



**NEW YORK CITY  
CHURCH OF CHRIST, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 and 2015**

## **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, 2016 and 2015, 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, 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.



New York, New York  
June 5, 2017

# NEW YORK CITY CHURCH OF CHRIST, INC.

## Statements of Financial Position

	December 31,	
	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 733,697	\$ 424,762
Investments	1,389,022	1,784,636
Receivables and other assets	259,959	207,242
Beneficial interest in a charitable lead annuity trust	591,542	615,614
Furniture and equipment, net	<u>31,657</u>	<u>36,044</u>
	<u>\$ 3,005,877</u>	<u>\$ 3,068,298</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued liabilities	\$ 164,906	\$ 168,779
Deferred revenue	<u>26,069</u>	<u>16,563</u>
	<u>190,975</u>	<u>185,342</u>
Commitments (Note G)		
Net assets:		
Unrestricted	679,160	856,632
Unrestricted - board-designated	<u>1,034,880</u>	<u>1,034,880</u>
Total unrestricted net assets	1,714,040	1,891,512
Temporarily restricted	<u>1,100,862</u>	<u>991,444</u>
Total net assets	<u>2,814,902</u>	<u>2,882,956</u>
	<u>\$ 3,005,877</u>	<u>\$ 3,068,298</u>

**NEW YORK CITY CHURCH OF CHRIST, INC.**

**Statements of Activities**

	Year Ended December 31,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Public support and revenue:</b>						
Weekly contributions	\$ 5,551,566		\$ 5,551,566	\$ 5,532,330		\$ 5,532,330
Mission contributions		\$ 675,600	675,600		\$ 675,600	675,600
Special contributions	307,889		307,889	442,873		442,873
Other contributions	1,526	36,269	37,795	2,795	93,177	95,972
Benevolence		269,006	269,006		282,771	282,771
Investment returns	11,254		11,254	3,432		3,432
Special events fee income	210,641		210,641	624,765		624,765
Charitable trust contributions		20,616	20,616		21,783	21,783
Total public support and revenue before net assets released from restrictions	6,082,876	1,001,491	7,084,367	6,606,195	1,073,331	7,679,526
Net assets released from restrictions - satisfaction of restrictions	892,073	(892,073)	0	1,008,466	(1,008,466)	0
Total public support and revenue	6,974,949	109,418	7,084,367	7,614,661	64,865	7,679,526
<b>Expenses:</b>						
Ministry	6,230,330		6,230,330	6,576,745		6,576,745
Administration	922,091		922,091	909,134		909,134
Total expenses	7,152,421		7,152,421	7,485,879		7,485,879
<b>Change in net assets</b>	(177,472)	109,418	(68,054)	128,782	64,865	193,647
Net assets, beginning of year	1,891,512	991,444	2,882,956	1,762,730	926,579	2,689,309
<b>Net assets, end of year</b>	\$ 1,714,040	\$ 1,100,862	\$ 2,814,902	\$ 1,891,512	\$ 991,444	\$ 2,882,956

See notes to financial statements.

# NEW YORK CITY CHURCH OF CHRIST, INC.

## Statements of Cash Flows

	Year Ended December 31,	
	2016	2015
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (68,054)	\$ 193,647
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	14,489	15,165
Donated securities	(30,951)	(5,327)
Proceeds from donated securities	30,951	5,276
Net unrealized and realized (gains) losses on investments	(386)	8,334
Changes in:		
Receivables and other assets	(52,717)	(23,222)
Beneficial interest in a charitable lead annuity trust	24,072	(21,783)
Accounts payable and accrued liabilities	(3,873)	(13,432)
Deferred revenue	9,506	(22,633)
Net cash (used in) provided by operating activities	<u>(76,963)</u>	<u>136,025</u>
<b>Cash flows from investing activities:</b>		
Proceeds from the maturity of investments	1,786,000	1,489,000
Purchases of investments	(1,390,000)	(1,786,018)
Purchases of furniture and equipment	<u>(10,102)</u>	<u>(15,544)</u>
Net cash provided by (used in) investing activities	<u>385,898</u>	<u>(312,562)</u>
<b>Net change in cash and cash equivalents</b>	<b>308,935</b>	<b>(176,537)</b>
Cash and cash equivalents, beginning of year	<u>424,762</u>	<u>601,299</u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ <u>733,697</u></b>	<b>\$ <u>424,762</u></b>

See notes to financial statements.

## **NEW YORK CITY CHURCH OF CHRIST, INC.**

### **Notes to Financial Statements December 31, 2016 and 2015**

#### **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] 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.

##### **[4] 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.

##### **[5] Investments:**

Investments consist of certificates of deposits and are reported at their fair values as determined by management at each year end. Investment transactions are recorded on a trade-date basis. Realized and unrealized gains or losses on investments are determined by comparison of the specific cost at acquisition to proceeds at the time of disposal. The earnings from dividends and interest are recognized when earned.

