

**NEW YORK CITY MISSION SOCIETY**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT**

**JUNE 30, 2011**

**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

We have audited the accompanying balance sheet of New York City Mission Society as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of New York City Mission Society's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from New York City Mission Society's June 30, 2010 financial statements and, in our report dated November 30, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of New York City Mission Society's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Loeb & Troper LLP*

November 29, 2011

NEW YORK CITY MISSION SOCIETY

EXHIBIT A

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011  
(With Summarized Financial Information  
for the Year Ended June 30, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
		2011	2010	
Operating revenues, gains and other support				
Contributions	\$ 1,163,997	\$ 1,163,997	\$ 704,178	
Grants from government agencies	5,776,185	5,776,185	5,642,607	
Special events	143,562	143,562	176,420	
Investment proceeds designated for current operations	1,302,121	1,302,121	1,145,969	
Investment income from beneficial interests in perpetual trust (Note 7)	198,137	198,137	229,634	
Camp and program fees	17,006	17,006	25,230	
Occupancy income	273,177	273,177	193,423	
Other income	56,372	56,372	12,013	
Net assets released from restrictions (Note 9)	1,000	\$ (1,000)		
Total operating revenues, gains and other support	8,931,557	8,930,557	8,129,474	
Expenses (Exhibit C)				
Program services				
Minisink townhouse	2,668,116	2,668,116	2,615,736	
School-based programs	3,223,027	3,223,027	3,262,300	
Beacon programs	709,612	709,612	695,255	
Community Conversations in Education Program	7,115	7,115	141,775	
Program operations	308,558	308,558	302,525	
Total program services	6,916,428	6,916,428	7,017,591	
Management and general	1,356,344	1,356,344	1,342,181	
Fund raising and public relations	354,441	354,441	391,600	
Direct costs of special events	17,966	17,966	44,567	
Total expenses	8,645,179	8,645,179	8,795,939	

-continued-

NEW YORK CITY MISSION SOCIETY  
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011  
(With Summarized Financial Information  
for the Year Ended June 30, 2010)

EXHIBIT A  
-2-

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
				2011
				2010
Change in net assets from operations	\$ 286,378	\$ (1,000)	\$	\$ 285,378
Nonoperating revenues, gains and losses				
Investment proceeds transferred to operations	(1,302,121)			(1,302,121)
Investment income (Note 5)	881,900	110,460		992,360
Gain on beneficial interest in perpetual trust (Note 5)			635,359	635,359
Refund to New York City Mission Society Pension Plan (Note 12)	(137,020)			(137,020)
Pension adjustment	176,599			176,599
Capital campaign and design	(237,879)			(237,879)
Total nonoperating revenues, gains and losses	(618,521)	110,460	635,359	127,298
Change in net assets (Exhibit D)	(332,143)	109,460	635,359	412,676
Net assets - beginning of year (Note 9)	9,044,091	572,022	9,120,396	18,736,509
Net assets - end of year (Exhibit B)	\$ 8,711,948	\$ 681,482	\$ 9,755,755	\$ 19,149,185
				\$ 18,736,509

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## NEW YORK CITY MISSION SOCIETY

## BALANCE SHEET

JUNE 30, 2011

(With Summarized Financial Information for June 30, 2010)

	<u>2011</u>	<u>2010</u> (Restated Note 9)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 285,269	\$ 59,081
Fees and other receivables	1,161,520	1,138,146
Prepaid pension (Note 4)	74,791	279,877
Prepaid expenses	34,377	28,879
Investments in securities (Note 2)	11,982,086	12,220,405
Investments in The United Charities (Note 3)	661,749	581,674
Fixed assets - net (Note 6)	1,379,107	1,308,057
Beneficial interest in perpetual trust (Notes 2 and 7)	<u>4,646,066</u>	<u>4,010,707</u>
Total assets	<u>\$ 20,224,965</u>	<u>\$ 19,626,826</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 863,174	\$ 747,588
Due to New York City Mission Society Pension Plan	137,020	
Other liabilities	<u>75,586</u>	<u>142,729</u>
Total liabilities	<u>1,075,780</u>	<u>890,317</u>
Net assets (Exhibit A)		
Unrestricted	8,711,948	9,044,091
Temporarily restricted (Note 9)	681,482	572,022
Permanently restricted (Note 10)	<u>9,755,755</u>	<u>9,120,396</u>
Total net assets	<u>19,149,185</u>	<u>18,736,509</u>
Total liabilities and net assets	<u>\$ 20,224,965</u>	<u>\$ 19,626,826</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011  
(With Summarized Financial Information  
for the Year Ended June 30, 2010)

