

Grand Street Settlement, Inc.

Financial Statements

June 30, 2016 and 2015

Grand Street Settlement, Inc.

Financial Statements

June 30, 2016 and 2015

TABLE OF CONTENTS

Page

Independent Auditors' Report

FINANCIAL STATEMENTS

Statements of Financial Position

2

Statements of Activities

3

Statements of Functional Expenses

4-5

Statements of Cash Flows

6

Notes to Financial Statements

7-17

Independent Auditors' Report

Board of Directors Grand Street Settlement, Inc.

We have audited the accompanying financial statements of Grand Street Settlement, Inc., which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grand Street Settlement, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

December 23, 2016

Grand Street Settlement, Inc.
Statements of Financial Position

	June 30,	
	2016	2015
ASSETS		
Cash	\$ 250,144	\$ 615,108
Contributions receivable	600,792	500,274
Due from government agencies, net	2,911,130	1,721,226
Prepaid expenses and other assets	135,722	67,759
Investments	6,878,305	7,659,079
Property and equipment, net	39,131	25,827
	\$ 10,815,224	\$ 10,589,273
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and other liabilities	\$ 908,365	\$ 1,183,218
Accrued payroll and related liabilities	966,883	619,866
Deferred revenue	7,583	26,626
Advances from government agencies	40,691	12,768
Loans payable	741,194	-
Total Liabilities	2,664,716	1,842,478
 Net Assets		
Unrestricted	2,806,292	3,471,810
Temporarily restricted	1,883,418	1,814,187
Permanently restricted	3,460,798	3,460,798
Total Net Assets	8,150,508	8,746,795
	\$ 10,815,224	\$ 10,589,273

See notes to financial statements

Grand Street Settlement, Inc.

Statements of Activities

	Year Ended June 30, 2016				Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE								
Government grants	\$ 15,291,416	\$ -	\$ -	\$ 15,291,416	\$ 10,623,446	\$ -	\$ -	\$ 10,623,446
Contributions	787,582	1,149,499	-	1,937,081	943,783	1,043,000	988,889	2,975,672
Special events, net of direct benefit to participants of \$134,927 and \$97,759	182,205	-	-	182,205	346,929	-	-	346,929
Donated occupancy and services	1,777,145	-	-	1,777,145	1,552,216	-	-	1,552,216
Program service fees	178,050	-	-	178,050	225,675	-	-	225,675
Investment return designated for current use	342,725	-	-	342,725	655,616	-	-	655,616
Miscellaneous income	2,892	-	-	2,892	1,131	-	-	1,131
Net assets released from restrictions	1,080,268	(1,080,268)	-	-	723,424	(723,424)	-	-
Total Public Support and Revenue	<u>19,642,283</u>	<u>69,231</u>	<u>-</u>	<u>19,711,514</u>	<u>15,072,220</u>	<u>319,576</u>	<u>988,889</u>	<u>16,380,685</u>
EXPENSES								
Program Services								
Early childhood programs	8,492,380	-	-	8,492,380	6,870,250	-	-	6,870,250
Youth services	1,742,099	-	-	1,742,099	1,456,867	-	-	1,456,867
School-based counseling services	1,193,046	-	-	1,193,046	336,600	-	-	336,600
Case management	226,423	-	-	226,423	253,086	-	-	253,086
Community development	4,522,616	-	-	4,522,616	3,258,527	-	-	3,258,527
Senior programs	1,065,564	-	-	1,065,564	981,470	-	-	981,470
Mental health initiative	95,793	-	-	95,793	75,600	-	-	75,600
Total Program Services	<u>17,337,921</u>	<u>-</u>	<u>-</u>	<u>17,337,921</u>	<u>13,232,400</u>	<u>-</u>	<u>-</u>	<u>13,232,400</u>
Supporting Services								
Management and general	1,515,547	-	-	1,515,547	1,446,461	-	-	1,446,461
Fundraising	722,889	-	-	722,889	609,926	-	-	609,926
Total Supporting Services	<u>2,238,436</u>	<u>-</u>	<u>-</u>	<u>2,238,436</u>	<u>2,056,387</u>	<u>-</u>	<u>-</u>	<u>2,056,387</u>
Total Expenses	<u>19,576,357</u>	<u>-</u>	<u>-</u>	<u>19,576,357</u>	<u>15,288,787</u>	<u>-</u>	<u>-</u>	<u>15,288,787</u>
Excess (Deficiency) of Public Support and Revenue Over Expenses	65,926	69,231	-	135,157	(216,567)	319,576	988,889	1,091,898
NON-OPERATING ACTIVITIES								
Investment return, net of amount designated for current use	(731,444)	-	-	(731,444)	(1,037,379)	-	-	(1,037,379)
Change in Net Assets	(665,518)	69,231	-	(596,287)	(1,253,946)	319,576	988,889	54,519
NET ASSETS								
Beginning of year	3,471,810	1,814,187	3,460,798	8,746,795	4,725,756	1,494,611	2,471,909	8,692,276
End of year	<u>\$ 2,806,292</u>	<u>\$ 1,883,418</u>	<u>\$ 3,460,798</u>	<u>\$ 8,150,508</u>	<u>\$ 3,471,810</u>	<u>\$ 1,814,187</u>	<u>\$ 3,460,798</u>	<u>\$ 8,746,795</u>

