Stanley M. Isaacs Neighborhood Center, Inc.

Financial Statements

June 30, 2018

Independent Auditors' Report

Board of Directors
Stanley M. Isaacs Neighborhood Center, Inc.

We have audited the accompanying financial statements of Stanley M. Isaacs Neighborhood Center, Inc. (the "Center"), which comprise the statement of financial position as of June 30, 2018, 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.

Auditors' 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 auditors' 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stanley M. Isaacs Neighborhood Center, Inc. as of June 30, 2018 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.

Report on Summarized Comparative Information

We have previously audited the Center's June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 21, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

December 4, 2018

Stanley M. Isaacs Neighborhood Center, Inc.

Statement of Financial Position
June 30, 2018
(With Comparative Amounts at June 30, 2017)

	2018	2017
ASSETS		
Cash and cash equivalents	$ 208,543	$ 595,756
Contributions receivable	131,911	213,807
Due from government agencies	1,272,464	1,099,142
Prepaid expenses and other assets	54,251	84,145
Investments	2,946,048	2,903,910
Beneficial interest in perpetual trust	590,111	571,875
Restricted investments	47,609	50,712
Property, plant and equipment, net	843,029	969,857
	$ 6,093,966	$ 6,489,204
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 459,057	$ 469,505
Accrued salaries and related liabilities	153,067	103,933
Advances payable	135,092	173,131
Loan payable	-	250,000
Total Liabilities	747,216	996,569
Net Assets		
Unrestricted		
General fund	3,748,750	3,760,858
Plant fund	843,029	969,857
Total Unrestricted	4,591,779	4,730,715
Temporarily restricted	117,251	139,333
Permanently restricted	637,720	622,587
Total Net Assets	5,346,750	5,492,635
	$ 6,093,966	$ 6,489,204

See notes to financial statements

Stanley M. Isaacs Neighborhood Center, Inc.

Statement of Activities
Year Ended June 30, 2018
(With Summarized Totals for the Year Ended June 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
REVENUE AND PUBLIC SUPPORT					
Contract revenue	$ 6,442,130	$ -	$ -	$ 6,442,130	$ 5,442,952
Program service fees and other	67,668	-	-	67,668	73,862
Rental fees and miscellaneous	36,107	-	-	36,107	1,665
Investment return allocated to operations	137,500	2,500	-	140,000	137,500
Contributions	2,118,450	117,251	-	2,235,701	2,166,150
In-kind contributions	598,850	-	-	598,850	474,677
Legacies	32,906	-	-	32,906	126,101
Special events, net of direct expenses of $48,351 and $71,303	215,477	-	-	215,477	205,050
Net assets released from restrictions	141,833	(141,833)	-	-	-
Total Revenue and Public Support	9,790,921	(22,082)	-	9,768,839	8,627,957
EXPENSES					
Program Expenses					
Youth and family services	3,893,241	-	-	3,893,241	2,808,839
Meals on Wheels	2,656,874	-	-	2,656,874	2,637,044
Senior services	1,240,024	-	-	1,240,024	1,042,415
Supporting Services					
Management and general	1,205,219	-	-	1,205,219	845,515
Fundraising	770,506	-	-	770,506	881,744
Total Expenses	9,765,864	-	-	9,765,864	8,215,557
Excess (Deficiency) of Revenue and Public Support Over Expenses	25,057	(22,082)	-	2,975	412,400
NON OPERATING ACTIVITIES					
Depreciation and amortization	(208,595)	-	-	(208,595)	(203,734)
Investment return after allocation to operations	44,602	-	(3,103)	41,499	70,970
Change in beneficial interest in perpetual trust	-	-	18,236	18,236	41,571
Change in Net Assets	(138,936)	(22,082)	15,133	(145,885)	321,207
NET ASSETS					
Beginning of year	4,730,715	139,333	622,587	5,492,635	5,171,428
End of year	$ 4,591,779	$ 117,251	$ 637,720	$ 5,346,750	$ 5,492,635

See notes to financial statements

Stanley M. Isaacs Neighborhood Center, Inc.

