

FINANCIAL STATEMENTS

JUNE 30, 2013 and 2012



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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Young Men's and Young Women's Hebrew Association
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of The Young Men's and Young Women's Hebrew Association (the "92Y"), which comprise the statements of financial position as of June 30, 2013 and 2012, 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

The 92Y'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.

Auditor's 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 Young Men's and Young Women's Hebrew Association as of June 30, 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 November 19, 2013

Eisner Jmper LLP

Statements of Financial Position

(in thousands)

	Jun	e 30,
	2013	2012
ASSETS Cash and cash equivalents Contributions receivable, net Investments Prepaid expenses and other assets Accounts and other receivables, net	\$ 4,509 22,650 30,570 1,894 680	\$ 2,695 25,346 36,702 1,831 472
Property and equipment, net	<u>20,868</u> <u>\$ 81,171</u>	<u>26,780</u> \$ 93,826
LIABILITIES Accounts payable and accrued expenses Security deposits payable Deferred revenue Deferred rent	\$ 6,889 73 11,970	\$ 6,525 65 12,083 335
Commitments and contingency (Note M)	<u>18,932</u>	19,008
NET ASSETS Unrestricted (Note F) Temporarily restricted Permanently restricted	(12,374) 27,079 <u>47,534</u>	630 30,918 <u>43,270</u>
	<u>62,239</u> <u>\$ 81,171</u>	74,818 \$ 93,826

Statements of Activities

See notes to financial statements

(in thousands)

(iii iiiododiido)	Year Ended June 30, 2013			Year Ended June 30, 2012										
	Unrestric	ted	Temporarily Restricted		rmanently estricted		Total	Unrestricted		emporarily Restricted		manently estricted		Total
Support and revenue: Contributions and grants (including in-kind gifts of \$1,505 in 2013 and \$308 in 2012)	\$ 10,52	20	\$ 8,059	\$	3,461	\$	22,040	\$ 11,143	\$	21,901	\$	4,794	\$	37,838
Annual events (net of direct benefit to donors of \$902 in 2013 and \$719 in 2012) Program service revenue Investment income Rental income	4,04 28,85 	35 10	(6,574)				4,047 28,835 (6,564) 8,724	3,452 28,066 8 8,643	_	(6,433)	_		_	3,452 28,066 (6,425) 8,643
Support and revenue before net assets released from restrictions	52,13	36	1,485		3,461		57,082	51,312		15,468		4,794		71,574
Net assets released from restrictions: Satisfaction of program restrictions Capital - released income Change in donors' designation of contribution Transfer of net assets		33 72 1 <u>6</u>	(4,333) (72) (803) (116)		803			8,540 478 (2,456)	_	(8,540) (478) 2,456				
Total support and revenue	56,65	<u>57</u>	(3,839)		4,264		57,082	57,874	_	8,906		4,794		71,574
Expenses: Program services: School of the Arts Bronfman Center for Jewish Life Tisch Center for the Arts Charles Simon Center for Adult Life and	7,52 2,49 4,46	97 51					7,529 2,497 4,461	7,643 2,699 4,931						7,643 2,699 4,931
Learning Lillian and Sol Goldman Family Center for Youth and Family May Center for Health, Fitness and Sport Milstein and Rosenthal Center for Media &	8,98 14,62 9,68	29 35					8,989 14,629 9,685	9,984 14,234 10,443						9,984 14,234 10,443
Technology Makor/Steinhardt Center Agency Wide Initiatives Total program services	88 4,93 <u>2,30</u> 55,90	<u>)0</u>					881 4,936 <u>2,300</u> 55,907	965 5,630 <u>1,512</u> 58,041						965 5,630 <u>1,512</u> 58,041
Supporting services: Management and general Fund-raising	5,36 	<u> 35</u>					5,362 2,435	5,973 1,879					_	5,973 1,879
Total supporting services	7,79	<u> 97</u>				_	7,797	7,852					_	7,852
Total expenses before significant one-time events Change in net assets before significant one-time events Expenses associated with significant one-time events (Note M)	63,70 (7,04 5,95	- 17)	(3,839)	_	4,264	_	63,704 (6,622) 5,957	65,893 (8,019)	_	8,906		4,794		65,893 5,681 341
Change in net assets Net assets - July 1	(13,00 63	04) 30	(3,839) 30,918		4,264 43,270		(12,579) 74,818	(8,360) 8,990	_	8,906 22,012		4,794 38,476	_	5,340 69,478
Net assets - June 30 (Note F)	\$ (12,3 7	<u>74</u>)	<u>\$ 27,079</u>	\$	<u>47,534</u>	\$	62,239	<u>\$ 630</u>	<u>\$</u>	30,918	\$	43,270	\$	74,818

