2016

(With Summarized Financial Information
for June 30, 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 712,331	\$ 177,475
Fees and other receivables	981,885	1,864,604
Receivable from The United Charities (Note 3)		500,000
Prepaid expenses	81,168	113,774
Investments in securities (Note 2)	36,131,451	38,510,034
Fixed assets - net (Note 6)	1,043,538	1,284,426
Beneficial interest in perpetual trust (Notes 2 and 7)	4,654,384	5,030,734
	<u>43,604,757</u>	<u>47,481,047</u>
Total assets	<u>\$ 43,604,757</u>	<u>\$ 47,481,047</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 699,232	\$ 937,051
Accrued pension costs (Note 4)	1,967,796	1,087,967
Line of credit (Note 9)		200,000
Other liabilities	312,178	375,139
	<u>2,979,206</u>	<u>2,600,157</u>
Total liabilities	<u>2,979,206</u>	<u>2,600,157</u>
Net assets (Exhibit A)		
Unrestricted	29,876,211	33,660,857
Temporarily restricted (Note 10)	985,267	1,079,610
Permanently restricted (Note 11)	9,764,073	10,140,423
	<u>40,625,551</u>	<u>44,880,890</u>
Total net assets	<u>40,625,551</u>	<u>44,880,890</u>
Total liabilities and net assets	<u>\$ 43,604,757</u>	<u>\$ 47,481,047</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

NEW YORK CITY MISSION SOCIETY

EXHIBIT C

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

(With Summarized Financial Information
for the Year Ended June 30, 2015)

	Program Services				Supporting Services			Direct Costs of Special Events	Total	
	Youth and Family Programs	Young Adult Programs	Preventive Services Programs	Total	Management and General	Fund Raising and Public Relations	Total		2016	2015
Salaries	\$ 2,482,412	\$ 2,611,085	\$ 618,850	\$ 5,712,347	\$ 457,768	\$ 360,200	\$ 817,968		\$ 6,530,315	\$ 6,824,371
Payroll taxes	276,265	299,025	63,585	638,875	34,538	30,533	65,071		703,946	720,007
Fringe benefits	267,934	167,531	73,882	509,347	70,616	64,890	135,506		644,853	554,248
Total personal services	3,026,611	3,077,641	756,317	6,860,569	562,922	455,623	1,018,545		7,879,114	8,098,626
Professional fees and contracted services (including in-kind of \$22,767 in 2016 and \$323,900 in 2015)	32,192	37,015	11,841	81,048	239,732	42,596	282,328		363,376	706,987
Participant stipend	2,935			2,935					2,935	18,580
Client needs/incentives	124,772	82,905	15,314	222,991		7,529	7,529		230,520	271,381
Rental, catering, printing and invitations								\$ 171,921	171,921	149,490
Supplies	62,905	138,931	30,727	232,563	41,753	8,860	50,613		283,176	343,379
Postage	1,085	1,257	548	2,890	1,780	365	2,145		5,035	5,132
Printing and training materials	1,172	2,387	3,705	7,264	698	14,627	15,325		22,589	15,754
Marketing/public relations		278		278	415		415		693	3,475
Occupancy (rent and utilities)	20,286	20,545	11,606	52,437	26,846	7,655	34,501		86,938	244,019
Maintenance and repairs	74,441	91,754	16,849	183,044	33,643	8,839	42,482		225,526	216,483
Equipment lease and rental	20,568	30,938	6,067	57,573	14,938	3,004	17,942		75,515	68,399
Telephone	19,873	28,075	14,546	62,494	22,313	3,891	26,204		88,698	83,662
Commercial insurance	57,036	69,266	17,761	144,063	18,111	3,125	21,236		165,299	233,245
Staff travel and messenger	1,460	3,771	11,580	16,811	6,874	1,186	8,060		24,871	27,258
Transportation	22,134	36,729	8,651	67,514	717	99	816		68,330	112,066
Investment management fees					138,939		138,939		138,939	60,792
Staff training and development	2,737	8,120	970	11,827		109	109		11,936	7,107
Meetings/ads/dues/subscriptions	5,750	7,450	1,493	14,693	16,454	22,257	38,711		53,404	55,771
Interest					192		192		192	285
Bank fees and payroll charges	42,206	39,748	4,851	86,805	8,527	2,328	10,855		97,660	62,035
Miscellaneous	1,263	728	804	2,795	11,151	201	11,352		14,147	5,307
Total expenses before depreciation	3,519,426	3,677,538	913,630	8,110,594	1,146,005	582,294	1,728,299	171,921	10,010,814	10,789,233
Depreciation	228,151			228,151	29,439	1,072	30,511		258,662	188,815
Total functional expenses	3,747,577	3,677,538	913,630	8,338,745	1,175,444	583,366	1,758,810	171,921	10,269,476	10,978,048
Less:										
Investment management fees (Note 5)					(138,939)		(138,939)		(138,939)	(60,792)
Total expenses as reported by function in the statement of activities (Exhibit A)	\$ 3,747,577	\$ 3,677,538	\$ 913,630	\$ 8,338,745	\$ 1,036,505	\$ 583,366	\$ 1,619,871	\$ 171,921	\$ 10,130,537	\$ 10,917,256

