

INDEPENDENT AUDITORS' REPORT

Board of Trustees
The New York City Church of Christ, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of The New York City Church of Christ, Inc. (the "Church"), which are comprised of the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Church's 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The New York City Church of Christ, Inc. as of December 31, 2013 and 2012, 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.



New York, New York
June 2, 2014

THE NEW YORK CITY CHURCH OF CHRIST, INC.

Statements of Financial Position

	December 31,	
	2013	2012
ASSETS		
Cash and cash equivalents	\$ 709,740	\$ 433,385
Investments	1,428,452	2,179,711
Receivables and other assets	164,710	135,485
Property and equipment, net	38,643	44,417
Beneficial interest in a charitable lead annuity trust	597,366	597,366
	<u>\$ 2,938,911</u>	<u>\$ 3,390,364</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 158,291	\$ 201,460
Deferred revenue	29,028	6,520
	<u>187,319</u>	<u>207,980</u>
Commitments (Note G)		
Net assets:		
Unrestricted	826,375	1,079,655
Unrestricted - board-designated	1,034,880	1,037,402
Total unrestricted net assets	1,861,255	2,117,057
Temporarily restricted	890,337	1,065,327
Total net assets	<u>2,751,592</u>	<u>3,182,384</u>
	<u>\$ 2,938,911</u>	<u>\$ 3,390,364</u>

THE NEW YORK CITY CHURCH OF CHRIST, INC.

Statements of Activities

	Year Ended December 31,					
	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue:						
Weekly contributions	\$ 5,321,367		\$ 5,321,367	\$ 5,036,199	\$ 675,600	\$ 5,036,199
Mission contributions		\$ 680,600	680,600			675,600
Special contributions	306,278		306,278	271,917		271,917
Other contributions	120,693	141,642	262,335	5,809	49,114	54,923
Benevolence		258,508	258,508		240,173	240,173
Investment income	14,598		14,598	10,867		10,867
Special events fee income	489,951		489,951	384,765		384,765
Charitable trust contributions		23,982	23,982		24,996	24,996
Total public support and revenue before net assets released from restrictions	6,252,887	1,104,732	7,357,619	5,709,557	989,883	6,699,440
Net assets released from restrictions - satisfaction of program restrictions	1,279,722	(1,279,722)	0	1,085,834	(1,085,834)	0
Total public support and revenue	7,532,609	(174,990)	7,357,619	6,795,391	(95,951)	6,699,440
Expenses:						
Ministry	6,957,108		6,957,108	6,167,689		6,167,689
Administration	831,303		831,303	857,441		857,441
Total expenses	7,788,411		7,788,411	7,025,130		7,025,130
Change in net assets						
Net assets - beginning of year	(255,802)	(174,990)	(430,792)	(229,739)	(95,951)	(325,690)
	2,117,057	1,065,327	3,182,384	2,346,796	1,161,278	3,508,074
Net assets - end of year	\$ 1,861,255	\$ 890,337	\$ 2,751,592	\$ 2,117,057	\$ 1,065,327	\$ 3,182,384

See notes to financial statements

THE NEW YORK CITY CHURCH OF CHRIST, INC.

Statements of Cash Flows

	Year Ended December 31,	
	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ (430,792)	\$ (325,690)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
In-kind contribution of equipment	(3,000)	
Depreciation	21,577	17,800
Net unrealized and realized loss (gain) on investments	7,433	(1,311)
Changes in:		
Receivables and other assets	(29,225)	47,791
Beneficial interest in a charitable lead annuity trust		35,426
Accounts payable and accrued liabilities	(43,169)	(17,719)
Deferred revenue	22,508	(21,435)
Net cash used in operating activities	<u>(454,668)</u>	<u>(265,138)</u>
Cash flows from investing activities:		
Proceeds from the maturity of investments	2,180,000	670,403
Purchases of investments	(1,436,174)	(541,735)
Purchases of property and equipment	<u>(12,803)</u>	<u>(13,096)</u>
Net cash provided by investing activities	<u>731,023</u>	<u>115,572</u>
Net change in cash and cash equivalents	276,355	(149,566)
Cash and cash equivalents - beginning of year	<u>433,385</u>	<u>582,951</u>
Cash and cash equivalents - end of year	<u>\$ 709,740</u>	<u>\$ 433,385</u>
Supplemental disclosure of cash flow information:		
Donated securities	<u>\$ 10,326</u>	<u>\$ 2,739</u>
Donated equipment	<u>\$ 3,000</u>	

THE NEW YORK CITY CHURCH OF CHRIST, INC.