Statements of Functional Expenses Years Ended June 30, 2013 and 2012 (in thousands)

					Prograi	m Services					Sup	porting Service	es	
	School of the Arts	Bronfman Center for Jewish Life	Tisch Center for the Arts	Charles Simon Center for Adult Life and Learning	Lillian and Sol Goldman Family Center for Youth and Family	May Center for Health, Fitness and Sport	Milstein and Rosenthal Center for Media & Technology	Makor/ Steinhardt Center	Agency Wide Initiatives	Total Program Services	Management and General	Fund- Raising	Total Supporting Services	Total
June 30, 2013: Salaries Employee benefits and payroll taxes	\$ 4,296 <u>867</u>	\$ 1,346 359	\$ 1,799 <u>544</u>	\$ 3,972 1,102	\$ 6,958 1,792	\$ 4,898 1,098	\$ 417 130	\$ 1,655 <u>455</u>	\$ 988 <u>342</u>	\$ 26,329 6,689	\$ 1,148 1,185	\$ 1,579 534	\$ 2,727 	\$ 29,056 <u>8,408</u>
Total employee expenses	5,163	1,705	2,343	5,074	8,750	5,996	547	2,110	1,330	33,018	2,333	2,113	4,446	37,464
Professional fees Office expenses Program expenses Copying and promotional expenses Occupancy and maintenance costs Depreciation and amortization Miscellaneous expenses	614 140 190 410 456 209 347	204 72 236 101 56 15	1,101 88 216 510 58 18 127	883 242 150 375 1,205 535 525	672 299 2,569 358 660 396 925	576 220 266 301 1,124 678 524	34 33 122 1 56 53 35	319 70 407 292 549 1,103	242 50 437 85 52 11 93	4,645 1,214 4,593 2,433 4,216 3,018 2,770	594 125 53 29 78 1,868 282	83 44 13 120 1	677 169 66 149 79 1,868	5,322 1,383 4,659 2,582 4,295 4,886 3,113
Total	7,529	2,497	4,461	8,989	14,629	9,685	881	4,936	2,300	55,907	5,362	2,435	7,797	63,704
Expenses associated with significant one-time events								4,581		4,581	<u>1,376</u>		1,376	5,957
Total expenses	<u>\$ 7,529</u>	<u>\$ 2,497</u>	<u>\$ 4,461</u>	<u>\$ 8,989</u>	<u>\$ 14,629</u>	<u>\$ 9,685</u>	<u>\$ 881</u>	<u>\$ 9,517</u>	<u>\$ 2,300</u>	\$ 60,488	<u>\$ 6,738</u>	<u>\$ 2,435</u>	<u>\$ 9,173</u>	<u>\$ 69,661</u>
June 30, 2012: Salaries Employee benefits and payroll taxes Total employee expenses	\$ 4,231 <u>873</u> 5,104	\$ 1,411 410 1,821	\$ 1,835 599 2,434	\$ 4,103 1,158 5,261	\$ 6,861 	\$ 4,980 1,179 6,159	\$ 439 144 583	\$ 1,688 464 2,152	\$ 710 207 917	\$ 26,258 6,713 32,971	\$ 1,464 937 2,401	\$ 1,163 365 1,528	\$ 2,627 1,302 3,929	\$ 28,885 8,015 36,900
Professional fees		•	•	•	•					•			•	
Office expenses Program expenses Program expenses Copying and promotional expenses Occupancy and maintenance costs Depreciation and amortization Miscellaneous expenses	603 141 138 432 505 237 483	226 74 185 178 69 19	1,202 80 289 698 71 21 136	868 316 208 454 1,344 619 914	623 311 2,388 285 737 379 971	531 235 292 400 1,238 686 902	50 42 138 1 60 51 40	329 72 519 366 805 1,053 334	75 39 312 29 56 11 73	4,507 1,310 4,469 2,843 4,885 3,076 3,980	358 145 129 690 71 1,994 185	139 40 34 127	497 185 163 817 71 1,994 196	5,004 1,495 4,632 3,660 4,956 5,070 4,176
Total	7,643	2,699	4,931	9,984	14,234	10,443	965	5,630	1,512	58,041	5,973	1,879	7,852	65,893
Expenses associated with significant one-time event											341		341	341
Total expenses	<u>\$ 7,643</u>	\$ 2,699	<u>\$ 4,931</u>	<u>\$ 9,984</u>	<u>\$ 14,234</u>	<u>\$ 10,443</u>	<u>\$ 965</u>	<u>\$ 5,630</u>	<u>\$ 1,512</u>	<u>\$ 58,041</u>	<u>\$ 6,314</u>	<u>\$ 1,879</u>	<u>\$ 8,193</u>	\$ 66,234

