

INDEPENDENT AUDITORS' REPORT

Board of Trustees
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, 2015 and 2014, 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 auditors' judgments, 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 auditors consider 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, 2015 and 2014, 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 13, 2016

NEW YORK CITY CHURCH OF CHRIST, INC.

Statements of Financial Position

	December 31,	
	2015	2014
ASSETS		
Cash and cash equivalents	\$ 424,762	\$ 601,299
Investments	1,784,636	1,495,901
Receivables and other assets	251,930	206,925
Property and equipment, net	36,044	35,665
Beneficial interest in a charitable lead annuity trust	570,926	570,926
	<u>\$ 3,068,298</u>	<u>\$ 2,910,716</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 168,779	\$ 182,211
Deferred revenue	16,563	39,196
	<u>185,342</u>	<u>221,407</u>
Commitments (Note G)		
Net assets:		
Unrestricted	856,632	727,850
Unrestricted - board-designated	1,034,880	1,034,880
Total unrestricted net assets	1,891,512	1,762,730
Temporarily restricted	991,444	926,579
	<u>2,882,956</u>	<u>2,689,309</u>
Total net assets	<u>\$ 3,068,298</u>	<u>\$ 2,910,716</u>

NEW YORK CITY CHURCH OF CHRIST, INC.

Statements of Activities

	Year Ended December 31,					
	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue:						
Weekly contributions	\$ 5,532,330	\$ 675,600	\$ 5,532,330	\$ 5,452,643	\$ 675,600	\$ 5,452,643
Mission contributions			675,600			675,600
Special contributions	442,873		442,873	397,763		397,763
Other contributions	2,795	93,177	95,972	104,253	121,038	225,291
Benevolence		282,771	282,771		275,604	275,604
Investment returns	3,432		3,432	8,428		8,428
Special events fee income	624,765		624,765	258,540		258,540
Charitable trust contributions		21,783	21,783		22,905	22,905
Total public support and revenue before net assets released from restrictions	6,606,195	1,073,331	7,679,526	6,221,627	1,095,147	7,316,774
Net assets released from restrictions - satisfaction of restrictions	1,008,466	(1,008,466)	0	1,058,905	(1,058,905)	0
Total public support and revenue	7,614,661	64,865	7,679,526	7,280,532	36,242	7,316,774
Expenses:						
Ministry	6,576,745		6,576,745	6,499,857		6,499,857
Administration	909,134		909,134	879,200		879,200
Total expenses	7,485,879		7,485,879	7,379,057		7,379,057
Change in net assets						
Net assets - beginning of year	128,782	64,865	193,647	(98,525)	36,242	(62,283)
	1,762,730	926,579	2,689,309	1,861,255	890,337	2,751,592
Net assets - end of year	\$ 1,891,512	\$ 991,444	\$ 2,882,956	\$ 1,762,730	\$ 926,579	\$ 2,689,309

See notes to financial statements.

NEW YORK CITY CHURCH OF CHRIST, INC.

Statements of Cash Flows

	Year Ended December 31,	
	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 193,647	\$ (62,283)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	15,165	18,832
Donated securities	(5,327)	(15,273)
Proceeds from donated securities	5,276	15,273
Net unrealized and realized losses on investments	8,334	12,544
Changes in:		
Receivables and other assets	(45,005)	(42,215)
Beneficial interest in a charitable lead annuity trust		26,440
Accounts payable and accrued liabilities	(13,432)	23,920
Deferred revenue	(22,633)	10,168
Net cash provided by (used in) operating activities	<u>136,025</u>	<u>(12,594)</u>
Cash flows from investing activities:		
Proceeds from the maturity of investments	1,489,000	1,848,202
Purchases of investments	(1,786,018)	(1,928,195)
Purchases of property and equipment	(15,544)	(15,854)
Net cash used in investing activities	<u>(312,562)</u>	<u>(95,847)</u>
Net decrease in cash and cash equivalents	(176,537)	(108,441)
Cash and cash equivalents - beginning of year	<u>601,299</u>	<u>709,740</u>
Cash and cash equivalents - end of year	\$ <u>424,762</u>	\$ <u>601,299</u>

NEW YORK CITY CHURCH OF CHRIST, INC.

Notes to Financial Statements December 31, 2015 and 2014

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, the values of such cash and cash equivalents may exceed federally insured limits.

[4] Investments:

Investments consist of certificates of deposits and are reported at their fair values in the accompanying statements of financial position, with realized and unrealized gains and losses included in the accompanying statements of activities.

Investment transactions are recorded on a trade-date basis. Realized gains or losses on investments are determined by comparison of the average cost of acquisition to proceeds at the time of disposition. The earnings from dividends and interest are recognized when earned.

Donated securities are recorded at their fair values, as determined by the proceeds received on the dates of sale or by their net asset values. The Church's policy is to sell donated securities immediately, and, accordingly, for purposes of the statements of cash flows, donated securities and the proceeds generated from their sale are included as operating activities.