Statement of Functional Expenses
Year Ended June 30, 2018
(With Summarized Totals for the Year Ended June 30, 2017)

	Program Services				Supporting Services			Total	
	Youth and Family Services	Meals on Wheels	Senior Services	Total Program Services	Management and General	Fund-raising	Total Supporting Services	2018	2017
Salaries	$ 2,259,991	$ 438,010	$ 654,161	$ 3,352,162	$ 503,211	$ 219,175	$ 722,386	$ 4,074,548	$ 3,192,637
Payroll taxes	190,600	34,124	47,751	272,475	66,473	15,723	82,196	354,671	304,258
Employee benefits	161,073	24,784	84,193	270,050	226,392	46,068	272,460	542,510	280,869
Total Salaries and Related Expenses	2,611,664	496,918	786,105	3,894,687	796,076	280,966	1,077,042	4,971,729	3,777,764
Consultants	103,624	-	79,724	183,348	172,667	151,058	323,725	507,073	374,626
Computer service	26,115	7,992	7,992	42,099	8,434	6,057	14,491	56,590	66,003
Subcontractors	-	1,913,109	-	1,913,109	-	12,741	12,741	1,925,850	1,773,311
Program supplies	115,649	11,152	57,172	183,973	20,033	8,159	28,192	212,165	120,418
Food and beverage	67,234	154,887	94,370	316,491	15,680	22,113	37,793	354,284	331,916
Repairs and maintenance	93,619	21,399	44,156	159,174	23,518	11,092	34,610	193,784	191,226
Liability insurance	-	-	36,808	36,808	46,376	-	46,376	83,184	84,411
Telecommunications	17,138	9,222	4,717	31,077	12,681	21,275	33,956	65,033	58,860
Printing and publishing	32,825	4,302	11,511	48,638	6,397	222,035	228,432	277,070	455,937
Postage	2,328	173	3,060	5,561	2,305	10,878	13,183	18,744	33,208
Auto and travel	2,031	22,312	5,118	29,461	5,400	1,869	7,269	36,730	27,878
Program activities	228,018	-	45,740	273,758	7,597	2,145	9,742	283,500	223,042
Professional development	21,721	119	5,335	27,175	7,735	4,260	11,995	39,170	28,803
Office expenses	40,342	15,289	11,954	67,585	56,989	13,455	70,444	138,029	70,585
Special events	-	-	-	-	254	2,403	2,657	2,657	30,423
Total Expenses Before Non-Cash Expenses	3,362,308	2,656,874	1,193,762	7,212,944	1,182,142	770,506	1,952,648	9,165,592	7,648,411
In-kind consultant fees	470,850	-	-	470,850	-	-	-	470,850	346,677
In-kind occupancy costs	59,250	-	46,200	105,450	22,550	-	22,550	128,000	128,000
Bad debt expense	833	-	62	895	527	-	527	1,422	92,469
Total Expenses Before Depreciation and Amortization	3,893,241	2,656,874	1,240,024	7,790,139	1,205,219	770,506	1,975,725	9,765,864	8,215,557
Depreciation and amortization	68,220	76,485	31,580	176,285	24,967	7,343	32,310	208,595	203,734
Total Expenses	$ 3,961,461	$ 2,733,359	$ 1,271,604	$ 7,966,424	$ 1,230,186	$ 777,849	$ 2,008,035	$ 9,974,459	$ 8,419,291

See notes to financial statements

Stanley M. Isaacs Neighborhood Center, Inc.

Statement of Cash Flows
Year Ended June 30, 2018
(With Comparative Amounts for the Year Ended June 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (145,885)	$ 321,207
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized and unrealized gain on investments	(143,459)	(166,255)
Bad debt expense	1,422	92,469
Donation of marketable securities	-	(18,633)
Change in beneficial interest in perpetual trust	(18,236)	(41,571)
Depreciation and amortization	208,595	203,734
Changes in operating assets and liabilities		
Contributions receivable	81,896	(13,610)
Due from government agencies	(174,744)	(588,936)
Due from subcontractors	-	17,513
Prepaid expenses and other assets	29,894	(62,938)
Accounts payable and accrued expenses	(10,448)	32,476
Accrued salaries and related liabilities	49,134	(7,839)
Advances payable	(38,039)	173,131
Net Cash from Operating Activities	(159,870)	(59,252)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(81,767)	(74,156)
Purchase of investments	(1,696,000)	(1,278,854)
Proceeds from sale of investments	1,800,424	1,390,423
Net Cash from Investing Activities	22,657	37,413
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan (repayments) proceeds	(250,000)	250,000
Net Change in Cash and Cash Equivalents	(387,213)	228,161
CASH AND CASH EQUIVALENTS		
Beginning of year	595,756	367,595
End of year	$ 208,543	$ 595,756