Statements of Cash Flows

(in thousands)

	Year E June	
	2013	2012
Cash flows from operating activities: Change in net assets Adjustments to reconcile change in net assets to net cash (used in) provided by	\$ (12,579)	\$ 5,340
operating activities: Depreciation and amortization Bad debts Net realized and unrealized losses on investments Change in the fair value of charitable remainder unitrust Permanently restricted contributions Donated investments Loss on write-off of equipment Changes in:	4,886 315 6,770 (173) (6,473) (1,291) 3,622	5,070 129 6,357 79 (2,237) (179) 226
Contributions receivable Prepaid expenses and other assets Accounts and other receivables Accounts payable and accrued expenses Security deposits payable Deferred revenue Deferred rent Net cash (used in) provided by operating activities	2,808 (63) (462) 364 8 (113) (335)	(7,715) (23) (196) 618 (22) 973 (15)
Cash flows from investing activities: Proceeds from sales and redemptions of investments Purchases of investments Purchases of property and equipment Net cash used in investing activities	48,793 (48,140) (2,596) (1,943)	45,242 (53,839) (2,550) (11,147)
Cash flows from financing activities: Permanently restricted contributions Net change in cash and cash equivalents	6,473 1,814	<u>2,237</u> (505)
Cash and cash equivalents - July 1 Cash and cash equivalents - June 30	2,695 \$ 4,509	3,200 \$ 2,695

Notes to Financial Statements June 30, 2013 and 2012

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

The Young Men's and Young Women's Hebrew Association (the "92Y") is a New York City community and cultural center, incorporated in New York on September 15, 1874, that seeks to create, provide and disseminate programs of distinction that foster the physical and mental health of people throughout their lives, as well as their educational and spiritual growth and their enjoyment of life.

Founded more than a century ago to serve the Jewish people, the 92Y promotes individual and family development and participation in civic life, within the context of Jewish values and American pluralism. The 92Y reaches out beyond its core constituency of American Jews to serve people of diverse racial, religious, ethnic and economic backgrounds, seeking partnerships that leaven its programs and broaden its influence.

The 92Y is incorporated as a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local taxes under comparable laws.

[2] Financial reporting:

(a) Basis of accounting:

The accompanying financial statements of the 92Y 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.

(b) Applicability of NYPMIFA:

The terms of the New York Prudent Management of Institutional Funds Act ("NYPMIFA") are applicable to the 92Y. NYPMIFA principally addresses (i) the management and investment of all of a not-for-profit entity's "institutional funds" (which are mainly the financial assets of the entity and which exclude programmatic assets such as buildings or operating facilities), and (ii) the appropriations by the governing board of earnings derived from donor-restricted endowment funds. In essence, NYPMIFA requires all of the financial resources of the entity to be used in a "prudent" fashion, with the express approval and action of the governing board.

(c) Functional allocation of expenses:

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

(d) 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, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Notes to Financial Statements June 30, 2013 and 2012

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

[2] Financial reporting: (continued)

(e) Cash and cash equivalents:

For the purpose of the accompanying statements of cash flows, the 92Y considers highly liquid investments purchased with an original maturity of three months or less, other than those held in the 92Y's investment portfolio, to be cash equivalents. Included in cash and cash equivalents at June 30, 2013 and 2012 is restricted cash of approximately \$139,000 for each year.