	Program Services					Supporting Services			Direct Cost of Special Events	Total	
	Minisink Townhouse	School-Based Programs	Beacon Programs	Community Conversations in Education Program	Program Operations	Total	Management and General	Fund Raising and Public Relations		Total	2011
Salaries	\$ 1,527,747	\$ 1,995,608	\$ 480,235		\$ 200,922	\$ 4,204,512	\$ 666,811	98,359	\$ 765,170	\$ 4,969,682	\$ 4,934,021
Payroll taxes	167,892	275,804	57,783		13,789	515,268	47,790	9,381	57,171	572,439	557,680
Fringe benefits	288,533	308,791	43,084		33,297	673,705	140,081	17,635	157,716	831,421	942,094
Total personal services	1,984,172	2,580,203	581,102		248,008	5,393,485	854,682	125,375	980,057	6,373,542	6,433,795
Professional fees	7,900					7,900	54,400		54,400	62,300	74,131
Contracted services	58,300	65,728	7,450	\$ 5,000		136,478	132,779	324,508	457,287	593,765	429,528
Participant stipend	6,565		2,000		15,125	23,690				23,690	34,543
Client needs/incentives	61,531	71,824	52,566	190		186,111				186,111	344,204
Rental, printing and invitations									\$ 17,966	17,966	44,567
Supplies	79,993	205,908	30,700	1,506	670	318,777	27,916	5,037	32,953	351,730	406,969
Postage	4,692	555	753		727	6,727	1,779	3,855	5,634	12,361	15,101
Printing and training materials	6,647	1,118	2,482		620	10,867	2,350	8,869	11,219	22,086	55,840
Marketing/public relations	1,817					1,817	7,899		7,899	9,716	18,143
Occupancy (rent and utilities)	130,841	45,406			30,056	206,303	252,236	22,542	274,778	481,081	452,515
Maintenance and repairs	101,768	66,149	2,225		1,500	171,642	22,597	1,355	23,952	195,594	68,551
Equipment lease and rental	21,246	5,096	858		2,675	29,875	5,655	4,179	9,834	39,709	43,552
Telephone	38,495	16,122	2,374		3,035	60,026	11,749	2,588	14,337	74,363	64,712
Commercial insurance	37,539	68,203	8,744		1,975	116,461	4,426	2,482	6,908	123,369	140,830
Staff travel and messenger	20,126	6,358	1,066	419	1,744	29,713	8,996	261	9,257	38,970	36,793
Transportation	11,401	58,276	9,075			78,752	683		683	79,435	101,204
Investment management fees							35,000		35,000	35,000	40,641
Staff training and development	12,921	7,420	5,960		1,540	27,841	4,480	362	4,842	32,683	18,162
Meetings/ads/dues/subscriptions	1,235	690	10		630	2,565	16,995	4,947	21,942	24,507	27,041
Bank fees and payroll charges	5,433	23,971	2,247		253	31,904	13,897	4,893	18,790	50,694	41,215
Total expenses before depreciation	2,592,622	3,223,027	709,612	7,115	308,558	6,840,934	1,458,519	511,253	1,969,772	8,828,672	8,892,037
Depreciation	75,494					75,494	12,825	1,067	13,892	89,386	77,146
Total functional expenses	2,668,116	3,223,027	709,612	7,115	308,558	6,916,428	1,471,344	512,320	1,983,664	8,918,058	8,969,183
Less:											
Capital campaign and design							(80,000)	(157,879)	(237,879)	(237,879)	(132,603)
Investment advisory fees							(35,000)		(35,000)	(35,000)	(40,641)
Total expenses as reported by function in the statement of activities (Exhibit A)	\$ 2,668,116	\$ 3,223,027	\$ 709,612	\$ 7,115	\$ 308,558	\$ 6,916,428	\$ 1,356,344	\$ 354,441	\$ 1,710,785	\$ 8,645,179	\$ 8,795,939

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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets (Exhibit A)	\$ 412,676	\$ (519,819)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	89,386	77,146
Gain on investments	(766,728)	(287,954)
Gain on beneficial interest in perpetual trust	(635,359)	(130,984)
Gain on investment in The United Charities	(80,075)	(62,725)
Decrease (increase) in assets		
Prepaid pension	205,086	(214,123)
Fees and other receivables	(23,374)	(26,125)
Prepaid expenses	(5,498)	15,116
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	115,586	234,998
Due to New York City Mission Society Pension Plan	137,020	
Other liabilities	(67,143)	31,485
Net cash used by operating activities	<u>(618,423)</u>	<u>(882,985)</u>
Cash flows from investing activities		
Purchase of investments	(1,172,103)	(1,102,294)
Proceeds from sales of investments	2,177,150	1,992,293
Purchase of fixed assets	<u>(160,436)</u>	<u>(83,660)</u>
Net cash provided by investing activities	<u>844,611</u>	<u>806,339</u>
Net change in cash and cash equivalents	226,188	(76,646)
Cash and cash equivalents - beginning of year	<u>59,081</u>	<u>135,727</u>
Cash and cash equivalents - end of year	<u>\$ 285,269</u>	<u>\$ 59,081</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, 2011

**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 6,000 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 investment income, private contributions, foundations and grants from government agencies.