See notes to financial statements

1. Organization and Tax Status

Stanley M. Isaacs Neighborhood Center, Inc. (the “Center”), founded in 1964, provides community services that include senior, adult, youth and family services to people of all ages and backgrounds in the Yorkville and East Harlem sections of Manhattan.

The Center is exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which 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. Accordingly, actual results could differ from those estimates.

Presentation of Net Assets

The financial statements report amounts separately by class of net assets based on the presence or absence of donor restrictions. Unrestricted amounts are those currently available at the discretion of the Board of Directors for use in the Center’s operations. Temporarily restricted amounts are those which are stipulated by donors for specific operating purposes or for future periods. Permanently restricted net assets result from contributions and other inflows of assets whose use by the Center is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Center.

Fair Value Measurements

The Center follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable and are used to the extent that observable inputs do not exist.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in banks and money market funds other than those held in long-term investment accounts. Cash and cash equivalents include highly liquid instruments with a maturity of three months or less when acquired.

2. Summary of Significant Accounting Policies *(continued)*

Contributions Receivable

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. At June 30, 2018, contributions receivable are considered collectible in less than one year.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is established for amounts where there exists doubt as to whether an amount will be fully collected. The determination of this allowance is an estimate based on the Center's historical experience, review of account balances and expectations relative to collections. Management believes that all receivables are collectible and, accordingly, no provision for doubtful collection is deemed necessary.

Investments and Income Recognition

Investments are stated at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded when earned and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Perpetual Trust

The Center is the income beneficiary of a 5% interest in a perpetual trust held by another entity as trustee. The Center's beneficial interest in this trust is stated at the fair value of the assets underlying the trust as of the statement of financial position date.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation and amortization is recognized using the straight-line method over the estimated useful lives of the assets, which range from 5 to 7 years for furniture, equipment and automobiles. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the assets. The Center follows the practice of capitalizing and depreciating all expenditures for property, plant and equipment with a cost of $5,000 or more and a useful life in excess of one year.

Property, plant and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value. There were no asset impairments for fiscal 2018 and 2017.

2. Summary of Significant Accounting Policies *(continued)*

Revenue Recognition

A significant portion of the Center's operations are conducted under contracts with various government agencies. Revenue from government contracts is recorded as earned pursuant to terms of existing agreements and subject to audit by such agencies. The Center does not reflect any adjustment for potential disallowances of expense since management believes that all expenses incurred for such activities should be treated as allowable costs.

Contributions

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is made. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose or time restriction is met, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met in the same reporting period.

In-kind Contributions

Contributions of services are recognized at fair value when they are received if the services either create or enhance nonfinancial assets, or require specialized skills, and those skills are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Donated goods distributed are recorded as income and expense at the time they are received which is normally also the time they are placed into service or distributed.

During 2018 and 2017, the Center occupied premises in New York City Housing Authority-owned buildings without charge based on an annual agreement. The estimated fair value of the premises rental is reported as contribution support and occupancy cost of $128,000 for 2018 and 2017. In partnership with Department of Education, several teachers and specialists provided services without charge for the Center's Youth Employment and Education Services Program. The estimated fair value of those services is reported as contribution support and in-kind consultant fees of $470,850 in 2018 and $346,677 in 2017. Many individuals volunteer their time and perform a variety of tasks that assist the Center with various program functions. These volunteer services have not been recognized in the financial statements because they do not meet the criteria for recognition.

Functional Expenses

The Center allocates its expenses on a functional basis among various programs and support services. Expenses that can be identified with specific program and support services are allocated directly according to natural expenditure classification. Other expenses common to several functions are allocated in accordance with other equitable bases.

2. Summary of Significant Accounting Policies *(continued)*

Summarized Comparative 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Center's financial statements as of and for the year ended June 30, 2017, from which the summarized information was derived.

