

Grand Street Settlement, Inc.

Financial Statements

June 30, 2017 and 2016

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, 2017 and 2016, 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, 2017 and 2016, 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 21, 2017

Grand Street Settlement, Inc.

Financial Statements

June 30, 2017 and 2016

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Grand Street Settlement, Inc.
Statements of Financial Position

	June 30,	
	2017	2016
ASSETS		
Cash	\$ 463,243	\$ 250,144
Contributions receivable, net	671,024	600,792
Due from government agencies	3,528,604	2,911,130
Prepaid expenses and other assets	232,339	135,722
Investments	7,548,560	6,878,305
Property and equipment, net	209,362	39,131
	\$ 12,653,132	\$ 10,815,224
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and other liabilities	\$ 728,102	\$ 908,365
Accrued payroll and related liabilities	839,540	966,883
Deferred revenue	-	7,583
Advances from government agencies	524,722	40,691
Loans payable	420,000	741,194
Total Liabilities	2,512,364	2,664,716
 Net Assets		
Unrestricted	4,650,120	2,806,292
Temporarily restricted	2,029,850	1,883,418
Permanently restricted	3,460,798	3,460,798
Total Net Assets	10,140,768	8,150,508
	\$ 12,653,132	\$ 10,815,224

See notes to financial statements

Grand Street Settlement, Inc.
Statements of Activities

	Year Ended June 30, 2017		Year Ended June 30, 2016	
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted
PUBLIC SUPPORT AND REVENUE				
Government grants	\$ 17,867,969	\$ -	\$ 15,291,416	\$ -
Contributions	448,885	1,302,100	787,582	1,149,499
Special events, net of direct benefit to participants of \$425,042 and \$134,927	1,022,423	-	182,205	-
Donated occupancy and services	1,834,803	-	1,777,145	-
Program service fees	197,561	-	178,050	-
Investment return designated for current use	295,131	-	342,725	-
Miscellaneous income	34,894	-	2,892	-
Net assets released from restrictions	1,155,668	(1,155,668)	1,080,268	(1,080,268)
Total Public Support and Revenue	<u>22,857,334</u>	<u>146,432</u>	<u>19,642,283</u>	<u>69,231</u>
				<u>19,711,514</u>
EXPENSES				
Program Services				
Early childhood programs	8,344,272	-	8,492,380	-
Youth services	1,936,443	-	1,742,099	-
School-based counseling services	1,240,827	-	1,193,046	-
Case management	273,726	-	226,423	-
Community development	6,817,278	-	4,522,616	-
Senior programs	881,683	-	1,065,564	-
Mental health initiative	84,894	-	95,793	-
Total Program Services	<u>19,579,123</u>	<u>-</u>	<u>17,337,921</u>	<u>-</u>
Supporting Services				
Management and general	1,399,891	-	1,515,547	-
Fundraising	744,487	-	722,889	-
Total Supporting Services	<u>2,144,378</u>	<u>-</u>	<u>2,238,436</u>	<u>-</u>
Total Expenses	<u>21,723,501</u>	<u>-</u>	<u>19,576,357</u>	<u>-</u>
Excess of Public Support and Revenue Over Expenses	1,133,833	146,432	65,926	69,231
				<u>135,157</u>
NON-OPERATING ACTIVITIES				
Investment return, net of amount designated for current use	709,995	-	(731,444)	-
Change in Net Assets	1,843,828	146,432	(665,518)	69,231
NET ASSETS				
Beginning of year	2,806,292	1,883,418	3,471,810	3,460,798
End of year	<u>\$ 4,650,120</u>	<u>\$ 2,029,850</u>	<u>\$ 2,806,292</u>	<u>\$ 3,460,798</u>
				<u>\$ 8,150,508</u>

Grand Street Settlement, Inc.