Notes to Financial Statements December 31, 2013 and 2012

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

The New York City Church of Christ, Inc. (the "Church") is a nondenominational church. The Church was established and incorporated under the laws of the State of New York in 1983 and currently ministers to the New York/New Jersey metropolitan area, as well as to foreign missions, as needed.

As a religious organization, the Church is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and from state and local taxes under comparable laws.

[2] Basis of accounting:

The accompanying financial statements of the Church have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

[3] Cash and cash equivalents:

For financial reporting purposes, the Church considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At times, such investments may exceed federally insured limits.

[4] Investments:

Investments consist of certificates of deposit that are carried at fair value, with realized and unrealized gains and losses included in the accompanying statements of activities. Donated securities are recorded at their fair values on the dates of donation. It is the Church's policy to sell all donated securities within a reasonable period.

[5] Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from those estimates.

[6] Property and equipment:

Property and equipment are recorded at cost and depreciated over estimated useful lives of five years for furniture and equipment. Leasehold improvements are depreciated over the life of the lease, and computer equipment is depreciated over three years, using the straight-line method.

[7] Net assets:

Net assets of the Church are classified and reported as follows:

(i) *Unrestricted and board-designated:*

Unrestricted net assets represent resources that are not subject to donor-imposed restrictions. Included in unrestricted net assets are unrestricted amounts that have been appropriated or designated by the Church's Board of Trustees for specific or general purposes.

THE NEW YORK CITY CHURCH OF CHRIST, INC.

Notes to Financial Statements December 31, 2013 and 2012

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Net assets: (continued)

(ii) Temporarily restricted:

Temporarily restricted net assets represent those resources that have been restricted by donors for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose-restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the accompanying statements of activities as net assets released from restrictions.

[8] Support and revenue:

Contributions are recorded as revenue upon the receipt of cash or securities. Contributions are considered available for unrestricted use, unless specifically restricted by the donor, and consist of the following categories:

Weekly contributions - Donations from Church members at regular weekly services. Weekly contributions are used for general operations, as well as special programs of the Church.

Missions contributions - Donations from Church members which are designated for specific foreign mission churches and medical programs in Africa and the Caribbean.

Special contributions - Donations from Church members which are for selective programs within the Church.

Special events fee income - Registration fees for various ministry special events, such as youth camps, marriage seminars, campus retreats and singles events. Amounts received in advance of the services performed are recorded as deferred revenue.

Benevolence - Donations from Church members which are designated for the poor and needy through financial or material assistance.

Other revenue - Revenue from interest income and miscellaneous member donations. The revenue is used to support general operations and special ministries within the Church.

Donated securities - Donated securities are recorded at their fair values as of the dates of donation. The Church's policy is to sell all donated securities immediately.

[9] Functional allocation of expenses:

The cost of providing the Church's program and supporting services has been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the program and supporting services in ratios determined by management (see Note H).

[10] Income taxes:

The Church is subject to the provisions of the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") Topic 740-10-05 relating to accounting and reporting for uncertainty in income taxes. Because of the Church's general tax-exempt status, the adoption of ASC 740-10-05 has not had, and is not expected to have, a material impact on the Church's financial statements.

THE NEW YORK CITY CHURCH OF CHRIST, INC.

Notes to Financial Statements December 31, 2013 and 2012

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[11] Fair value measurements:

The Church reports a fair value measurement of all applicable financial assets and liabilities, including investments, receivables and short-term payables.

[12] Subsequent events:

The Church considers all of the accounting treatments and related disclosures in the current year's financial statements that may be required as the result of all events or transactions that occur after year-end through the date of the independent auditors' report.

[13] Reclassification:

Certain information in the 2012 financial statements has been reclassified to conform to the accompanying 2013 presentation.