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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets (Exhibit A)	\$ (4,255,339)	\$ 28,454,097
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	258,662	188,815
Loss on investments	1,618,199	991,471
Loss (gain) on beneficial interest in perpetual trust	376,350	(56,063)
Gain on investment in The United Charities		(30,780,428)
Decrease (increase) in assets		
Fees and other receivables	882,719	(897,164)
Prepaid expenses	32,606	(71,591)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(237,819)	334,727
Accrued pension costs	879,829	761,565
Other liabilities	(62,961)	96,151
Net cash used by operating activities	<u>(507,754)</u>	<u>(978,420)</u>
Cash flows from investing activities		
Purchase of investments	(7,291,937)	(62,540,047)
Proceeds from sales of investments	8,052,321	32,289,941
Proceeds from sale of The United Charities	500,000	31,387,766
Purchase of fixed assets	(17,774)	(349,798)
Net cash provided by investing activities	<u>1,242,610</u>	<u>787,862</u>
Cash flows from financing activities		
Proceeds from line of credit	50,000	375,000
Repayments to line of credit	(250,000)	(175,000)
Net cash provided (used) by financing activities	<u>(200,000)</u>	<u>200,000</u>
Net change in cash	534,856	9,442
Cash - beginning of year	<u>177,475</u>	<u>168,033</u>
Cash - end of year	<u>\$ 712,331</u>	<u>\$ 177,475</u>
Supplemental disclosure of cash flow information		
Interest expense paid during the year	<u>\$ 192</u>	<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, 2016

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, the 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.

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, 2016. 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.

-continued-

NEW YORK CITY MISSION SOCIETY**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016****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 proceeds to operations. The proceeds that can be spent annually for operations are between 5% and 7%, as needed, of the average fair value of pooled investments as of March 31st of the preceding year, and are reported as operating revenues.

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

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

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.

-continued-

NEW YORK CITY MISSION SOCIETY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016 as compared to those used at June 30, 2015.

Mutual funds - Valued at the net asset value (NAV) of the shares held by the Society.

Alternative investments - limited liability partnerships, hedge fund and private comingled funds - Investments in the alternative investments companies are valued at the NAV of shares at year end as determined by asset managers.