See notes to financial statements

Grand Street Settlement, Inc.

Statement of Functional Expenses
Year Ended June 30, 2016

	Program Services							Supporting Services			Total	
	Early Childhood Programs	Youth Services	School-Based Counseling Services	Case Management	Community Development	Senior Programs	Mental Health Initiative	Total Program Services	Management and General	Fundraising		Total Supporting Services
PERSONNEL COSTS												
Salaries	\$ 4,090,530	\$ 715,902	\$ 597,802	\$ 146,403	\$ 2,921,941	\$ 539,627	\$ 38,604	\$ 9,050,809	\$ 630,154	\$ 412,243	\$ 1,042,397	\$ 10,093,206
Employee benefits and payroll related taxes	1,073,658	209,402	138,531	52,223	660,728	200,427	22,978	2,357,947	297,536	104,041	401,577	2,759,524
Total Personnel Costs	5,164,188	925,304	736,333	198,626	3,582,669	740,054	61,582	11,408,756	927,690	516,284	1,443,974	12,852,730
OTHER THAN PERSONNEL COSTS												
Program supplies	396,631	132,884	78,378	1,341	255,373	19,558	-	884,165	20,637	1,541	22,178	906,343
Office rent and occupancy expense	37,897	344	101	71	568	9,472	-	48,453	1,639	125	1,764	50,217
Donated occupancy and services	1,381,464	270,600	-	-	-	79,520	-	1,731,584	45,561	-	45,561	1,777,145
Repairs and maintenance	99,804	-	875	-	4,793	2,106	-	107,578	3,231	325	3,556	111,134
Equipment	57,456	33,823	20,032	7,894	38,610	21,508	-	179,323	1,178	2,682	3,860	183,183
Office expense	40,334	15,668	1,535	3,208	11,355	6,625	405	79,130	13,808	2,425	16,233	95,363
Staff travel	11,150	3,944	1,304	550	6,432	1	6	23,387	5,889	618	6,507	29,894
Professional services	50,370	27,553	7,821	3,791	39,883	7,901	-	137,319	12,536	1,345	13,881	151,200
Consultant	661,949	27,147	182,767	1,401	87,632	37,863	17,330	1,016,089	195,194	107,270	302,464	1,318,553
Dues and fees	12,559	5,662	261	-	3,905	175	-	22,562	18,168	4,162	22,330	44,892
Food	232,675	32,898	29,573	-	70,201	109,047	9	474,403	4,605	670	5,275	479,678
Hospitality expense	-	-	-	-	-	-	-	-	864	6,975	7,839	7,839
Parent and participant activity	33,625	178,035	81,764	5,523	264,419	7,593	9,510	580,469	12,160	1,368	13,528	593,997
Insurance	22,451	16,225	6,737	2,612	51,528	10,855	3,909	114,317	33,118	-	33,118	147,435
Printing	2,368	1,755	4,243	-	3,713	-	-	12,079	-	404	404	12,483
Postage	698	850	6,000	73	102	106	39	7,868	3,350	5,116	8,466	16,334
Conferences and training	257,084	30,709	19,762	957	29,468	-	-	337,980	30,636	195	30,831	368,811
Services	3,747	4,238	444	29	1,504	3,208	3,003	16,173	3,609	33,320	36,929	53,102
Bank charges and other fees	470	1,006	23	22	176	81	-	1,778	27,058	4,396	31,454	33,232
Bad debt expense	-	-	-	-	-	-	-	-	125,729	-	125,729	125,729
Miscellaneous expense	25,460	19,183	9,277	325	28,372	764	-	83,381	5,071	1,081	6,152	89,533
Depreciation	-	-	-	-	-	-	-	-	22,695	-	22,695	22,695
Special events	-	14,271	5,816	-	41,913	9,127	-	71,127	1,121	32,587	33,708	104,835
	<u>\$ 8,492,380</u>	<u>\$ 1,742,099</u>	<u>\$ 1,193,046</u>	<u>\$ 226,423</u>	<u>\$ 4,522,616</u>	<u>\$ 1,065,564</u>	<u>\$ 95,793</u>	<u>\$ 17,337,921</u>	<u>\$ 1,515,547</u>	<u>\$ 722,889</u>	<u>\$ 2,238,436</u>	<u>\$ 19,576,357</u>