Statement of Functional Expenses
Year Ended June 30, 2017

	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
PERSONNEL COSTS											
Salaries	\$ 3,938,413	\$ 996,449	\$ 659,955	\$ 198,642	\$ 4,121,392	\$ 428,493	\$ 45,800	\$ 10,389,144	\$ 601,717	\$ 438,160	\$ 1,039,877
Employee benefits and payroll related taxes	964,912	244,130	161,689	48,667	1,008,734	104,981	11,221	2,544,334	146,276	107,349	253,625
Total Personnel Costs	4,903,325	1,240,579	821,644	247,309	5,130,126	533,474	57,021	12,933,478	747,993	545,509	1,293,502
OTHER THAN PERSONNEL COSTS											
Program supplies	365,908	151,878	49,769	1,124	336,060	30,362	1,537	936,638	52,003	5,289	57,292
Office rent and occupancy expense	36,498	-	-	-	8,444	79,520	-	44,942	-	-	-
Donated occupancy and services	1,439,121	-	-	-	270,600	30,847	-	1,789,241	45,562	-	45,562
Repairs and maintenance	47,337	1,013	300	2,561	33,032	30,847	58	115,148	13,003	26	13,029
Equipment	74,008	27,754	9,326	1,569	51,986	8,051	534	173,228	48,059	7,726	55,785
Office expense	39,962	19,013	1,942	1,381	20,034	6,155	45	88,532	5,083	1,219	6,302
Staff travel	4,126	1,588	323	-	1,317	-	-	7,354	6,275	99	6,374
Professional services	403,431	71,558	30,105	15,724	293,327	16,631	10,459	841,235	115,464	10,480	125,944
Consultant	597,690	80,969	171,377	-	36,230	28,266	5,613	920,145	102,326	113,759	216,085
Dues and fees	8,493	20	-	-	-	-	-	8,513	25,228	5,640	30,868
Food	170,488	27,690	35,248	711	65,654	120,387	453	420,631	3,931	339	4,270
Hospitality expense	3,023	1,790	-	-	-	-	-	4,813	28,271	2,417	30,688
Parent and participant activity	53,266	226,259	90,541	-	482,047	9,600	7,985	869,698	7,868	1,760	9,628
Insurance	69,269	17,622	10,704	3,208	49,350	5,771	758	156,682	11,600	2,098	13,698
Printing	7,975	310	5,203	-	285	2,336	-	16,109	1,182	12,978	14,160
Postage	2,541	264	740	56	1,527	143	46	5,317	962	2,979	3,941
Conferences and training	100,836	21,934	2,543	8	19,820	167	180	145,480	55,059	11,964	67,023
Services	10,235	3,152	-	-	5,205	35	-	18,635	2,345	17	2,362
Bank charges and other fees	-	-	-	-	-	-	-	-	35,712	14	35,726
Bad debt expense	-	210	2,094	75	4,741	582	205	-	25,789	-	25,789
Miscellaneous expense	-	-	-	-	-	-	-	-	17,610	6,467	24,077
Depreciation	-	-	-	-	-	-	-	-	26,731	-	26,731
Special events	798	42,840	8,968	-	15,937	912	-	69,455	21,835	13,707	35,542
TOTAL	\$ 8,344,272	\$ 1,936,443	\$ 1,240,827	\$ 273,726	\$ 6,817,278	\$ 881,683	\$ 84,894	\$ 19,579,123	\$ 1,399,891	\$ 744,487	\$ 2,144,378
											\$ 21,723,501

Grand Street Settlement, Inc.

Statements of Cash Flows

	Year Ended June 30,	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,990,260	\$ (596,287)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	26,731	22,695
Bad debt expense	25,789	125,729
Realized and unrealized (gain) loss on investments	(968,165)	443,532
Discount on contributions receivable	4,219	-
Changes in operating assets and liabilities		
Contributions receivable	(74,451)	(100,518)
Due from government agencies	(643,263)	(1,315,633)
Prepaid expenses and other assets	(96,617)	(67,963)
Accounts payable and other liabilities	(180,263)	(274,853)
Accrued payroll and related liabilities	(127,343)	347,017
Deferred revenue	(7,583)	(19,043)
Advances from government agencies	484,031	27,923
Net Cash from Operating Activities	<u>433,345</u>	<u>(1,407,401)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,056,150)	(2,020,540)
Proceeds from sale of investments	1,354,060	2,357,782
Purchase of property and equipment	(196,962)	(35,999)
Net Cash from Investing Activities	<u>100,948</u>	<u>301,243</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan	340,000	741,194
Repayments of loan	(661,194)	-
Net Cash from Financing Activities	<u>(321,194)</u>	<u>741,194</u>
Net Change in Cash	213,099	(364,964)
 CASH		
Beginning of year	<u>250,144</u>	<u>615,108</u>
End of year	<u>\$ 463,243</u>	<u>\$ 250,144</u>
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 9,024	\$ 9,404

See notes to financial statements

Grand Street Settlement, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

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 School's Out New York City ("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, 2017 and 2016

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

Donated Occupancy and Services

Donated occupancy expense are recorded for space provided to the Settlement for program purposes for which rent is not currently being charged. The donated transactions are reviewed periodically to ensure that estimates recorded reasonably reflect the estimated fair value of contributed rent. Contributed professional services are recognized if the services create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills.

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, 2017 and 2016.

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.

Grand Street Settlement, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

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

Fair Value of Financial Instruments (continued)

Pursuant to U.S. GAAP guidance, investments where fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient are not categorized within the fair value hierarchy.

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.

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, 2017 and 2016

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. 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, 2014.

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 21, 2017.

Grand Street Settlement, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

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, investments and receivables. At June 30, 2017 and 2016, the Settlement exceeded FDIC limits by \$794,636 and \$746,236. The Settlement's investments are managed by professional management firms and are reviewed by the Board of Directors.