Accounting for Uncertainty in Income Taxes

The Center recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Center had no uncertain tax positions that would require financial statement recognition or disclosure. The Center is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to June 30, 2015.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is December 4, 2018.

3. Concentrations of Credit Risk

Financial instruments which potentially subject the Center to a concentration of credit risk include cash accounts held with a major New York financial institution in excess of federally insured insurance limits, and amounts due from government agencies. Management believes that credit risk related to these accounts is minimal.

The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment or group of investments represents a significant concentration of credit risk.

4. Economic Dependency

The Center has several programs with funding from The City of New York – Department for the Aging ("DFTA") and The City of New York – Department of Youth and Community Development ("DYCD"). These and other government grants are subject to audits by the funders. Management does not anticipate disallowed costs to be material and no estimated liability has been provided for this purpose. Approximately 82% and 80% of the Center's government grants and contracts were provided from DFTA and DYCD in 2018 and 2017. The Center is economically dependent on these grants to continue its DFTA and DYCD funded programs.

5. Investments and Investment Return

Investments consist of the following at June 30:

	2018	2017
Cash and cash equivalents	$ 175,799	$ 177,901
U.S. government obligations	175,317	162,119
Fixed Income Securities		
U.S. govt. securities (Treasury bills)	311,451	347,077
International govt. securities	6,976	9,053
Corporate bonds	38,580	41,963
Common Stocks		
Health care	202,856	209,401
Consumer staples	102,861	111,288
Information technology	349,932	265,334
Consumer discretionary	181,048	192,407
Industrials	261,047	228,459
Materials	76,698	88,926
Financials	239,805	228,934
Telecommunication services	34,765	44,158
Utilities	51,106	49,963
Energy	99,707	78,667
Real estate	264,633	294,801
Fixed income mutual funds	421,076	424,171
	$ 2,993,657	$ 2,954,622

Total investment return consisted of the following for the year ended June 30:

	2018	2017
Interest and dividends from investments, net of fees of $34,390 and $29,114	$ 38,040	$ 42,215
Realized/unrealized gain on investments	143,459	166,255
Investment return	181,499	208,470
Investment return allocated to operations	(140,000)	(137,500)
Investment return allocated to non-operations activities	$ 41,499	$ 70,970

The portion of investment return allocated to operations is determined by a spending policy governed by the Center's Board of Directors. The policy states that an amount up to 4.5% of the market value of its invested assets at the end of each fiscal year will be made available for operational use. During fiscal 2018 and 2017, the Board of Directors elected to allocate an additional $2,500 and $4,000 to support operations.

Stanley M. Isaacs Neighborhood Center, Inc.

Notes to Financial Statements
June 30, 2018

6. Fair Value of Financial Instruments

The following presents the fair value of those investments and other assets that are measured at fair value at June 30:

	2018			
	Level 1	Level 2	Level 3	Total
Investments				
U.S. government obligations	$ -	$ 175,317	$ -	$ 175,317
Fixed Income Securities				
U.S. govt. securities (Treasury bills)	311,451	-	-	311,451
International govt. securities	6,976	-	-	6,976
Corporate bonds	-	38,580	-	38,580
Common stocks	1,864,458	-	-	1,864,458
Fixed income mutual funds	421,076	-	-	421,076
	2,603,961	213,897	-	2,817,858
Cash and cash equivalents - at cost				175,799
Total Investments				2,993,657
Beneficial interest in perpetual trust	-	-	590,111	590,111
Total	$ 2,603,961	$ 213,897	$ 590,111	$ 3,583,768

	2017			
	Level 1	Level 2	Level 3	Total
Investments				
U.S. government obligations	$ -	$ 162,119	$ -	$ 162,119
Fixed Income Securities				
U.S. govt. securities (Treasury bills)	347,077	-	-	347,077
International govt. securities	9,053	-	-	9,053
Corporate Bonds	-	41,963	-	41,963
Common stocks	1,792,338	-	-	1,792,338
Fixed income mutual funds	424,171	-	-	424,171
	2,572,639	204,082	-	2,776,721
Cash and cash equivalents - at cost				177,901
Total Investments				2,954,622
Beneficial interest in perpetual trust	-	-	571,875	571,875
Total	$ 2,572,639	$ 204,082	$ 571,875	$ 3,526,497