[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, public support and revenue and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

[6] Property and equipment:

Property and equipment are recorded at their original costs at the dates of acquisition. The Church capitalizes expenditures of property and equipment with a cost of \$1,000 or more and a useful life of greater than one year. Costs of maintenance and repairs are recorded as expenses when incurred. Depreciation of furniture and equipment is provided using the straight-line method over five years. Likewise, leasehold improvements are depreciated over the life of the asset or the term of the lease, whichever is shorter.

NEW YORK CITY CHURCH OF CHRIST, INC.

Notes to Financial Statements December 31, 2015 and 2014

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

[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 either specific or general purposes.

(ii) *Temporarily restricted:*

Temporarily restricted net assets represent those resources that are subject to the requirements of the New York Prudent Management of Funds Act ("NYPMIFA") and the use of which has been restricted by donors or state law to specific purposes and/or the passage of time. 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] Revenue recognition:

(i) *Contributions:*

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:

a. *Weekly contributions:*

These are donations from Church members received at regular weekly services. These contributions are used for general operations, as well as for special programs of the Church.

b. *Missions contributions:*

These are donations from Church members that designated for specific domestic and foreign mission churches and programs.

c. *Special contributions*

These are donations from Church members that are directed toward selective programs within the Church.

d. *Benevolence*

These are donations from Church members that are designated for the poor and needy, through financial or material assistance.

(ii) *Special events fee income:*

Registration fees represent 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.

NEW YORK CITY CHURCH OF CHRIST, INC.

Notes to Financial Statements December 31, 2015 and 2014

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

[9] Functional allocation of expenses:

The costs of providing the Church's program and supporting services have 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 reasonable ratios determined by management (see Note H).

[10] Income taxes:

The Church follows the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. Because of the Church's general tax-exempt status, management believes that ASC Topic 740 has not had, and is not expected to have, a material impact on the Church's financial statements.

[11] Subsequent events:

The Church considers the accounting treatments, and the related disclosures in the current-year's financial statements, that may be required, as the result of all events or transactions that occur after December 31, 2015 through June 13, 2016, the date on which the financial statements were available to be issued.

[12] Reclassification:

Certain information in the prior-year's financial statements has been reclassified to conform to the current-year's presentation.

NOTE B - INVESTMENTS

At each year-end, investments consisted of certificates of deposit with a cost and fair value of \$1,786,000 and \$1,784,636 respectively, at December 31, 2015, and a cost and fair value of \$1,499,369 and \$1,495,901 respectively, at December 31, 2014.

During each year, investment returns consisted of the following:

	Year Ended December 31,	
	2015	2014
Interest and dividends	\$ 11,766	\$ 20,972
Net unrealized and realized losses	<u>(8,334)</u>	<u>(12,544)</u>
	<u>\$ 3,432</u>	<u>\$ 8,428</u>

NEW YORK CITY CHURCH OF CHRIST, INC.

Notes to Financial Statements December 31, 2015 and 2014

NOTE B - INVESTMENTS (CONTINUED)

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based on 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 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 year-end and for which a model was derived for valuation.
- Level 3: Valuations are based on pricing inputs that are unobservable and include situations where there is little, if any, market activity for the investments, or the investments cannot be independently valued.

In 2015 and 2014, the Church's certificates of deposit were classified entirely within Level 2. There were no transfers among the fair-value hierarchy levels in either year.

NOTE C - PROPERTY AND EQUIPMENT

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

	December 31,	
	2015	2014
Furniture and equipment	\$ 214,935	\$ 199,391
Leasehold improvements		62,422
	214,935	261,813
Less accumulated depreciation	(178,891)	(226,148)
	<u>\$ 36,044</u>	<u>\$ 35,665</u>

During 2015 and 2014, the Church wrote off fully depreciated leasehold improvements and equipment of \$62,422 and \$20,260, 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 \$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 2015 and 2014, the Church recognized interest receivable and contribution revenue from the Trust agreement of approximately \$22,000 and \$23,000, respectively, representing the amortization of the present value of the estimated future annuity payments, using a discount rate of 4%. The 2013 actual annuity payments of approximately \$50,000 were received during 2014; however, the annuity payments related to 2015 and 2014 have not been received. The estimated fair value of the Church's interest in the Trust, as of December 31, 2015 and 2014, was approximately \$571,000.

The beneficial interest in the Trust is included in Level 3 of the fair-value hierarchy.

NEW YORK CITY CHURCH OF CHRIST, INC.

