

CITY MISSION OF SCHENECTADY

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

CITY MISSION OF SCHENECTADY

TABLE OF CONTENTS

SEPTEMBER 30, 2017

	<u>Page</u>
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7-14

CUSACK & COMPANY
Certified Public Accountants LLC
7 AIRPORT PARK BOULEVARD
LATHAM, NEW YORK 12110
(518) 786-3550
FAX (518) 786-1538
E-MAIL ADDRESS: CPAS@CUSACKCPAS.COM
WWW.CUSACKCPAS.COM

MEMBERS OF:
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF:
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
City Mission of Schenectady
Schenectady, New York

We have audited the accompanying financial statements of the City Mission of Schenectady (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, cash flows and functional expenses for the nine month period 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 audits 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 the City Mission of Schenectady as of September 30, 2017, and the changes in its net assets and its cash flows for the nine month period then ended, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
February 8, 2018

CITY MISSION OF SCHENECTADY

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2017

ASSETS

Current Assets	
Cash, Operating and Designated	\$ 1,074,252
Accounts and Legacies Receivable	268,333
Investments	761,109
Inventory	42,000
Prepaid Expenses	85,122
Total Current Assets	<u>2,230,816</u>
Property, Plant and Equipment, Net	<u>5,737,587</u>
Other Assets	
Restricted Cash	710,756
Restricted Investments	687,119
Security Deposits	2,150
Total Other Assets	<u>1,400,025</u>
Total Assets	<u>\$ 9,368,428</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Current Portion of Long-Term Debt	\$ 38,319
Accounts Payable	53,469
Accrued Payroll	119,206
Compensated Absences	144,726
Deferred Revenue	7,531
Total Current Liabilities	<u>363,251</u>
Long-Term Liabilities	
Long-Term Debt, Net of Current Portion	<u>148,258</u>
Total Liabilities	<u>511,509</u>
Net Assets	
Unrestricted:	
General Operating	5,643,519
Designated for Future Ministries	1,815,525
Total Unrestricted	<u>7,459,044</u>
Temporarily Restricted	835,113
Permanently Restricted	<u>562,762</u>
Total Net Assets	<u>8,856,919</u>
Total Liabilities and Net Assets	<u>\$ 9,368,428</u>

CITY MISSION OF SCHENECTADY
 STATEMENT OF ACTIVITIES
 FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2017

Changes in Unrestricted Net Assets	
Support, Revenue and Reclassifications	
Contributions	\$ 1,738,079
Special Events	203,106
Store Sales	281,929
Salvage Sales	122,219
Transitional Housing Fees	81,504
Bridges Training Fees	33,655
Program Service Contracts	521,596
In-Kind Donations	81,617
Investment Income	20,584
Realized Loss on Investments	(46)
Unrealized Gain on Investments	93,450
Loss on Disposal of Assets	(24,224)
Net Assets Released from Restrictions	<u>251,069</u>
Total Support, Revenue and Reclassifications	<u>3,404,538</u>
Expenses	
Program Services	
Community Outreach	213,702
Educational and Career	795,870
Food Services	415,022
Residential Services	1,030,500
Social Enterprise	498,214
Transitional Housing	78,564
Other Program	<u>248,279</u>
Total Program Services	3,280,151
General and Administrative Development	356,336
	<u>307,980</u>
Total Expenses	<u>3,944,467</u>
Decrease in Unrestricted Net Assets	<u>(539,929)</u>
Changes in Temporarily Restricted Net Assets	
Restricted Contributions	403,048
Net Assets Released from Restrictions	<u>(251,069)</u>
Increase in Temporarily Restricted Net Assets	<u>151,979</u>
Changes in Permanently Restricted Net Assets	
Restricted Contributions	<u>27,884</u>
Increase in Permanently Restricted Net Assets	<u>27,884</u>
Decrease in Total Net Assets	(360,066)
Net Assets, January 1, 2017	<u>9,216,985</u>
Net Assets, September 30, 2017	<u>\$ 8,856,919</u>