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, 2016:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Investments			
Mutual funds - equities	\$ 12,918,931		\$ 12,918,931
Mutual funds - fixed income	8,178,892		8,178,892
Mutual funds - balanced	835,850		835,850
Limited liability partnerships		\$ 6,711,979	6,711,979
Hedge fund		3,925,307	3,925,307
Private comingled funds		<u>1,725,898</u>	<u>1,725,898</u>
Subtotal	21,933,673	12,363,184	34,296,857
Beneficial interest in perpetual trust		<u>4,654,384</u>	<u>4,654,384</u>
Total assets reported on the fair value hierarchy	<u>\$ 21,933,673</u>	<u>\$ 17,017,568</u>	38,951,241
Cash and cash equivalents			<u>1,834,594</u>
			<u>\$ 40,785,835</u>

-continued-

NEW YORK CITY MISSION SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016:

	Limited Liability Partnerships	Hedge Fund	Private Comingled Funds	Beneficial Interest in Perpetual Trust	Total
Balance, beginning of year - restated	\$ 6,594,966	\$ 3,823,001	\$ 2,402,385	\$ 5,030,734	\$ 17,851,086
Realized gains			10,318		10,318
Sales			(600,000)		(600,000)
Purchases	500,000	500,000			1,000,000
Unrealized loss on assets held at year-end	<u>(382,987)</u>	<u>(397,694)</u>	<u>(86,805)</u>	<u>(376,350)</u>	<u>(1,243,836)</u>
Balance, end of year	<u>\$ 6,711,979</u>	<u>\$ 3,925,307</u>	<u>\$ 1,725,898</u>	<u>\$ 4,654,384</u>	<u>\$ 17,017,568</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>\$ (382,987)</u>	<u>\$ (397,694)</u>	<u>\$ (90,685)</u>	<u>\$ (376,350)</u>	<u>\$ (1,247,716)</u>

-continued-

NEW YORK CITY MISSION SOCIETY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Limited liability partnership	\$ 3,173,794	-	Annually	95 days
Limited liability partnership	3,538,185	-	Semiannually	90 days
Hedge Fund	3,925,307	-	Annual	90 days
Comingled Private Fund (a)	1,042,099	-	Monthly	10 days
Comingled Private Fund (b)	683,799	-	Monthly	5 days
Beneficial interest in perpetual trust	<u>4,654,384</u>	N/A	N/A	N/A
	<u>\$ 17,017,568</u>			

Limited liability partnerships - The investment objective of the funds 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.

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

Comingled Private Fund - (a) The fund seeks to construct a portfolio that reflects the greatest relative investment potential for a given level of risk. (b) The fund seeks to preserve capital while producing attractive absolute returns.

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

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

-continued-

NEW YORK CITY MISSION SOCIETY**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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 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.

In-kind contributions - Represents the value of donated services 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.

-continued-

NEW YORK CITY MISSION SOCIETY**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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, 2015, from which the summarized information was derived.

Reclassification - Since program services were restructured in 2016, the 2015 amounts have been updated to conform to the 2016 presentation. Additionally, certain 2015 Level 1 investments were reclassified in 2016 as Level 3.

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, 2013 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through March 3, 2017, which is the date the financial statements were available to be issued. The Society amended its defined benefit pension plan in September 2016, see Note 4.

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 were being held in escrow pending final distribution. As of June 30, 2016, the final distribution of \$500,000 was received.

-continued-

NEW YORK CITY MISSION SOCIETY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016.

The following table sets forth the plan's funded status and amounts recognized in the balance sheet at June 30, 2016:

Benefit obligation at June 30, 2016	\$ (8,999,639)
Fair value of plan assets at June 30, 2016	<u>7,031,843</u>
Funded status	\$ <u>(1,967,796)</u>
Accrued pension cost recognized in the balance sheet	\$ <u>(1,967,796)</u>

Actuarial assumptions as of June 30, 2016:

Discount rate	3.93%
Expected return on plan assets	6.00%
Rate of compensation increase	0.00%
Net periodic pension cost	\$ 120,852
Employer contribution	-
Benefits paid	250,085
Funded status liability adjustment	(758,977)

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

-continued-

NEW YORK CITY MISSION SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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	
Mutual funds	
Fixed income	\$ 5,108,660
Global equity	<u>1,844,844</u>
Total mutual funds	<u>6,953,504</u>
Total investments reported on the fair value hierarchy	6,953,504
Money market account	<u>78,339</u>
Total plan assets	<u>\$ 7,031,843</u>

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

-continued-

NEW YORK CITY MISSION SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 - PENSION PLAN (continued)

Cash Flows

Contribution

The Society does not expect to contribute to its pension plan for fiscal year 2017.