(f) Investments:

Investments in marketable securities and mutual funds are maintained in an investment account and are reported at their fair values at fiscal year-end. Investments in limited partnerships and investments in private equity funds are carried at their original cost basis and are adjusted to fair value based upon the valuation of the underlying assets as provided by the investment fund managers. The 92Y reviews and evaluates the values provided by the investment fund managers and believes the reported amounts of the investments in limited partnerships and private equity funds to be reasonable estimates of fair value. Estimated fair values may differ significantly from the values that would have been reported had a ready market for these securities existed. Net investment income is recorded as unrestricted, unless specifically restricted by the donors or by state law. Unrealized appreciation or depreciation of investments is included in the accompanying statements of activities. Contributions of marketable securities are recorded at their fair values at the dates of donation.

The 92Y maintains an investment portfolio advisor to oversee certain activities with respect to its investment portfolio. These activities include providing monthly reporting and research and advisory services, as well as providing recommendations with respect to fund managers, asset allocation and investment policy. Decisions with respect to fund managers, asset allocation and investment policy require 92Y approval.

(g) Contributions, gifts and pledges:

Contributions to the 92Y are recorded as revenue at the receipt of an unconditional pledge or of cash or other assets. Contributions are considered available for unrestricted use, unless the donors restrict the use thereof, either on a temporary or permanent basis. Contributions to be received after one year are discounted at an appropriate interest rate commensurate with the risk involved. An allowance for uncollectible pledges receivable is provided, using management's judgment of potential defaults, which considers factors such as prior collection history, type of contribution and the nature of fund-raising activity. Contribution revenue is recognized based on the present value of the estimated future payments to be made to the 92Y. Contributions are restricted for purpose, time, and/or collection of pledges.

(h) Allowance for doubtful accounts:

The 92Y periodically assesses the collectability of its contributions and receivables and provides allowances for anticipated losses, when necessary.

(i) Property and equipment:

Property and equipment are reported at their costs or at their fair values at the dates of donation. Depreciation is provided over the estimated useful lives of the respective assets, using the straight-line method. Buildings and improvements are being depreciated over a range from 15 to 30 years, and furniture and equipment are being depreciated over 5 to 15 years.

Notes to Financial Statements June 30, 2013 and 2012

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

[2] Financial reporting: (continued)

(j) Accrued vacation and retirement:

Based on their tenure and an annual carryover provision of five months, employees are entitled to be paid for unused vacation time if they leave the organization. Accordingly, at each year-end, the 92Y must recognize a liability for the amount that would be incurred if employees with such unused vacation were to leave. At June 30, 2013 and 2012, this accrued vacation obligation was approximately \$775,000 and \$741,000, respectively. In addition, certain union employees are entitled to receive severance benefits based on tenure, age and evidence of receiving full scope social security benefits. The 92Y accrues an expense at year-end for the employees it knows have met all the criteria above.

(k) Deferred rent:

In 2012, rent expense was recognized using the straight-line method over the terms of the lease. The difference between rent expense incurred and the amount paid, which was attributable to scheduled rent increases, was reported as a deferred rent liability in the accompanying statements of financial position.

(I) Net assets:

The net assets of the 92Y and changes therein are classified and reported as follows:

(i) Unrestricted:

Unrestricted net assets represent those resources that have no donor restrictions as to their use.

(ii) Temporarily restricted:

Temporarily restricted net assets represent those resources that are subject to the requirements of NYPMIFA (see Note A[2](b)) and the use of which has been restricted by donors or state law to specific purposes or the passage of time. Temporarily restricted contributions, the requirements of which are met in the year of donation, are reported as unrestricted. Net assets released from restrictions represent the satisfaction of the restricted purposes specified by the donor and/or explicit appropriation by the members of the Board of Directors. Contributions are restricted for purpose, time, and/or collection of pledges.

(iii) Permanently restricted:

Permanently restricted net assets represent resources with donor-imposed restrictions that stipulate that the resources be maintained in perpetuity, but which permit the 92Y to expend part or all of the income and capital appreciation derived from the donated resources for either donor-specified or unspecified purposes, as appropriate. Under the terms of NYPMIFA, those earnings are classified as temporarily restricted in the accompanying statements of activities, pending appropriations by the Board of Directors.

Notes to Financial Statements June 30, 2013 and 2012

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

[2] Financial reporting: (continued)

(m) Revenue recognition:

All unconditional contributions to the 92Y are recorded as revenue when received as pledges or as assets. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. All contributions are considered available for unrestricted use, unless they are specifically restricted by the donor. The 92Y records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions.