CITY MISSION OF SCHENECTADY
STATEMENT OF CASH FLOWS
 FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2017

Change in Total Net Assets	\$ (360,066)
Adjustments to Reconcile Change in Total Net	
Assets to Net Cash Flow Provided By (Used In) Operating Activities:	
Dividends and Interest Reinvested	(17,490)
Investment Donations	(10,819)
Realized Loss on Investments	46
Unrealized Gain on Investments	(93,450)
Loss on Disposal of Assets	24,224
Depreciation	227,254
Changes in Operating Assets and Liabilities	
(Increase) Decrease in:	
Accounts and Legacies Receivable	34,502
Inventory	(3,000)
Prepaid Expenses	(54,728)
Increase (Decrease) in:	
Accounts Payable	6,754
Accrued Payroll	68,753
Compensated Absences	(10,754)
Deferred Revenue	<u>7,531</u>
Net Cash Flow Used In Operating Activities	<u>(181,243)</u>
Cash Flow Provided By (Used In) Investing Activities	
Acquisition of Property, Plant and Equipment	(98,354)
Proceeds from Investment Sales and Maturities	155,699
Purchase of Investments	<u>(162,809)</u>
Net Cash Flow Used In Investing Activities	<u>(105,464)</u>
Cash Flow Used In Financing Activities	
Payments on Long-Term Debt	<u>(27,748)</u>
Decrease in Cash	(314,455)
Cash and Cash Restricted, Beginning of Year	<u>2,099,463</u>
Cash and Cash Restricted, End of Year	<u>\$ 1,785,008</u>
Supplemental Disclosure of Cash Flow Information:	
Interest Paid	<u>\$ 6,066</u>

CITY MISSION OF SCHENECTADY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2017

	<u>Community Outreach</u>	<u>Educational and Career</u>	<u>Food Services</u>	<u>Residential Services</u>	<u>Social Enterprise</u>	<u>Transitional Housing</u>	<u>Other Program Related</u>	<u>Total Program</u>	<u>General and Administrative</u>	<u>Development</u>	<u>Total All Services</u>
Salaries and Benefits	\$ 133,472	\$ 538,376	\$ 121,573	\$ 780,851	\$ 339,683	\$ -	\$ 219,804	\$ 2,133,759	\$ 278,180	\$ 78,756	\$ 2,490,695
Benevolence and Assistance	30,876	86,012	354	30,639	-	1,800	-	149,681	-	-	149,681
Services Purchased	2,462	51,820	1,112	14,377	9,433	-	3,453	82,657	27,901	25,085	135,643
Travel, Education, Fees and Dues	198	14,162	166	1,692	6,128	-	1,570	23,916	3,695	3,991	31,602
Program Supplies and Inventory	4,140	19,111	4,203	25,847	11,134	969	8,608	74,012	621	-	74,633
Services and Equipment	995	2,262	3,762	5,851	11,715	152	2,566	27,303	3,095	121,573	151,971
Food	19,486	366	209,337	5,392	-	-	131	234,712	-	-	234,712
Occupancy	13,819	29,661	35,517	62,385	17,183	37,668	1,891	198,124	7,683	5	205,812
Office	2,093	15,627	2,328	14,701	62,664	3,078	1,209	101,700	21,813	13,369	136,882
Vehicles	4,894	2,566	467	1,196	14,891	-	4,684	28,698	332	-	29,030
Special Events and Projects	-	-	-	-	-	-	-	-	-	62,151	62,151
Public Relations	140	87	-	-	99	-	174	500	-	2,003	2,503
Interest	-	6,066	-	-	-	-	-	6,066	-	-	6,066
Other	-	-	-	-	-	-	-	-	5,197	635	5,832
Depreciation	1,127	29,754	36,203	87,569	25,284	34,897	4,189	219,023	7,819	412	227,254
	<u>\$ 213,702</u>	<u>\$ 795,870</u>	<u>\$ 415,022</u>	<u>\$ 1,030,500</u>	<u>\$ 498,214</u>	<u>\$ 78,564</u>	<u>\$ 248,279</u>	<u>\$ 3,280,151</u>	<u>\$ 356,336</u>	<u>\$ 307,980</u>	<u>\$ 3,944,467</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The City Mission of Schenectady (the "Mission") was incorporated in 1906 as a non-profit organization under the Religious Corporation Law of the State of New York. The Mission was formed "to maintain and conduct such mission work and shall present and preach the Gospel of Jesus Christ to any who shall need it and especially to such as are not reached by the regular church organizations; provided always that this organization shall not take on a sectarian or denominational character."

Basis of Accounting and Reporting

The Mission adopted the accounting treatment prescribed by the *Financial Accounting Standards Board ASC, Accounting for Contributions Received and Contributions Made, and Financial Statements of Not-for-Profit Organizations*. In accordance with the ASC, contributions received are recorded as unrestricted support depending on the existence and/or nature of any donor restrictions.

Receivables

The Mission utilizes the allowance method to determine the allowance for doubtful accounts. Management determined no allowance was necessary based upon their review of the specific receivables and prior history at September 30, 2017.