Estimated future benefit payments

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

Year Ending June 30	
2017	\$ 353,937
2018	351,417
2019	350,839
2020	361,287
2021	381,144
2022-2026	2,158,236

Commencing September 2016, the Society amended the pension plan to offer a special lump sum benefit distribution to certain vested terminated participants, deferred alternated payees and deferred beneficiaries who were terminated prior to July 1, 2016. The lump sum distributions were paid out during December 2016 and were approximately \$1,800,000, which was included in the projected benefit obligation as of June 30, 2016.

The estimated future benefit payments as adjusted for participants who received a special lump sum benefit are expected to be paid as follows:

Year Ending June 30	
2017	\$ 333,907
2018	331,577
2019	326,882
2020	337,595
2021	339,490
2022-2026	1,769,135

-continued-

NEW YORK CITY MISSION SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - INVESTMENT INCOME (LOSS)

Investment income for fiscal 2016 was as follows:

Dividends and interest	\$ 394,470
Net realized and unrealized loss on investments	<u>(1,618,199)</u>
	(1,223,729)
Less investment management fees	<u>(138,939)</u>
Total investment loss	<u>\$ (1,362,668)</u>

NOTE 6 - FIXED ASSETS

At June 30, 2016, fixed assets consist of the following:

		<u>Estimated Useful Lives</u>
Land	\$ 210,000	
Buildings and building improvements	2,727,096	5 - 50 years
Equipment	<u>697,602</u>	3 - 5 years
	3,634,698	
Accumulated depreciation	<u>(2,591,160)</u>	
	<u>\$ 1,043,538</u>	

NOTE 7 - BENEFICIAL INTEREST IN PERPETUAL TRUST

The Society has a beneficial interest in a perpetual trust which is valued at \$4,654,384 at June 30, 2016. Included in unrestricted net assets are investment return 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. At June 30, 2016 the Society recognized a loss on beneficial interest in perpetual trust of \$376,350.

-continued-

NEW YORK CITY MISSION SOCIETY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 8 - COMMITMENTS AND CONTINGENCIES

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

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

NOTE 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 4.129%. The credit line expires on May 9, 2017. As of June 30, 2016, there was no outstanding balance. Interest expense was \$192 for the year ended June 30, 2016.

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016 are available for the following purposes:

Scholarships	\$ 976,267
Other	<u>9,000</u>
Total temporarily restricted net assets	<u>\$ 985,267</u>

-continued-

NEW YORK CITY MISSION SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2016 are restricted to:

Endowments, which consist of two funds:	
Scholarships	\$ 1,342,689
General operations	<u>3,767,000</u>
Total endowments	5,109,689
Beneficial interest in perpetual trust	<u>4,654,384</u>
Total permanently restricted net assets	\$ <u>9,764,073</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.

Funds with Deficiencies

The Society does not have any funds with deficiencies.

-continued-

NEW YORK CITY MISSION SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11 - PERMANENTLY RESTRICTED NET ASSETS (continued)

Changes in Endowment Net Assets for the Year Ended June 30, 2016

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,070,610	\$ 5,109,689	\$ 6,180,299
Dividends and interest	27,311		27,311
Net realized and unrealized loss	(112,035)		(112,035)
Investment fees	<u>(9,619)</u>	<u> </u>	<u>(9,619)</u>
Endowment net assets, end of year	<u>\$ 976,267</u>	<u>\$ 5,109,689</u>	<u>\$ 6,085,956</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.