Membership dues and program service fee revenues are recognized as income in the period in which the underlying services are provided. Fees received for future year's events are deferred until that year.

Rental income from the use of the facilities of the 92Y and of the De Hirsch residence is recognized when services are rendered, in accordance with the applicable contractual provisions.

(n) Split-interest agreements:

The 92Y is the beneficiary of a charitable remainder unitrust. A charitable remainder unitrust gift is a time-restricted contribution that is not available to the 92Y until after the death of the donor, who, while living, receives an annual payout from the trust based on a fixed percentage of the market value of the invested funds on June 30 of each year. An unrelated outside party holds the invested funds.

In addition, the 92Y is the beneficiary of a charitable lead annuity trust ("CLAT") which began in 2013. Under the terms of the CLAT, 92Y will receive annual distributions over the 20-year life of the CLAT. The beneficial interest in a CLAT was recognized as a temporarily restricted contribution in the statements of activities for the year ended June 30, 2013.

(o) Income tax uncertainties:

The 92Y follows the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740-10-05 relating to the accounting and reporting for uncertainty in income taxes. For the 92Y, ASC Topic 740-10-05 is potentially applicable to the incurrence of unrelated business income attributable to investment income, advertising income and cafeteria sales. However, ASC Topic 740-10-05 has not had, and is not expected to have, a material impact on the 92Y's financial statements.

(p) Fair-value measurement:

In accordance with the provisions of ASC Topic 820-10-05, the 92Y reports a fair-value measurement of all applicable assets and liabilities (see Note D).

(q) Endowment funds:

The 92Y reports all applicable disclosures to its donor-restricted funds treated as endowment (see Note H).

Notes to Financial Statements June 30, 2013 and 2012

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

[2] Financial reporting: (continued)

(r) Subsequent events:

The 92Y considers the accounting treatments, and the related disclosures in the current fiscal-year's financial statements, that may be required as the result of all events or transactions that occur after the fiscal year-end through the date of the independent auditors' report.

(s) Reclassification:

Certain fiscal-year 2012 information has been reclassified to conform to fiscal-year 2013's presentation.

NOTE B - CONTRIBUTIONS RECEIVABLE

At each fiscal year-end, contributions receivable were due to be collected as follows:

	June 30,		
	2013	2012	
	(in thou	usands)	
Less than one year	\$ 4,646	\$ 12,706	
One to five years	21,380	<u>16,124</u>	
	26,026	28,830	
Less discount to present value with rates ranging from .72% - 6%	(2,034)	(1,788)	
	23,992	27,042	
Less allowance for doubtful accounts	<u>(2,100</u>)	(2,354)	
	21,892	24,688	
Charitable remainder unitrust	2,199	2,026	
Less discount to present value	<u>(1,441</u>)	<u>(1,368</u>)	
	<u>758</u>	<u>658</u>	
	<u>\$ 22,650</u>	\$ 25,346	

NOTE C - ACCOUNTS AND OTHER RECEIVABLES

At each fiscal year-end, accounts and other receivables were due to be collected as follows:

	June 30,		
	2013	2012	
	(in tho	usands)	
Accounts receivable Accounts receivable - Health and Fitness Accounts receivable - Youth and Family	\$ 290 104 <u>431</u>	\$ 134 157 <u>261</u>	
Less allowance for doubtful accounts	825 <u>(145</u>)	552 <u>(80</u>)	
	<u>\$ 680</u>	<u>\$ 472</u>	

Notes to Financial Statements June 30, 2013 and 2012

NOTE D - INVESTMENTS

At each fiscal year-end, the costs and fair values of investments were as follows:

June 30,				
20)13	20	12	
Cost	Fair Value	Cost	Fair Value	
	(in tho	usands)		
\$ 7,960	\$ 7,960	\$ 8,736 236	\$ 8,736 146	
22,360 561	12,358 176 10,076	27,941 561	27,667 153	
<u>10,460</u> \$ 41.341		\$ 37,474	\$ 36,702	
	\$ 7,960 22,360 561 10,460	2013 Cost Value (in the \$ 7,960 \$ 7,960 22,360 12,358 561 176 10,460 10,076	2013 20 Fair Value Cost (in thousands) \$ 7,960 \$ 8,736 236 236 27,941 561 176 561 10,460 10,076 561	

Investment income for each fiscal year consisted of the following:

	Year Ended June 30,			
	2013	2012		
	(in thousands)			
Interest and dividends Net realized gains on sales of investments Net unrealized losses on investments Change in the fair value of charitable remainder unitrust	\$ 33 3,229 (9,999) 	\$ 11 653 (7,010) (79)		
	<u>\$ (6,564</u>)	<u>\$ (6,425)</u>		

Investment income is reported net of investment, management, performance and custodial fees of approximately \$592,000 and \$480,000 for fiscal-years 2013 and 2012, respectively. Net unrealized losses on investments are primarily attributed to investment in a donor-directed fund.