6. Fair Value of Financial Instruments *(continued)*

The changes in assets measured at fair value for which the Center has used Level 3 inputs to determine fair value are as follows for the years ended June 30:

	2018	2017
Balance, beginning of year	$ 571,875	$ 530,304
Change in fair value of beneficial interest in perpetual trust	18,236	41,571
Balance, end of year	$ 590,111	$ 571,875

In accordance with the terms of the charitable perpetual trust agreement, the trustee makes annual distributions equal to net realized income on trust investments for the twelve months ending June 30. The Center considers the measurement to be a Level 3 since the Center does not control the assets.

There were no transfers between categories and no changes in valuation methods during the years ended June 30, 2018 and 2017.

7. Property, Plant and Equipment

Property, plant and equipment consist of the following at June 30:

	2018	2017
Leasehold improvements	$ 3,845,570	$ 3,845,570
Furniture and equipment	946,298	918,412
Automobiles	342,741	288,860
	5,134,609	5,052,842
Accumulated depreciation and amortization	(4,291,580)	(4,082,985)
	$ 843,029	$ 969,857

8. Loan Payable

The Center has a margin loan agreement with a financial institution which bears interest at a variable rate equal to the LIBOR rate plus the “Spread.” The Spread is the number of percentage points stated in the applicable notice or confirmation given by the financial institution. Each withdrawal must be in an amount not less than $200,000. This margin loan agreement is payable on demand and secured by the Center's investments. At June 30, 2017, the Center had an outstanding loan balance of $250,000. There was no outstanding loan balance at June 30, 2018.

9. Retirement Plan

The Center's 401(k) profit sharing plan and trust covers all eligible employees after one year of eligibility service following their hire date and who have attained age 21. Contributions to the plan are determined each year by the Center's Board of Directors. No contribution was made to the plan for 2018 and 2017.

10. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following programs or purposes at June 30:

	2018	2017
Time - General Support	$ -	$ 15,133
Youth and family service programs	117,251	124,200
	$ 117,251	$ 139,333

Net assets were released from donor restrictions by incurring expenses satisfying the following purposes:

	2018	2017
Education Scholarships	$ 2,500	$ 2,500
General support	15,133	17,500
Senior services and Meals on Wheels	-	16,450
Youth and family service programs	124,200	38,431
	$ 141,833	$ 74,881

11. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to the following purposes at June 30:

	2018	2017
Investments in perpetuity, the income from which is expendable to support education scholarships	$ 47,609	$ 50,712
Beneficial interest in perpetual trust	590,111	571,875
	$ 637,720	$ 622,587

12. Endowment Funds

Interpretation of Law

The Center has interpreted the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary and except in those cases where the law allows appropriation for spending of the original gift amounts. As a result of this interpretation, the Center classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of investment returns 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 as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Investment Policy

The Center employs a strategic asset allocation strategy with its asset allocations diversified over multiple classes and sub classes. The Center's investment objective is for the asset value, exclusive of contributions or withdrawals, to grow over the long run and earn, through a combination of investment income and capital appreciation, a time weighted total rate of return in excess of the established medium and long term benchmarks. The Center expects the portfolio's asset allocation to reflect the investment objectives, goals, time horizon, risk tolerances and any investment restrictions that may exist within the policy.

Spending Policy

The Center, on an annual basis, appropriates expenditures of dividends and interest earned on endowed funds. Unrealized gains and losses increase or decrease the value of the endowed funds as per donor stipulation.

12. Endowment Funds *(continued)*

The following is a reconciliation of the donor restricted endowment funds for the years ended June 30:

	2018		
	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	$ -	$ 50,712	$ 50,712
Investment income	2,500	-	2,500
Unrealized loss on investments	-	(3,103)	(3,103)
Appropriations for expenditures	(2,500)	-	(2,500)
Balance, end of year	$ -	$ 47,609	$ 47,609

	2017		
	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	$ -	$ 54,548	$ 54,548
Investment income	2,500	-	2,500
Unrealized loss on investments	-	(3,836)	(3,836)
Appropriations for expenditures	(2,500)	-	(2,500)
Balance, end of year	$ -	$ 50,712	$ 50,712

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