Grand Street Settlement, Inc.

Statement of Functional Expenses
Year Ended June 30, 2015

	Program Services							Supporting Services			Total	
	Early Childhood Programs	Youth Services	School-Based Counseling Services	Case Management	Community Development	Senior Programs	Mental Health Initiative	Total Program Services	Management and General	Fundraising		Total Supporting Services
PERSONNEL COSTS												
Salaries	\$ 3,487,045	\$ 688,312	\$ 103,892	\$ 165,955	\$ 2,076,299	\$ 495,642	\$ 43,164	\$ 7,060,309	\$ 860,004	\$ 327,523	\$ 1,187,527	\$ 8,247,836
Employee benefits and payroll related taxes	912,072	184,174	27,377	69,306	442,279	176,894	12,304	1,824,406	167,815	90,278	258,093	2,082,499
Total Personnel Costs	4,399,117	872,486	131,269	235,261	2,518,578	672,536	55,468	8,884,715	1,027,819	417,801	1,445,620	10,330,335
OTHER THAN PERSONNEL COSTS												
Program supplies	267,624	69,430	58,358	5,574	157,405	20,411	539	579,341	13,831	2,044	15,875	595,216
Office rent and occupancy expense	36,350	127	28	24	204	9,963	-	46,696	3,666	22,216	25,882	72,578
Donated occupancy and services	1,156,534	270,600	-	-	-	79,520	-	1,506,654	45,562	-	45,562	1,552,216
Repairs and maintenance	115,418	2,813	96	90	8,518	5,642	-	132,577	2,461	159	2,620	135,197
Equipment	109,805	42,445	60,868	1,589	54,824	2,773	227	272,531	35,740	1,012	36,752	309,283
Office expense	22,943	7,854	256	3,007	20,926	5,557	605	61,148	4,370	2,940	7,310	68,458
Staff travel	7,250	4,696	1,985	-	17,742	-	-	31,673	1,866	1,051	2,917	34,590
Professional services	106,732	11,875	2,661	2,089	19,480	8,864	-	151,701	64,237	1,786	66,023	217,724
Consultant	230,053	5,940	6,400	-	102,663	33,975	12,720	391,751	87,208	139,881	227,089	618,840
Dues and fees	6,726	-	-	-	2,767	75	25	9,593	14,688	2,652	17,340	26,933
Food	202,884	23,514	12,317	273	31,582	107,835	-	378,405	-	1,049	1,049	379,454
Hospitality expense	-	770	100	-	-	-	-	870	165	-	165	1,035
Parent and participant activity	42,907	109,052	39,700	-	241,179	22,786	-	455,624	-	-	-	455,624
Insurance	75,022	-	-	1,673	7,580	1,232	-	85,507	58,726	-	58,726	144,233
Printing	1,228	143	869	3,257	2,414	93	-	8,004	913	6,905	7,818	15,822
Postage	543	282	-	-	2,817	42	-	3,684	3,351	3,280	6,631	10,315
Conferences and training	74,784	16,965	14,964	-	27,294	-	-	134,007	7,256	692	7,948	141,955
Services	1,267	333	37	35	279	1,497	5,750	9,198	7,982	2,862	10,844	20,042
Bank charges and other fees	1,950	299	-	-	-	8	-	2,257	22,721	3,281	26,002	28,259
Bad debt expense	-	-	-	-	-	-	-	-	3,748	-	3,748	3,748
Miscellaneous expense	10,001	2,642	1,283	214	10,052	532	266	24,990	15,593	315	15,908	40,898
Depreciation	-	-	-	-	-	-	-	-	16,695	-	16,695	16,695
Special events	1,112	14,601	5,409	-	32,223	8,129	-	61,474	7,863	-	7,863	69,337
	<u>\$ 6,870,250</u>	<u>\$ 1,456,867</u>	<u>\$ 336,600</u>	<u>\$ 253,086</u>	<u>\$ 3,258,527</u>	<u>\$ 981,470</u>	<u>\$ 75,600</u>	<u>\$ 13,232,400</u>	<u>\$ 1,446,461</u>	<u>\$ 609,926</u>	<u>\$ 2,056,387</u>	<u>\$ 15,288,787</u>