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 and cash equivalents* - Except for cash and equivalents held by managers of the commingled investment portfolio (which are classified as investments), cash and cash equivalents include temporary investments purchased 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 income and other sources of income are recorded when services are rendered.

*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, 2011. 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, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Investments* - Investments are reported at fair value. The investment in The United Charities is carried at the Society's interest in the net assets of that not-for-profit organization as reflected in its preceding calendar year-end financial statements (see Note 3). The beneficial interest in a perpetual trust is carried at the fair value of the trust's assets as reported by the trustee (see Note 7) at the end of the current fiscal year. Unrealized gains or losses are determined by comparing cost to fair value at the beginning and end of the period. 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 market value of the pooled investment funds as of March 31st of the preceding year, and are reported as operating revenues. However, in the current year the authorized prior-year accumulated earnings are to be utilized in the current fiscal year to meet operational needs. The balance of the proceeds, including net investment income, is reported as nonoperating revenues. This guideline is derived from the overarching policy which seeks to ensure continued net inflation-adjusted increase in investment value over time.

The Society has engaged the services of an investment consultant who will, among other services, work with the Board to establish a more formal policy and approach to investment and investment income spending.

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.

-continued-

NEW YORK CITY MISSION SOCIETY  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Fair Value Measurements and Disclosures*

*Fair Value Measurements and Disclosures* (ASC Topic 820) 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.

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, 2011.

*Money market funds* - Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual funds and index funds* - Valued at the net assets value (NAV) of the shares held by the Society.

*Hedge funds* - The hedge funds are valued at the net asset value (NAV) of shares held as determined by the investment manager.

*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.

-continued-

## NEW YORK CITY MISSION SOCIETY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Fair Value Measurements and Disclosures (continued)*

*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, 2011:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Investments			
Mutual funds - equities	\$ 4,428,926	\$ -	\$ 4,428,926
Money market - equities	5,733,298	-	5,733,298
Alternative investments - limited liability partnerships	<u>-</u>	<u>1,819,862</u>	<u>1,819,862</u>
Subtotal	10,162,224	1,819,862	11,982,086
Beneficial interest in perpetual trust	<u>-</u>	<u>4,646,066</u>	<u>4,646,066</u>
Total investments	<u>\$ 10,162,224</u>	<u>\$ 6,465,928</u>	<u>\$ 16,628,152</u>

Those 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, 2011:

	<u>Alternative Investments - Limited Liability Partnerships</u>	<u>Beneficial Interest in Perpetual Trust</u>
Balance, beginning of year	\$ 1,659,164	\$ 4,010,707
Unrealized gain on assets held at year end	<u>160,698</u>	<u>635,359</u>
Balance, end of year	<u>\$ 1,819,862</u>	<u>\$ 4,646,066</u>

-continued-

## NEW YORK CITY MISSION SOCIETY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Fair Value Measurements and Disclosures (continued)*

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Alternative investments - limited liability partnerships	\$ 1,819,862	-	Quarterly/ Annually	65 days
Beneficial interest in perpetual trust	4,646,066	-	N/A	N/A

**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 more 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. The restrictions are satisfied either by the passage of time or by action of the Society. 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 (through time expiration or purpose restriction being accomplished), 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.

-continued-

## NEW YORK CITY MISSION SOCIETY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Grants from government agencies** - Revenues from government agencies are recognized when earned. Expense-based grants are recognized as allowable expenses are incurred. Performance-based grants are recognized as milestones are achieved.

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

**Revenues, expenses, gains and losses** - Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by restriction. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets, unless their use is restricted.

**Results of operations** - The Society excludes investment income in excess of the amount designated for operations per the spending policy adopted by the Society, the gain/loss on beneficial interest in perpetual trust, refund to New York City Mission Society Pension Plan, pension adjustment and capital campaign and design expenses.

**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.

**Lease accounting** - For material leases that contain predetermined fixed escalations of the minimum rent, the Society recognizes the related rent expense on the straight-line basis and includes the impact of escalating rents for periods in which it is reasonably assured of exercising lease options.