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>2017</u>	<u>2016</u>
Contributions due:		
Within one year	\$ 525,243	\$600,792
Within two to five years	<u>150,000</u>	<u>-</u>
	675,243	600,792
Discount to present value	<u>(4,219)</u>	<u>-</u>
	<u>\$ 671,024</u>	<u>\$600,792</u>

A present value discount rate from the U.S Department of the Treasury Yield Curve Rate has been calculated using discount factors that approximate the risk and expected timing of future contribution payments.

5. Investments

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

	<u>2017</u>	
	<u>Level 1</u>	<u>Total</u>
Equity securities	\$5,727,571	\$ 5,727,571
Fixed income	<u>714,015</u>	<u>714,015</u>
	<u>\$6,441,586</u>	6,441,586
Accounts receivable - private equity fund		<u>1,106,974</u>
		<u>\$ 7,548,560</u>

Grand Street Settlement, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

5. Investments (continued)

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

During the years ended June 30, 2017 and 2016, there were no transfers in or out of Levels 1, 2 or 3 of the fair value hierarchy.

Net investment activity for the years ended June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 118,878	\$ 127,928
Realized and unrealized gain (loss) on investments	968,165	(443,532)
Total Investment Return	1,087,043	(315,604)
Investment advisory and custodial fees	(81,917)	(73,115)
	<u>\$ 1,005,126</u>	<u>\$ (388,719)</u>
Total investment income allocated to:		
Operating revenue*	\$ 295,131	\$ 342,725
Non-operating activities*	709,995	(731,444)
	<u>\$ 1,005,126</u>	<u>\$ (388,719)</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.

Grand Street Settlement, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

5. Investments (continued)

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. The Settlement redeemed its investment in the Fund in full during 2017.

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.

6. Property and Equipment

Property and equipment consist of the following at June 30:

	2017	2016
Leasehold improvements	\$ 492,849	\$ 492,849
Furniture, fixtures and computer equipment	946,480	843,077
Construction in progress - Essex Crossing	93,559	-
	1,532,888	1,335,926
Accumulated depreciation	(1,323,526)	(1,296,795)
	<u>\$ 209,362</u>	<u>\$ 39,131</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, 2017 and 2016 totaled \$169,589 and \$199,456.

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 \$1,282,952 and \$1,350,351 for the years ended June 30, 2017 and 2016. The Settlement also has received donated services of \$551,851 and \$426,794 for the years ended June 30, 2017 and 2016.

Grand Street Settlement, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

9. Temporarily Restricted Net Assets

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

	2017			
	Net Assets June 30, 2016	Additions	Net Assets Released	Net Assets June 30, 2017
Youth services and case management programs	\$ 883,418	\$ 1,302,100	\$ 1,155,668	\$ 1,029,850
General operating	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
	<u>\$ 1,883,418</u>	<u>\$ 1,302,100</u>	<u>\$ 1,155,668</u>	<u>\$ 2,029,850</u>
	2016			
	Net Assets June 30, 2015	Additions	Net Assets Released	Net Assets June 30, 2016
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>

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, 2017 and 2016

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.

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, 2017 and 2016

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:

	2017	
	Unrestricted	Permanently Restricted
Balance, June 30, 2016	\$ -	\$ 3,460,798
Interest and dividends	41,001	-
Unrealized and realized gain	333,917	-
Appropriated for expenditure	(41,001)	-
Balance, June 30, 2017	\$ 333,917	\$ 3,460,798
	2016	
	Unrestricted	Permanently Restricted
Balance, June 30, 2015	\$ (176,011)	\$ 3,460,798
Interest and dividends	64,366	-
Unrealized and realized loss	(223,161)	-
Board designation	334,806	-
Balance, June 30, 2016	\$ -	\$ 3,460,798

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 Chase Bank in the amount of \$1,500,000. The interest rate is 3.95%. The balance of the line of credit at June 30, 2017 was \$300,000. This balance was paid in August 2017 and the line of credit was closed.

The Settlement has an available line of credit with 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, 2017 and 2016 was \$- and \$661,194. Interest expense for the years ended June 30, 2017 and 2016 was approximately \$9,000 and \$9,500.

Grand Street Settlement, Inc.

Notes to Financial Statements
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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 and the remaining \$40,000 of the interest free loan was received in fiscal year 2017. The outstanding balance on the loan payable at June 30, 2017 was \$120,000. 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. Subsequent Events

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.

Also in 2018, the Settlement will begin renovating their lower east side location at 80 Pitt Street. This renovation will focus on upgrading the space for current accessibility requirements, fire safety standards and needed updates to the facilities. The Settlement anticipates that the renovation will cost approximately \$5.3 million.

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