Grand Street Settlement, Inc.

Statements of Cash Flows

	Year Ended June 30,	
	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (596,287)	\$ 54,519
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	22,695	16,695
Bad debt expense	125,729	3,748
Realized and unrealized loss on investments	443,532	444,849
Changes in operating assets and liabilities		
Contributions receivable	(100,518)	(174,124)
Due from government agencies	(1,315,633)	(476,318)
Prepaid expenses and other assets	(67,963)	12,428
Accounts payable and other liabilities	(274,853)	424,489
Accrued payroll and related liabilities	347,017	292,928
Deferred revenue	(19,043)	(11,394)
Advances from government agencies	27,923	(37,236)
Net Cash from Operating Activities	<u>(1,407,401)</u>	<u>550,584</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,020,540)	(1,276,457)
Proceeds from sale of investments	2,357,782	825,208
Purchase of property and equipment	(35,999)	-
Net Cash from Investing Activities	<u>301,243</u>	<u>(451,249)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advancement of loans payable	741,194	-
Net Change in Cash	(364,964)	99,335
CASH		
Beginning of year	<u>615,108</u>	<u>515,773</u>
End of year	<u>\$ 250,144</u>	<u>\$ 615,108</u>

See notes to financial statements

Grand Street Settlement, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

1. Organization

Grand Street Settlement, Inc. (the "Settlement"), founded in 1916, provides services to people of all ages in the lower east side of Manhattan and Brooklyn. These services include, but not limited to, Early Head Start, Early Learn, Universal Pre-Kindergarten and Day Care, after-school services for SONYC, school-aged children, school-based counseling, college and career preparation, tutoring, mentoring, computer literacy and creative expression through STEM (Science, Technology, Engineering, and Math), senior services (including case management, meals and recreation, mental health care related services and housing), Lesbian, Gay, Bisexual and Transgender, English as a Second Language and General Education Development community service opportunities and recreation.

The Settlement, a not-for-profit organization, has been granted tax-exempt status under Internal Revenue Code (the "Code") Section 501(c)(3). In addition, the Settlement has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

The Settlement promotes and maintains high standards in the services it provides to its communities and celebrated 100 years of service during 2016.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in conformity 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Contributions and Promises to Give

Unconditional promises to give are recognized as revenue when donors make a promise to give. Contributions received are classified as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restriction. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on those amounts are computed using a risk adjusted rate of interest applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Marketable securities contributed are recorded at fair value at the date of contribution.

Grand Street Settlement, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

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

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation without affecting previously reported classes of net assets or change in net assets.

Due from Government Agencies and Allowance for Doubtful Accounts

The Settlement records revenue based on established rates or contracts for services provided. The Settlement determines whether an allowance for uncollectible amounts should be provided based on management's evaluation and collectability of the aged basis of its receivables, current economic conditions, subsequent receipts and historical information. Government contracts and accounts receivable are written off against the allowance for doubtful amounts when all reasonable collection efforts have been exhausted. There was no allowance for doubtful accounts as of June 30, 2016. As of June 30, 2015, the allowance for doubtful accounts was approximately \$31,000.