Conditional and Unconditional Promises to Give

The Mission did not have any conditional or unconditional promises to give at September 30, 2017.

Inventory

Inventory reflected in the statement of financial position represents office and store supplies purchased by the Mission and is valued at the lower of cost or market. The Mission's supplies and inventory valuation also includes an estimate of value for the clothing, furniture and materials donated to the Mission for resale.

Property, Plant, Equipment and Depreciation

Property, plant and equipment are reflected at cost, with depreciation provided on a straight-line basis over estimated useful lives of three to forty years. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. The Mission's capitalization policy uses a threshold of \$1,000 for individual items or aggregate purchases considered to be capital assets exceeding \$2,500.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Full and part-time employees accrue vacation leave for use after completing six months of employment. Vacation time is earned and accrued each pay period. Accrued leave was \$144,726 at September 30, 2017.

Designated Net Assets

The Board has designated funds for future ministries and the balance was \$1,815,525 at September 30, 2017.

Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values and reported as an increase in net assets. The Mission reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is 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 in the same reporting period are reported as unrestricted support.

The Mission reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Mission reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Donated Services, Goods and Facilities

A number of volunteers have donated time to the Mission's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services did not meet the reporting requirement of the ASC. The Mission estimated that it received approximately 23,940 volunteer hours for the nine month period ended September 30, 2017.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs benefitted. Salaries are allocated based on estimates of total time spent, while other expenses are allocated based on estimates of the resources used, with percentages ranging from 5% to 100%.

Tax-Exempt Status

The Mission is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and has been designated a publicly supported organization which is not a private foundation under Section 509(a) of the Code. Accordingly, no provision for income taxes has been made in these financial statements.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

Fair Value Measurements

The ASC requires expanded disclosures about fair value measurements and establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that the Mission would receive upon selling an asset or pay to transfer a liability in an orderly transaction between market participants. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to measurements involving unobservable inputs (Level 3 measurements).

Accounting for Uncertainty in Income Taxes

The Mission implemented the ASC *Accounting for Income Taxes* and its current accounting policy for evaluating uncertain tax positions is in accordance with generally accepted accounting principles. The Mission has not recognized any benefits or liabilities from uncertain tax positions in 2017 and believes it has no uncertain tax positions for which are reasonably possible that the total amounts of unrecognized tax benefits or liabilities will significantly increase or decrease net assets within 12 months of the balance sheet date of September 30, 2017.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting for Uncertainty in Income Taxes (Continued)

Form 990 tax returns filed by the Mission are subject to examination by the IRS up to three years after the extended due date of each return. Form 990 tax filings for the Mission are no longer subject to examination for the years ended December 31, 2013 and prior.

Subsequent Events

Management has evaluated subsequent events or transactions as to any potential material impact on operations or financial position occurring through February 8, 2018, the date the financial statements were available to be issued. One event was identified, see Note 12.

2. CONCENTRATION OF CREDIT RISK

The Mission has concentrated its credit risk for cash by maintaining deposits in banks located within the same geographic region and the same bank. The maximum loss that would have resulted from this risk totaled \$876,234 at September 30, 2017. This amount represents the excess of deposit liabilities reported by the banks over the amounts that would have been covered by Federal insurance. The Mission does not have any collateral available to them from the bank. The Mission minimizes this risk by maintaining deposit relationships with quality financial institutions.

3. ACCOUNTS AND LEGACIES RECEIVABLE

Accounts and legacies receivable consist of the following at September 30, 2017:

General Electric “More Gifts/More Givers”	\$ 31,284
Tri-Star	10,794
Estate of June Johnson	65,037
Alliance for Better Healthcare	53,400
Schenectady County Metroplex	18,715
SEFCU	16,750
Capital Wholesale Group	22,506
Miscellaneous	49,847
Total Accounts and Legacies Receivable	<u>\$ 268,333</u>

4. INVESTMENTS

The Mission's investments at September 30, 2017 are valued at market prices and consist of equity based mutual fund investments. The Mission intends to hold some of these funds short-term; accordingly, these amounts have been reflected as current in these financial statements. The mission also intends to hold some of these funds long-term for temporarily and permanently restricted purposes as indicated in Note 7; accordingly, these amounts have been reflected as noncurrent in these financial statements.

Investment fees totaled \$9,769 for the nine month period ended September 30, 2017.