NOTE B - INVESTMENTS

At each year-end, investments consisted of certificates of deposit with a cost and fair value of \$1,436,174 and \$1,428,452, respectively, at December 31, 2013, and a cost and fair value of \$2,180,000 and \$2,179,711, respectively, at December 31, 2012.

For each year, investment income consisted of the following:

	Year Ended December 31,	
	2013	2012
Interest and dividends	\$ 22,031	\$ 9,556
Net unrealized and realized (loss) gain	<u>(7,433)</u>	<u>1,311</u>
	<u>\$ 14,598</u>	<u>\$ 10,867</u>

ASC 820-10-05 establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1 - Valuations are based on observable inputs that reflect quoted market prices in active markets for those investments, or similar investments, at the reporting date.
- Level 2 - Valuations are based on (i) quoted prices for those investments, or similar investments, in active markets, or (ii) quoted prices for those investments, or similar investments in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 2 assets include those investments that are redeemable at or near the balance sheet date and for which a model was derived for valuation.
- Level 3 - Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments, or (ii) the investments cannot be independently valued, or (iii) the investments cannot be immediately redeemed at or near year-end.

The Church's investments are included entirely in Level 2 of the fair-value hierarchy.

THE NEW YORK CITY CHURCH OF CHRIST, INC.

Notes to Financial Statements December 31, 2013 and 2012

NOTE C - PROPERTY AND EQUIPMENT

At each year-end, the Church's property and equipment consisted of the following:

	December 31,	
	2013	2012
Furniture and equipment	\$ 203,797	\$ 228,122
Leasehold improvements	<u>62,422</u>	<u>77,102</u>
	266,219	305,224
Less accumulated depreciation	<u>(227,576)</u>	<u>(260,807)</u>
	<u>\$ 38,643</u>	<u>\$ 44,417</u>

Depreciation expense for 2013 and 2012 was \$21,577 and \$17,800, respectively. During 2013 and 2012, the Church wrote off fully depreciated leasehold improvements and equipment of \$54,808 and \$43,898, respectively.

NOTE D - BENEFICIAL INTEREST IN A CHARITABLE LEAD ANNUITY TRUST

On December 31, 2010, the Church became the beneficiary of an irrevocable charitable lead annuity trust ("the Trust"). Under the Trust agreement, the Church is estimated to receive annual annuity payments of approximately \$50,400, payable quarterly, for twenty years. The funds in the Trust are managed by an unrelated trustee and represent an interest in a limited partnership. During 2013 and 2012, the Church recognized contribution revenue from the Trust agreement of approximately \$24,000 and \$25,000, respectively, representing the amortization of the present value of the estimated future annuity payments, using a discount rate of 4%. Actual annuity payments received during 2012 were approximately \$61,000. Subsequent to December 31, 2013, annuity payments of approximately \$50,000 were received. The estimated fair value as of both December 31, 2013 and 2012 is approximately \$597,000.

The beneficial interest in a charitable lead annuity trust is included in Level 3 of the fair-value hierarchy.

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

At each year-end, temporarily restricted net assets were available to satisfy the following purposes:

	December 31,	
	2013	2012
Specific programs:		
Missions	\$ 191,712	\$ 186,153
Adoption activities	10,280	10,280
Children's programs	3,866	2,615
Ministry activities	63,131	232,392
Building fund		36,521
Time-restricted:		
Charitable trust (Note D)	597,366	597,366
Interest receivable (charitable trust)	<u>23,982</u>	
	<u>\$ 890,337</u>	<u>\$ 1,065,327</u>

THE NEW YORK CITY CHURCH OF CHRIST, INC.

Notes to Financial Statements December 31, 2013 and 2012

NOTE E - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

During each year, net assets released from restrictions consisted of the following:

	Year Ended December 31,	
	2013	2012
Specific programs:		
Missions	\$ 695,041	\$ 503,497
Ministry activities	274,261	250,019
Benevolence	258,508	240,173
Children's programs	15,390	26,723
Building fund	36,522	
Adoption activities		5,000
Time restricted:		
Charitable trust (Note D)		60,422
	<u>\$ 1,279,722</u>	<u>\$ 1,085,834</u>

NOTE F - RETIREMENT PLAN

The Church sponsors a tax-deferred annuity retirement plan under Section 403(b) of the Internal Revenue Code. Employer contributions to the plan for 2013 and 2012 were \$75,118 and \$62,661, respectively.