Fair Value of Financial Instruments

The Settlement follows U.S. GAAP guidance on fair value measurement 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 have the highest reliability and are related to assets with 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 inputs and are used to the extent that observable inputs do not exist.

In certain cases, the inputs used to measure fair value may fall into different level of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

During 2016, the Settlement adopted new U.S. GAAP guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient. Adoption of this guidance was applied retrospectively and had no effect on the carrying value of such investments.

Grand Street Settlement, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

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

Investment Valuation

Investments are carried at fair value. The fair value of alternative investments has been estimated using the NAV as reported by the management of the respective alternative investment fund as a practical expedient for fair value.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis 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.

Net investment income earned on endowment funds is reflected within the unrestricted class of net assets. The Settlement has a “total return” policy in regards to the spending of net investment income for operations. The total return to be spent annually is equal to approximately 5% of the average market value of the previous fiscal year as approved by the Board of Directors and reported as operating revenue. In the fiscal year 2015, the Board of Directors approved a total return in excess of its 5% policy to be used for certain one-time 2015 expenditures.

Property and Equipment

Property and equipment purchases are capitalized if the cost, or fair value at date of donation, is \$1,000 or more and the useful life is greater than one year. Property and equipment is depreciated over their estimated useful lives using the straight-line method. The cost of property and equipment financed by government funding sources is expensed when incurred if the contractual agreement specifies that title to these assets rests with the governmental funding source rather than the Settlement. The estimated useful lives of the assets are as follows:

Leasehold improvements	15 years
Computer equipment	3 years
Furniture and fixtures	5 years

Government Grants

Revenue from government grants is recognized when reimbursable expenses are incurred under the terms of the contracts. Contract payments in excess of or less than qualified expenses are accounted for as advances from government agencies or due from government agencies.

Grand Street Settlement, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

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

Classes of Net Assets

Net assets are classified based on donor restrictions. Unrestricted net assets are those currently available at the discretion of the Board of Directors for use in the Settlement's operations. Temporarily restricted net assets are those which are stipulated by donors for specific operating purposes. When a donor restriction expires, that is, when a stipulated time restriction and/or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Permanently restricted net assets have been restricted by donors to be maintained by the Settlement in perpetuity.

Deferred Revenue

Deferred revenue consists of cash received for summer camp that takes place after year end.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, expenses have been charged to program and supporting services based on direct expenses and other specific allocation methods.

Operating Leases

Operating leases are classified in accordance with the terms of the underlying agreements. Operating lease payments are charged to rental expense. Rent expense is recorded on a straight-line basis. Deferred rent is recorded when there are material differences between the lease payments and the straight-line rent expense.

Uncertainty in Income Taxes

The Settlement recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Settlement had no uncertain tax positions that would require financial statement recognition or disclosure. The Settlement is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to June 30, 2013.

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 23, 2016.

Grand Street Settlement, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

3. Concentration of Credit Risk

Financial instruments which potentially subject the Settlement to a concentration of credit risk are cash accounts with financial institutions in excess of federally insured limits and receivables.

The Settlement grants credit without collateral relative to government contracts. The reimbursement for services provided is expected to be collected in the normal course of business.

4. Contributions Receivable

Contributions receivable at June 30, consist of the following:

	<u>2016</u>	<u>2015</u>
Contributions due:		
Within one year	<u>\$ 600,792</u>	<u>\$500,274</u>

5. Investments

The Settlement's investments stated at fair value at June 30 are as follows:

	<u>2016</u>	
	<u>Level 1</u>	<u>Total</u>
Equity securities	\$ 5,335,388	\$ 5,335,388
Fixed income	594,363	594,363
Private equity (1)	<u>-</u>	<u>948,554</u>
	<u>\$ 5,929,751</u>	<u>\$ 6,878,305</u>

	<u>2015</u>	
	<u>Level 1</u>	<u>Total</u>
Equity securities	\$ 5,523,928	\$ 5,523,928
Fixed income	1,120,442	1,120,442
Private equity (1)	<u>-</u>	<u>1,014,709</u>
	<u>\$ 6,644,370</u>	<u>\$ 7,659,079</u>

(1) As described in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy. The fair value amounts presented in the total column are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Grand Street Settlement, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

5. Investments (continued)

During the years ended June 30, 2016 and 2015, there were no transfers in or out of Levels 1, 2 or 3 of the fair value.