**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, 2010, from which the summarized information was derived.

**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, 2008 and subsequent remain subject to examination by applicable taxing authorities.

-continued-

## NEW YORK CITY MISSION SOCIETY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Subsequent events* - Subsequent events have been evaluated through November 29, 2011, which is the date the financial statements were available to be issued.

**NOTE 3 - INVESTMENT IN THE UNITED CHARITIES**

The Society has 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. At December 31, 2010, the net assets of The United Charities aggregated \$2,646,996. The Society's investment in The United Charities is carried at \$661,749 at June 30, 2011. The United Charities is obligated under various lease agreements to provide office facilities to the Society and other tenants (see Note 8).

**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. Because the plan is fully funded, no contributions were required in the year ended June 30, 2011.

The following table sets forth the plan's funded status and amounts recognized in the balance sheet at June 30, 2011:

Benefit obligation at June 30, 2011	\$ 5,888,784
Fair value of plan assets at June 30, 2011	<u>5,963,575</u>
Funded status	\$ <u>74,791</u>
Prepaid pension cost recognized in the balance sheet	\$ <u>74,791</u>

-continued-

## NEW YORK CITY MISSION SOCIETY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

## NOTE 4 - PENSION PLAN (continued)

Actuarial assumptions as of June 30, 2011:

Discount rate	5.41%
Expected return on plan assets	8.00%
Rate of compensation increase	3.00%
Net periodic pension cost	\$ 381,685
Employer contribution	-
Benefits paid	195,258

Plan Assets

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

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Hedge funds		\$ 1,649,934	\$ 1,649,934
Mutual funds			
Global equity	\$ 714,046		714,046
Fixed income	<u>2,965,489</u>		<u>2,965,489</u>
Total mutual funds	<u>3,679,535</u>		<u>3,679,535</u>
Index fund	<u>620,094</u>		<u>620,094</u>
	<u>\$ 4,299,629</u>	<u>\$ 1,649,934</u>	5,949,563
Cash			<u>14,012</u>
Total			<u>\$ 5,963,575</u>

	<u>Hedge Funds</u>
Balance, beginning of year	\$ 1,507,038
Unrealized gains relating to instruments still held at the reporting date	155,262
Fees	<u>(12,366)</u>
Total	<u>\$ 1,649,934</u>

-continued-

## NEW YORK CITY MISSION SOCIETY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

## NOTE 4 - PENSION PLAN (continued)

*Plan Assets (continued)*

Weighted average assumptions as of June 30, 2011:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private Advisors Hedged Equity Fund, Ltd.	\$ 725,860	N/A	Quarterly	65 days
Private Advisors Stable Value Fund, Ltd.	<u>924,074</u>	N/A	Annually	65 days
	<u>\$ 1,649,934</u>			

*Private Advisors Hedged Equity Fund, Ltd. and Private Advisors Stable Value Fund, Ltd.* - The investment objective of the funds is to seek long-term capital appreciation above historical equity returns over a full market cycle, with volatility that is lower than that of the equity market and returns that demonstrate a low correlation to both the equity and fixed-income market.

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.

The investment policies are as follows:

Cash/fixed income	40 - 60%
Alternative investments	20 - 40%
Equity securities	15 - 25%

-continued-

## NEW YORK CITY MISSION SOCIETY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

## NOTE 4 - PENSION PLAN (continued)

Cash Flows**Contribution**

The Society does not expect to contribute to its pension plan for fiscal year 2012.

**Estimated future benefit payments**

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

<b>Year Ending June 30</b>		
2012	\$	220,978
2013		241,353
2014		256,887
2015		281,036
2016		297,281
2017-2021		1,786,552

-continued-

## NEW YORK CITY MISSION SOCIETY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

## NOTE 5 - INVESTMENT INCOME

Investment income and its classification in the statement of activities for fiscal 2011 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest	\$ 159,264	\$ 21,293		\$ 180,557
Investment income from beneficial interest in perpetual trust	198,137			198,137
Realized and unrealized gain on securities	677,561	89,167		766,728
Gain on beneficial interest in perpetual trust			\$ 635,359	635,359
Gain on investment in The United Charities	<u>80,075</u>			<u>80,075</u>
	1,115,037	110,460	635,359	1,860,856
Less investment management fees	<u>(35,000)</u>			<u>(35,000)</u>
Total investment income	<u>\$ 1,080,037</u>	<u>\$ 110,460</u>	<u>\$ 635,359</u>	<u>\$ 1,825,856</u>

For the year ended June 30, 2011, realized losses on investments were \$123,995 and unrealized gains on investments (excluding loss on beneficial interest in perpetual funds) were \$890,723.