NOTE G - COMMITMENTS

In April 2013, the Church entered into a new lease agreement for property at 400 Plaza Drive, Secaucus, New Jersey, for use as its corporate headquarters. The Lease expires in November 2018 and requires monthly payments of approximately \$3,900, increasing annually through November 2018.

For years subsequent to 2013, minimum future rental commitments under the lease agreements, including the new corporate headquarters lease, are expected to be as follows:

Year Ending December 31,	Amount
2014	\$ 47,357
2015	48,301
2016	49,245
2017	50,189
2018	<u>42,480</u>
	<u>\$ 237,572</u>

Rental expense for administrative offices for 2013 and 2012 was \$48,209 and \$48,882, respectively.

In addition, in order to conduct its weekly services, the Church has entered into short-term lease agreements for the use of various facilities throughout the New York/New Jersey metropolitan area. Rent expense for these facilities for 2013 and 2012 amounted to \$1,284,616 and \$1,127,162, respectively.

THE NEW YORK CITY CHURCH OF CHRIST, INC.

Notes to Financial Statements December 31, 2013 and 2012

NOTE H - SCHEDULE OF FUNCTIONAL EXPENSES

The Church has functionalized its expenses into two categories, ministry and administration.

Ministry expenses are costs directly incurred as the Church ministers to the New York/New Jersey metropolitan area. This category of expenses includes minister salaries, benefits, professional reimbursement of ministry-related expenses, facility rental fees, and contributions to other charitable organizations. In addition, various special event fee income related to youth camps, marriage seminars, campus retreats and singles events are recorded as ministry expenses. Ministry expenses also include immaterial fund-raising expenses for 2013 and 2012.

Included in administration expenses are those costs necessary to operate the Church office and congregational administrative functions. These consist of office staff salaries, benefits, office rent, telephone, utilities, professional fees and services, and other miscellaneous expenses associated with the daily operations of the Church office.

Expenses were allocated to functional categories as follows:

	Year Ended December 31,					
	2013			2012		
	Ministry	Administration	Total	Ministry	Administration	Total
Salaries	\$ 1,964,229	\$ 486,770	\$ 2,450,999	\$ 1,828,173	\$ 556,133	\$ 2,384,306
Parsonage	803,435		803,435	698,311		698,311
Payroll tax	73,926	33,454	107,380	65,602	39,378	104,980
Pension	66,168	8,950	75,118	51,915	10,746	62,661
Benefits	411,491	62,395	473,886	349,152	43,138	392,290
Rent	1,284,616	48,209	1,332,825	1,127,162	48,882	1,176,044
Insurance		60,115	60,115	15,179	47,557	62,736
Professional fees		33,509	33,509		34,857	34,857
Bank charges		18,557	18,557	11,811	5,750	17,561
Telephone and utilities	4,148	7,518	11,666	4,123	6,619	10,742
Supplies	95,727	29,974	125,701	68,784	23,455	92,239
Depreciation		21,577	21,577		17,800	17,800
Other	133,494	13,749	147,243	79,217	13,749	92,966
Ministry expenses:						
Professional ministry expenses	253,397		253,397	223,916		223,916
Special events	453,575		453,575	457,421		457,421
Recruitment	296		296	28,150		28,150
Missions	672,108		672,108	487,203		487,203
Benevolence	242,298	93	242,391	191,704	398	192,102
Adoption				5,000		5,000
Education and training	75,129	6,433	81,562	85,174	8,979	94,153
Regional ministry development	423,071		423,071	389,692		389,692
	<u>\$ 6,957,108</u>	<u>\$ 831,303</u>	<u>\$ 7,788,411</u>	<u>\$ 6,167,689</u>	<u>\$ 857,441</u>	<u>\$ 7,025,130</u>

THE NEW YORK CITY CHURCH OF CHRIST, INC.

Notes to Financial Statements December 31, 2013 and 2012

NOTE I - CONCENTRATION OF CREDIT RISK

The Church maintains its cash and investments in high-credit-quality financial institutions in amounts which, at times, may exceed federally insured limits. Management believes that the Church is not exposed to any significant risk of loss due to the failure of the financial institutions.