Net investment activity for the years ended June 30, 2016 and 2015 is as follows:

	2016	2015
Interest and dividends	\$ 127,928	\$ 141,398
Realized and unrealized loss on investments	<u>(443,532)</u>	<u>(444,849)</u>
Total Investment Return	(315,604)	(303,451)
Investment advisory and custodial fees	<u>(73,115)</u>	<u>(78,312)</u>
	<u>\$ (388,719)</u>	<u>\$ (381,763)</u>
Total investment income allocated to:		
Operating revenue*	\$ 342,725	\$ 655,616
Non-operating activities*	<u>(731,444)</u>	<u>(1,037,379)</u>
	<u>\$ (388,719)</u>	<u>\$ (381,763)</u>

* See Note 2 (investment income recognition) for a description of the Settlement's investment income allocation policy.

The Settlement's investment in the private equity fund (the "Fund") is a long only investment vehicle. The Fund focuses on portfolio companies of publicly traded companies in the technology and technology related sectors with less than \$300 million in enterprise value, having positive cash flows, a strong balance sheet, experienced management and generally based in North America and/or Israel.

Withdrawals of any interest is subject to an initial 12-month lock-up period, commencing on the subscription date on which such interest is acquired ("lock-up period"). Following the expiration of the lock-up period, which expired during 2012, the Settlement is permitted to make a complete or partial withdrawal of its interest as of the close of the last business day of each June and December. There are no unfunded commitments at June 30, 2016 and 2015.

Investment Risks and Uncertainties

The Settlement invests in various investment securities which, like all investment securities, fluctuate in value. It is possible that such fluctuations could materially affect the amounts reported in the financial statements. The categorization of an investment within the fair value hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the perceived risk of the investment.

Grand Street Settlement, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

5. Investments (continued)

Investment Risks and Uncertainties (continued)

Private equity investments consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, venture capital funds, hedge funds, private equity funds and common trust funds. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment. Management utilizes audited financial statements for such private equity investments as part of its on-going due diligence and annual financial statement valuation process. However, the year-end of such private equity investment typically does not coincide with that of the Settlement. Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

6. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$ 492,849	\$ 492,849
Furniture, fixtures and computer equipment	<u>843,077</u>	<u>807,078</u>
	1,335,926	1,299,927
Accumulated depreciation	<u>(1,296,795)</u>	<u>(1,274,100)</u>
	<u>\$ 39,131</u>	<u>\$ 25,827</u>

7. Pension Plan

The Settlement maintains a defined contribution pension plan covering all full-time employees. The Settlement's contributions are based on specified percentages of each employee's salary. Pension expense for the years ended June 30, 2016 and 2015 totaled \$199,456 and \$166,056.

8. Donated Occupancy and Services

The Settlement occupies space in a New York City Housing Authority-owned building without charge. The estimated fair rental value of these premises is \$1,350,351 and \$1,089,064, for the years ended June 30, 2016 and 2015. The Settlement also has received donated services of \$426,794 and \$463,153 for the years ended June 30, 2016 and 2015.

Grand Street Settlement, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

9. Temporarily Restricted Net Assets

Activity in temporarily restricted net assets is as follows for the years ended June 30:

	2016			
	<u>Net Assets June 30, 2015</u>	<u>Additions</u>	<u>Net Assets Released</u>	<u>Net Assets June 30, 2016</u>
Youth services and case management programs	\$ 814,187	\$ 1,149,499	\$ 1,080,268	\$ 883,418
General operating	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
	<u>\$ 1,814,187</u>	<u>\$ 1,149,499</u>	<u>\$ 1,080,268</u>	<u>\$ 1,883,418</u>

	2015			
	<u>Net Assets June 30, 2014</u>	<u>Additions</u>	<u>Net Assets Released</u>	<u>Net Assets June 30, 2015</u>
Youth services and case management programs	\$ 494,611	\$ 1,043,000	\$ 723,424	\$ 814,187
General operating	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
	<u>\$ 1,494,611</u>	<u>\$ 1,043,000</u>	<u>\$ 723,424</u>	<u>\$ 1,814,187</u>

10. Endowment Funds

The Settlement maintains various donor-restricted funds whose purpose is to provide long term support for its programs. In classifying such funds for financial statement purposes as either permanently restricted, temporarily restricted or unrestricted net assets, management looks to the explicit directions of the donor where applicable and the provisions of the laws of the State of New York.