-continued-

## NEW YORK CITY MISSION SOCIETY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

**NOTE 6 - FIXED ASSETS**

At June 30, 2011, fixed assets consist of the following:

		<u>Estimated Useful Lives</u>
Land	\$ 252,296	
Buildings and building improvements	2,503,076	5 - 50 years
Equipment	<u>877,058</u>	3 - 5 years
	3,632,430	
Accumulated depreciation	<u>(2,253,323)</u>	
	<u>\$ 1,379,107</u>	

**NOTE 7 - BENEFICIAL INTEREST IN PERPETUAL TRUST**

The Society has a beneficial interest in a perpetual trust which is valued at \$4,646,066 at June 30, 2011. Included in unrestricted investment return is \$198,137 distributed from the trust. The Society will receive investment income in perpetuity from this trust.

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

- a. The Society is obligated under a lease with The United Charities for office facilities at its headquarters in New York City (see Note 3). The lease expires on December 31, 2011. The office lease contains an escalation clause which requires payments of additional rent to the extent of increases in related operating costs. The remaining minimum rental commitment at June 30 is \$158,052.

Rent expense for the above lease, including contingent rentals based on the landlord's costs, was \$304,834.

- b. A portion of the office facilities is subleased to other organizations on an annual basis. The subrental income is included in occupancy income in the statement of activities. Such income aggregated \$210,304 for the year ended June 30, 2011.
- c. The Society is responsible for reporting to various third parties. 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.

-continued-

## NEW YORK CITY MISSION SOCIETY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

**NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2011 are available for the following purposes:

Scholarships	\$ 671,482
Other	<u>10,000</u>
Total temporarily restricted net assets	<u>\$ 681,482</u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors:

Scholarships	\$ <u>1,000</u>
--------------	-----------------

Opening temporarily restricted net assets were restated by \$328,550 to correct for misclassified net assets.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Net assets - beginning of year - as originally reported	\$ 8,715,541	\$ 900,572
Restatement	<u>328,550</u>	<u>(328,550)</u>
Net assets - beginning of year - as restated	<u>\$ 9,044,091</u>	<u>\$ 572,022</u>

**NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets at June 30, 2011 are restricted to:

Endowment:	
Scholarships	\$ 1,342,689
General operations	<u>3,767,000</u>
Subtotal	5,109,689
Beneficial interest in perpetual trust	<u>4,646,066</u>
Total permanently restricted net assets	<u>\$ 9,755,755</u>

-continued-

## NEW YORK CITY MISSION SOCIETY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

**NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS (continued)****Interpretation of Relevant Law**

The Board of Directors of the Society has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as being the relevant sections of the New York State Not-for-Profit Corporations Law (N-PCL) requiring preservation of the fair value of a gift as of the gift date of donor-restricted endowment funds (historic dollar value), absent explicit donor stipulations to the contrary. As a result, and in accordance with the direction of the original donor gift instrument, the Society classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of any subsequent gifts to the permanent endowment, and 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. Any interest, dividends, rents, royalties or other revenue generated by donor-restricted endowment funds is used by the organization in a manner consistent with the standard of prudence required by law, absent explicit donor stipulations. As of September 17, 2010, New York State adopted New York Prudent Management of Institutional Funds Act (NYPMIFA), which has eliminated the requirement of maintaining new endowment funds at their historic dollar value. In addition, it has given the option to older endowment funds to opt "in" or "out" of the new provisions.

**Return Objectives, Strategies Employed and Spending Policy**

The overall financial objective of the endowment is to provide the operations of the Society with a relatively stable stream of spendable revenue that increases over time and matches the general rate of inflation, as measured by the Consumer Price Index.

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, 2011

## NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS (continued)

*Changes in Endowment Net Assets for the Year Ended June 30, 2011*

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 572,022	\$ 5,109,689	\$ 5,681,711
Investment income	110,460		110,460
Appropriation of endowment assets for expenditure	<u>(1,000)</u>	<u>                    </u>	<u>(1,000)</u>
Endowment net assets, end of year	<u>\$ 681,482</u>	<u>\$ 5,109,689</u>	<u>\$ 5,791,171</u>

## NOTE 11 - 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.

## NOTE 12 - RELATED-PARTY TRANSACTIONS

By a letter dated July 8, 2011, the United States Department of Labor informed the Society that \$137,020 of administrative fees charged by the Society to the New York City Mission Society Pension Plan for 2008 and 2007 should be returned to the plan.