Donated securities are recorded at their fair values at the dates of donation. The Church's policy is to sell the donated securities immediately; and accordingly, for purposes of the statements of cash flows, donated securities and the proceeds generated from their sales are included as operating activities.

##### **[6] Furniture and equipment:**

Furniture and equipment are stated at their original costs at the dates of acquisition, or, if contributed, at their fair values at the dates of donation. The Church capitalizes furniture and equipment with a cost of \$1,000 or more and a useful life of greater than one year, whereas, minor costs of repairs and maintenance are expensed as incurred. Depreciation of furniture and equipment is provided using the straight-line method over five years, the estimated useful lives of the related assets.

# NEW YORK CITY CHURCH OF CHRIST, INC.

## Notes to Financial Statements December 31, 2016 and 2015

### 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 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 are 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.

e. *Beneficial interest in a charitable lead annuity trust*

Contribution revenue from a charitable lead annuity trust is recognized upon the establishment of the agreement, at the fair value of the estimated future receipts, discounted for the estimated time period necessary to complete the agreement (see Note C).

## NEW YORK CITY CHURCH OF CHRIST, INC.

### Notes to Financial Statements December 31, 2016 and 2015

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

##### [8] Revenue recognition: (continued)

###### (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.

##### [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 and in Note H. Accordingly, certain costs have been allocated among the program and supporting services in reasonable ratios determined by management.

##### [10] Income taxes:

The Church is subject to 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] Accounting pronouncement:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends financial-statement presentation and disclosures, with the goal of assisting not-for-profit organizations in providing more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations, (iv) liquidity and availability of resources, and (v) the presentation of operating cash flows. The new standard is effective for annual reporting periods beginning after December 15, 2017. The Church will adopt ASU 2016-14 when it becomes effective.

##### [12] 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, 2016 through June 5, 2017, the date on which the financial statements were available to be issued.

##### [13] 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 \$1,390,000 and \$1,389,022, respectively, at December 31, 2016, and a cost and fair value of \$1,786,000 and \$1,784,636, respectively, at December 31, 2015.



## NEW YORK CITY CHURCH OF CHRIST, INC.

### Notes to Financial Statements December 31, 2016 and 2015

#### NOTE B - INVESTMENTS (CONTINUED)

At December 31, 2016 and 2015, concentrations of the Church's investment in excess of 10% of the fair values of its portfolio included 100% invested in certificates of deposit.

During each year, investment returns consisted of the following:

	Year Ended December 31,	
	2016	2015
Interest and dividends	\$ 10,868	\$ 11,766
Net unrealized and realized gains (losses)	<u>386</u>	<u>(8,334)</u>
	<u>\$ 11,254</u>	<u>\$ 3,432</u>

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 identical assets and liabilities 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, that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.
- 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.

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period. During 2016 and 2015, there were no transfers among the fair-value hierarchy levels.

The Church's assets classified as Level 3 consist of a beneficial interest in a charitable lead annuity trust. The Trust is reported at its estimated fair value using discounted future cash flow (see Note C).

The following tables summarize the fair values of the Church's investments and other assets at each year-end, in accordance with the ASC Topic 820 fair-value levels:

	December 31, 2016		
	Level 2	Level 3	Total
Certificates of deposit	<u>\$ 1,389,022</u>		<u>\$ 1,389,022</u>
Total investments	1,389,022		1,389,022
Beneficial interest in a charitable lead annuity trust	_____	<u>\$ 591,542</u>	<u>591,542</u>
Total	<u>\$ 1,389,022</u>	<u>\$ 591,542</u>	<u>\$ 1,980,564</u>

## NEW YORK CITY CHURCH OF CHRIST, INC.

### Notes to Financial Statements December 31, 2016 and 2015

#### NOTE B - INVESTMENTS (CONTINUED)

	December 31, 2015		
	Level 2	Level 3	Total
Certificates of deposit	\$ 1,784,636		\$ 1,784,636
Total investments	1,784,636		1,784,636
Beneficial interest in a charitable lead annuity trust	_____	\$ 615,614	615,614
Total	<u>\$ 1,784,636</u>	<u>\$ 615,614</u>	<u>\$ 2,400,250</u>

The following table summarizes the change in fair value of the Church's Level 3 assets during each year:

	2016	2015
Balance at January 1	\$ 615,614	\$ 593,831
Interest income	20,616	21,783
Payments received (related to 2015 and 2014)	<u>(44,688)</u>	_____
Balance at December 31	<u>\$ 591,542</u>	<u>\$ 615,614</u>

Quantitative information regarding unobservable inputs developed by the Church and assumptions used to measure the fair value of the beneficial interest in a charitable lead annuity trust agreement as of December 31, 2016 are as follows:

Type	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range
Charitable lead annuity trust	\$ 591,542	Fair value of trust assets	Growth rate / discount rate	4%

#### NOTE C - 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 2016 and 2015, the Church recognized interest receivable and contribution revenue from the Trust agreement of approximately \$21,000 and \$22,000, respectively, representing the amortization of the present value of the estimated future annuity payments, using a discount rate of 4%. The 2014 and 2015 partial payments related to interest payments were received during 2016; however, the remaining annuity payments for 2014 through 2016 have not been received. The estimated fair value of the Church's interest in the Trust, as of December 31, 2016 and 2015, was approximately \$591,542 and 615,614, respectively.