Endowment

On September 17, 2010, New York State adopted its version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). New York State's version of UPMIFA is known as NYPMIFA. NYPMIFA includes provisions that differ from previous law, including the elimination of the historic dollar value rule with respect to endowment spending, establishment of new standards governing the expenditure and modification of restrictions on endowment funds, and revision of the prudence standard for the management and investment of endowment funds.

Grand Street Settlement, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

10. Endowment Funds (*continued*)

Interpretation of Relevant Law

The Board of Directors of the Settlement has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Settlement 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 Settlement in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate objectives within the established risk parameters the Settlement's assets are divided into asset classes consisting of equities and fixed income investments.

Return Objectives and Risk Parameters

The Settlement's endowment investment policy is to invest in a multi-asset class portfolio based on an asset allocation to satisfy overall endowment financial and investment objectives such as to preserve the principal, protect against inflation, receive stable returns and achieve long term growth. The Settlement relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy

Spending will be at the discretion of the Board of Directors of the Settlement as determined by the governing documents for the various restricted funds that make up the portfolio and applicable federal and state laws.

In order for the Settlement to meet its needs, its investment strategy emphasizes total return: that is, the aggregate return from capital appreciation, dividend and interest income. The primary objective in the investment management of assets is income and growth, to achieve a balanced return of current income and growth of principal.

Grand Street Settlement, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

10. Endowment Funds *(continued)*

Spending Policy *(continued)*

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

	2016	
	Unrestricted	Permanently Restricted
Balance, June 30, 2015	\$ (176,011)	\$ 3,460,798
Contribution	-	-
Interest and dividends	64,366	-
Realized loss	(223,161)	-
Board designation	334,806	-
Balance, June 30, 2016	<u>\$ -</u>	<u>\$ 3,460,798</u>

	2015	
	Unrestricted	Permanently Restricted
Balance, June 30, 2014	\$ -	\$ 2,471,909
Contribution	-	988,889
Interest and dividends	55,946	-
Realized loss	(176,011)	-
Appropriated for unrestricted operating purposes	<u>(55,946)</u>	<u>-</u>
Balance, June 30, 2015	<u>\$ (176,011)</u>	<u>\$ 3,460,798</u>

11. Permanently Restricted Net Assets

Permanently restricted net assets consist of donor contributions restricted to endowment whose principal must remain intact in perpetuity. Income earned may be used for general purposes.

12. Loans Payable

The Settlement has an available line of credit with the Chase in the amount of \$1,500,000. Interest rate is 3.95%. The maturity date is May 18, 2017. There were no drawdowns for the years ended June 30, 2016 and 2015.

The Settlement has an available line of credit with the Fiduciary Trust Company International in the amount of \$1,500,000. This line of credit is secured by the Settlement's endowment and is payable on demand. Interest is charged at prime less .25%. The outstanding balance on the loan payable at June 30, 2016 was \$661,194. Interest expense for the year ended June 30, 2016 was approximately \$4,500.

Grand Street Settlement, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

12. Loans Payable (*continued*)

In July of 2015, the Settlement was approved for an interest free loan in the amount of \$120,000 from Deutsche Bank Americas Foundation. The Settlement received \$80,000 of this interest free loan in fiscal year 2016 which is to be used for charitable purposes as set forth in the original proposal. The remaining \$40,000 of the interest free loan will be received in fiscal year 2017. The outstanding balance on the loan payable at June 30, 2016 was \$80,000. Repayment terms requires the Settlement to make three installments in the amount of \$40,000 each year on March 31, 2018, 2019 and 2020.

13. Construction Project

The Settlement is the lead community partner for the mixed-use project being developed in conjunction with Delancey Street Associates in the lower east side. This site will contain a new 10,500 square foot senior center and a 2,500 square foot social enterprise café at Essex Crossing. Delancey Street Associates will be contributing approximately \$2 million for the build-out of both facilities. The Settlement is expected to occupy space in the new building commencing in 2018.

* * * * *