Notes to Financial Statements December 31, 2015 and 2014

NOTE D - BENEFICIAL INTEREST IN A CHARITABLE LEAD ANNUITY TRUST (CONTINUED)

At each year-end, the changes in fair values of the Church's Level 3 asset are as follows:

	<u>2015</u>	<u>2014</u>
Balance at January 1	\$ 593,831	\$ 621,348
Interest income	21,783	22,905
Payments received (related to 2013)	<u> </u>	<u>(50,422)</u>
Balance at December 31	<u>\$ 615,614</u>	<u>\$ 593,831</u>

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>December 31,</u> <u>2015</u>	<u>2014</u>
Specific programs:		
Missions	\$ 356,509	\$ 311,987
Adoption activities	10,280	10,280
Children's programs	<u>9,041</u>	<u>10,481</u>
Total specific programs	<u>375,830</u>	<u>332,748</u>
Time-restricted:		
Charitable trust (Note D)	570,926	570,926
Interest receivable (charitable trust)	<u>44,688</u>	<u>22,905</u>
Total time-restricted	<u>615,614</u>	<u>593,831</u>
	<u>\$ 991,444</u>	<u>\$ 926,579</u>

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

	<u>Year Ended December 31,</u> <u>2015</u>	<u>2014</u>
Specific programs:		
Missions	\$ 671,078	\$ 647,421
Ministry activities	25,000	63,131
Benevolence	282,771	275,604
Children's programs	29,617	22,327
Time-restricted:		
Charitable trust (Note D)	<u> </u>	<u>50,422</u>
	<u>\$ 1,008,466</u>	<u>\$ 1,058,905</u>

NEW YORK CITY CHURCH OF CHRIST, INC.

Notes to Financial Statements December 31, 2015 and 2014

NOTE F - RETIREMENT PLAN

The Church sponsors a tax-deferred annuity retirement plan established under Section 403(b) of the Internal Revenue Code. Employer contributions to the plan for 2015 and 2014 were \$79,056 and \$81,617, respectively.

NOTE G - COMMITMENTS

[1] Lease commitment:

In April 2013, the Church entered into a 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 2015, minimum future rental commitments under the lease agreement for the corporate headquarters lease, are expected to be as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 49,245
2017	50,189
2018	<u>42,480</u>
	<u>\$ 141,914</u>

Rental expense for administrative offices for 2015 and 2014 was \$52,772 and \$50,915, 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 2015 and 2014 amounted to \$1,075,281 and \$1,093,994, respectively.

[2] Severance agreements:

During 2014, the Church entered into several severance agreements with former employees. At December 31, 2014, approximately \$35,000 of the remaining amounts due under the agreements were accrued and paid in 2015. During 2015, the Church entered into two additional agreements with former employees. These agreements were paid to the former employees as of December 31, 2015.

[3] Other contract:

In the normal course of its business, the Church enters into various contracts for professional and other services, which are typically renewable on a year-to-year basis.

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 is recorded as ministry expenses. Ministry expense also included immaterial fund-raising costs in 2015 and 2014.

NEW YORK CITY CHURCH OF CHRIST, INC.

Notes to Financial Statements December 31, 2015 and 2014

NOTE H - SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)

During each year, expenses were allocated to functional categories as follows:

	Year Ended December 31,					
	2015			2014		
	Ministry	Administration	Total	Ministry	Administration	Total
Salaries	\$ 1,928,492	\$ 499,937	\$ 2,428,429	\$ 2,012,167	\$ 499,238	\$ 2,511,405
Parsonage	716,811		716,811	817,991		817,991
Payroll tax	70,620	34,892	105,512	75,106	34,708	109,814
Pension	66,998	12,058	79,056	71,581	10,036	81,617
Benefits	384,460	101,109	485,569	422,446	90,174	512,620
Rent	1,075,281	52,772	1,128,053	1,093,994	50,915	1,144,909
Insurance		74,905	74,905		72,310	72,310
Professional fees		50,225	50,225		33,847	33,847
Bank charges		19,391	19,391		17,985	17,985
Telephone and utilities	611	7,010	7,621	3,077	6,682	9,759
Supplies	98,527	18,402	116,929	91,529	20,627	112,156
Depreciation		15,165	15,165		18,832	18,832
Other	98,704	22,006	120,710	88,257	23,373	111,630
Ministry expenses:						
Professional ministry expenses	241,117		241,117	251,771		251,771
Special events	617,595		617,595	263,986		263,986
Recruitment	266		266	2,650		2,650
Missions	671,078		671,078	622,421		622,421
Benevolence	261,875		261,875	305,624		305,624
Youth worker screening	28,610		28,610	24,936		24,936
Education and training	44,244	1,262	45,506	101,364	473	101,837
Regional ministry development	271,456		271,456	250,957		250,957
	<u>\$ 6,576,745</u>	<u>\$ 909,134</u>	<u>\$ 7,485,879</u>	<u>\$ 6,499,857</u>	<u>\$ 879,200</u>	<u>\$ 7,379,057</u>

NOTE I - CONCENTRATION OF CREDIT RISK

The Church maintains its cash and its 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 these financial institutions.