Investments are summarized as follows:

	<u>Cost</u>	<u>Market</u>	<u>Unrestricted Appreciation (Depreciation)</u>
Money Market	\$ 126,406	\$ 126,406	\$ -
Mutual Funds - Equity Based	470,571	517,466	46,895
Fixed Income	226,012	224,470	(1,542)
Equities	<u>450,042</u>	<u>579,886</u>	<u>129,844</u>
	<u>\$ 1,273,031</u>	<u>\$ 1,448,228</u>	<u>\$ 175,197</u>

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is comprised of the following at September 30, 2017:

Land, Building and Improvements	\$ 8,592,713
Furniture and Fixtures	578,454
Vehicles	145,563
Pavilion	17,684
Construction in Progress	<u>9,126</u>
Total	9,343,540
Less: Accumulated Depreciation	<u>(3,605,953)</u>
	<u>\$ 5,737,587</u>

6. LONG-TERM DEBT

Long-term debt consists of the following at September 30, 2017:

Mortgage payable to bank in monthly installments of \$3,757 with interest at 4.0% until October 2018 when the remaining principal balance will be amortized over 60 months with payments based on a 15 year amortization schedule. This mortgage is collateralized by real estate at 425 Hamilton Street.	\$ 186,577
Less: Current Portion	<u>38,319</u>
Long-Term Portion	<u><u>\$ 148,258</u></u>

Scheduled maturities of long-term debt are as follows:

2018	\$ 38,319
2019	39,881
2020	41,505
2021	43,196
2022	<u>23,676</u>
	<u><u>\$ 186,577</u></u>

7. RESTRICTED NET ASSETS

Permanently restricted net assets represent amounts totaling \$562,762 received and restricted by donors for specific purposes at September 30, 2017. The principal amount cannot be expended, however any investment income earned from these assets can be expended.

7. RESTRICTED NET ASSETS (CONTINUED)

Temporarily restricted net assets represent amounts received and restricted by donors for the following specific purposes. When the restriction has been met, the amounts will be released from temporarily restricted net assets and reclassified to unrestricted. A summary of temporarily restricted contributions as of September 30, 2017 follows:

Community Outreach Ten Eyck Program	\$ 674
Back to School Program	953
Share Our Strength	900
Women's Retreat Fund	62
Family Life Center Books	1,235
Academic Scholarships	9,192
Transformation Program	24,972
Medical Clinic	331
Operation Warm and Safe	3,667
ASPIRE Program	36,664
United Methodist Church	20,625
Ambassador Program	36,995
Toys	2,532
Chapel and Career Training Center	5,906
Solar Panels	3,546
Men's Shelter Renovations	1,982
Weekend Blessings	15,894
Child Enrichment Program	3,374
Capital Expansion	149,306
Executive Director's Discretionary Fund	2,790
Adult Education Fund	124,357
IT Upgrades	454
Schenectady Bridges Transformational Movement	59,096
The Shirley Ginns Memorial Scholarship	43,875
Schenectady Works	141,351
Employee Resource Center	25,000
Transitional Housing Building	12,000
Advancing Getting Ahead Program	47,920
Dining Center Equipment	34,038
Emergency Shelter Mats	243
Ministry to Young Men	1,179
Life Church	24,000
	<u>\$ 835,113</u>

8. PENSION PLAN

The Board of Directors of the Mission has adopted a simplified employee pension plan for all eligible participants who meet certain requirements. Contributions to the plan are determined annually by the Board of Directors at their discretion. During the nine month period ended September 30, 2017, contributions made to eligible employees amounted to 5.0% of qualifying wages, or \$61,511.

9. OPERATING LEASE

The Mission leased office space on a month-to-month basis. Rent expense incurred was \$20,760 for the nine month period ending September 30, 2017, and is included in occupancy expense on the statement of functional expenses.

10. COMMITMENTS AND CONTINGENCIES

During 2017, the Mission had several outstanding bequests and, due to the involved administration process, final distribution and closeout did not occur by September 30, 2017. The amounts in question are considered by management to be unknown and uncertain and will be recorded in the statement of activities when an amount is provided in writing by legal counsel of the estate.

11. RELATED PARTY TRANSACTIONS

The Mission's executive director serves on the Board of Directors of an investment company that manages investment funds of the Mission and the executive director is paid a fee for these services. Additionally, as outlined in the Mission's Policy Guidelines, any party serving as a board member or staff member of a current or prospective external agent must recuse themselves from any investment discussion or deliberation in accordance with the Mission's conflict of interest policy.

12. SUBSEQUENT EVENT

The Mission was a recipient of a donor advised fund on December 29, 2017. The initial donation to the fund totaled \$990,200 and was comprised of \$20,000 in cash and 99% ownership in a Charitable Limited Liability Company with an estimated value of \$970,200.