## NEW YORK CITY CHURCH OF CHRIST, INC.

### Notes to Financial Statements December 31, 2016 and 2015

#### NOTE D - FURNITURE AND EQUIPMENT

At December 31 2016 and 2015, the Church's equipment consisted of furniture and equipment with a cost of \$219,840 and \$214,935, respectively, and accumulated depreciation of \$188,183 and \$178,891, respectively. During 2016 and 2015, the Church disposed of fully depreciated equipment of \$5,197 and fully depreciated leasehold improvements and equipment of \$62,422.

#### 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>2016</u>	<u>2015</u>
Specific programs:		
Missions	\$ 388,263	\$ 356,509
Benevolence	92,930	
Adoption activities	10,280	10,280
Children's programs	<u>17,847</u>	<u>9,041</u>
Total specific programs	<u>509,320</u>	<u>375,830</u>
Time-restricted:		
Charitable trust	570,926	570,926
Interest receivable (charitable trust)	<u>20,616</u>	<u>44,688</u>
Total time-restricted (Note C)	<u>591,542</u>	<u>615,614</u>
	<u>\$1,100,862</u>	<u>\$ 991,444</u>

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

	<u>Year Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Specific programs:		
Missions	\$ 643,846	\$ 671,078
Benevolence	176,076	282,771
Ministry activities		25,000
Children's programs	<u>27,463</u>	<u>29,617</u>
Total specific programs	<u>847,385</u>	<u>1,008,466</u>
Time-restricted:		
Charitable trust (Note C)	<u>44,688</u>	_____
	<u>\$ 892,073</u>	<u>\$ 1,008,466</u>

## NEW YORK CITY CHURCH OF CHRIST, INC.

### Notes to Financial Statements December 31, 2016 and 2015

#### NOTE F - RETIREMENT PLAN

The Church sponsors a tax-deferred annuity retirement plan established under Section 403(b) of the Internal Revenue Code. During 2016, the Church revised its retirement plan to provide a match for all employees age fifty and over. Employer contributions to the plan for 2016 and 2015 were \$155,627 and \$79,056, respectively.

#### NOTE G - COMMITMENTS

##### [1] Lease commitments:

In April 2013, the Church entered into a lease agreement for property at 400 Plaza Drive in 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 2016, minimum future rental commitments under the lease agreement for the corporate headquarters are expected to be as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 50,189
2018	<u>42,480</u>
	<u>\$ 92,669</u>

Rental expense for administrative offices for 2016 and 2015 was \$53,940 and \$52,772, 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 2016 and 2015 amounted to \$1,062,961 and \$1,075,281, respectively.

##### [1] Other contracts:

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, 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 2016 and 2015.

# NEW YORK CITY CHURCH OF CHRIST, INC.

## Notes to Financial Statements December 31, 2016 and 2015

### NOTE H - SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)

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

	Year Ended December 31,					
	2016			2015		
	Ministry	Administration	Total	Ministry	Administration	Total
Salaries	\$ 1,913,083	\$ 499,937	\$ 2,413,020	\$ 1,928,492	\$ 499,937	\$ 2,428,429
Parsonage	711,040		711,040	716,811		716,811
Payroll tax	65,941	34,939	100,880	70,620	34,892	105,512
Pension	124,575	31,052	155,627	66,998	12,058	79,056
Benefits	410,448	105,185	515,633	384,460	101,109	485,569
Rent	1,062,961	53,940	1,116,901	1,075,281	52,772	1,128,053
Insurance		70,778	70,778		74,905	74,905
Professional fees		48,313	48,313		50,225	50,225
Bank charges		18,548	18,548		19,391	19,391
Telephone and utilities	461	7,246	7,707	611	7,010	7,621
Supplies	91,176	17,949	109,125	98,527	18,402	116,929
Depreciation		14,489	14,489		15,165	15,165
Other	136,751	19,075	155,826	98,704	22,006	120,710
Ministry expenses:						
Professional ministry expenses	200,277		200,277	241,117		241,117
Special events	209,347		209,347	617,595		617,595
Recruitment	9,311		9,311	266		266
Missions	643,846		643,846	671,078		671,078
Benevolence	306,096		306,096	261,875		261,875
Youth worker screening	11,202		11,202	28,610		28,610
Education and training	82,911	640	83,551	44,244	1,262	45,506
Regional ministry development	250,904		250,904	271,456		271,456
	<u>\$ 6,230,330</u>	<u>\$ 922,091</u>	<u>\$ 7,152,421</u>	<u>\$ 6,576,745</u>	<u>\$ 909,134</u>	<u>\$ 7,485,879</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.