At June 30, 2013, concentrations of the 92Y's investments in excess of 10% of the fair-value of its portfolio included approximately 26% invested in cash and money-market funds, 40% invested in limited partnerships, and 33% in mutual funds.

As described in Note A[2](p), the 92Y has adopted ASC Topic 820-10-05, which 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 input 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.

Notes to Financial Statements June 30, 2013 and 2012

NOTE D - INVESTMENTS (CONTINUED)

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 the fiscal year-end.

Investments classified in Level 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value ("NAV") reported by each fund is used as a practical expedient to estimate fair value of the 92Y's interest therein, its classification in Level 3 is based on the 92Y's ability to redeem its interest at or near year-end. If the interest can be redeemed in the near term, the investment is classified as Level 2. The FASB provides accounting guidance on measuring the fair value of certain investments such as private equity securities and investments in limited partnerships to offer investors a practical expedient for measuring the fair value of investments in certain entities that calculate NAV. Under the practical expedient, entities are permitted to use NAV without adjustment for certain investments that qualified under the guidance. 92Y's investments in funds fitting this description, classified within Level 3 of the fair-value hierarchy, are carried at fair value based on NAV. Investments in these types of funds are subject to withdrawal restrictions and, for these Level 3 investments, 92Y does not have the ability to withdraw at reported NAV at year-end or within a reasonable period of time.

The 92Y's investments in limited partnerships and private equity securities are valued based on the valuation policies and procedures of the general partner. The general partner performs oversight of the underlying managers' material positions both on an investment level and from a risk perspective. The general partner is responsible for ensuring the investments are valued according to the policies and procedures adopted by the partnership. 92Y places reliance upon those procedures and records these investments at fair value, as determined by the general partner. 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.

The availability of available 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. For the years ended June 30, 2013 and 2012, there were no transfers in or out of Levels 1, 2 or 3.

The following tables summarize the fair value of the 92Y's assets at each fiscal year-end, in accordance with the ASC Topic 820-10-05 fair-value hierarchy levels:

	June 30, 2013					
	Level 1	Level 2	Level 3	Total		
		(in thou	usands)	-		
Cash and money-market funds Investments in limited partnerships	\$ 7,960	\$ 3,533	\$ 8,825 176	\$ 7,960 12,358 176		
Private equity securities Mutual funds	8,940	<u>1,136</u>		10,076		
Total investments	16,900	4,669	9,001	30,570		
Charitable remainder unitrust			<u>758</u>	<u>758</u>		
Total	<u>\$ 16,900</u>	<u>\$ 4,669</u>	<u>\$ 9,759</u>	<u>\$ 31,328</u>		

Notes to Financial Statements June 30, 2013 and 2012

NOTE D - INVESTMENTS (CONTINUED)

	June 30, 2012					
		Level 1	L	evel 3		Total
			(in th	ousands)	
Cash and money-market funds Common stock Investments in limited partnerships Private equity securities	\$	8,736 146	\$	27,667 153	\$	8,736 146 27,667 153
Total investments		8,882		27,820		36,702
Charitable remainder unitrust				658	_	658
Total	\$	8,882	\$	28,478	\$	37,360

The following tables summarize the changes in fair value of the 92Y's Level 3 investments for fiscal-years 2013 and 2012:

	Y	ear Ended J	une 30, 2013	
	Investments in Limited Partnerships	Private Equity Securities	Charitable Remainder Unitrust	Total
		(in thou	sands)	
Balance, July 1, 2012 Realized gains	\$ 27,667 3,341	\$ 153	\$ 658	\$ 28,478 3,341
Unrealized (losses) gains Purchases	(9,691)	24 2 (2)	173	(9,494) 2
Sales Change in the value of charitable	(12,492)	(3)		(12,495)
remainder unitrust			<u>(73</u>)	<u>(73</u>)
Balance, June 30, 2013	<u>\$ 8,825</u>	<u>\$ 176</u>	<u>\$ 758</u>	<u>\$ 9,759</u>
	Y	ear Ended J	une 30, 2012	
	Investments in Limited Partnerships	ear Ended Je Private Equity Securities	Charitable Remainder Unitrust	Total
	Investments in Limited	Private Equity	Charitable Remainder Unitrust	Total
Balance, July 1, 2011 Realized gains	Investments in Limited	Private Equity Securities	Charitable Remainder Unitrust	Total \$ 25,501 502
Realized gains Unrealized losses Purchases	Investments in Limited Partnerships \$ 24,640 502 (6,857) 15,000	Private Equity Securities (in thouse) \$ 217 (62)	Charitable Remainder Unitrust sands)	\$ 25,501 502 (6,998) 15,000
Realized gains Unrealized losses Purchases Sales Change in the value of charitable	Investments in Limited Partnerships \$ 24,640 502 (6,857)	Private Equity Securities (in thouse) \$ 217	Charitable Remainder Unitrust sands) \$ 644	\$ 25,501 502 (6,998)
Realized gains Unrealized losses Purchases Sales	Investments in Limited Partnerships \$ 24,640 502 (6,857) 15,000	Private Equity Securities (in thouse) \$ 217 (62)	Charitable Remainder Unitrust sands) \$ 644	\$ 25,501 502 (6,998) 15,000

Notes to Financial Statements June 30, 2013 and 2012

NOTE D - INVESTMENTS (CONTINUED)

The following table lists investments in other investment companies by major category:

	June 30, 2013				
	Fair Value	Redemption Frequency	Redemption Notice Period		
		(in thousands)			
Investments in limited partnerships	\$ 12,358	Quarterly - Annually	60 to 105 days		
Private equity securities	<u>176</u>	Upon dissolution of the partnership or sale to a third party	Upon dissolution of the partnership or sale to a third party		
Total	<u>\$ 12,534</u>	•			

NOTE E - PROPERTY AND EQUIPMENT

At each fiscal year-end, property and equipment consisted of the following:

	June 30,		
	2013	2012	
	(in tho	usands)	
Land Buildings and improvements Furniture and equipment Construction-in-progress	\$ 2,525 39,638 40,547 <u>936</u>	\$ 2,525 39,638 45,580 221	
Less accumulated depreciation	83,646 <u>(62,778</u>)	87,964 (61,184)	
	<u>\$ 20,868</u>	\$ 26,780	

During fiscal-years 2013 and 2012, the 92Y disposed of certain equipment with a cost basis of approximately \$6,914,000 and \$582,000, respectively.

During fiscal-year 2013, the 92Y made the decision to close one of its program locations at 200 Hudson Street in the Tribeca area of Manhattan ("Tribeca"). In March 2013, the 92Y exercised its right to terminate its lease agreement at Tribeca. Prior to the effective date of termination, the 92Y moved some of its equipment and inventory to its principal location. Certain fixed assets and equipment that could not be moved to its principal location were written off amounting to approximately \$6,914,000. The 92Y incurred a loss of approximately \$3,622,000 as a result of this write-off.

NOTE F - UNRESTRICTED NET ASSETS

The 92Y maintains a positive total net asset position as of June 30, 2013. However, the 92Y's unrestricted net assets are in a deficit position as of June 30, 2013. Management's plans to mitigate this position include (i) improved operating results and (ii) future releases of temporarily restricted net assets, including a donor-restricted investment, the lapse of donor-imposed time restrictions and collections of pledges receivable.

Notes to Financial Statements June 30, 2013 and 2012

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2013 and 2012, temporarily restricted net assets of \$27,079 and \$30,918, respectively, were available for educational and cultural activities and capital expenditures.

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

	Year Ended June 30,		
	2013	2012	
	(in thou	usands)	
Program: Educational and cultural activities Capital expenditures	\$ 4,333 <u>72</u>	\$ 8,540 <u>478</u>	
	<u>\$ 4,405</u>	<u>\$ 9,018</u>	

NOTE H - ENDOWMENT

[1] The endowment:

The endowment consists of 88 donor-restricted endowment funds established for a variety of purposes.

[2] Interpretation of relevant law:

As discussed in Note A[2], NYPMIFA is applicable to all of the 92Y's institutional funds, including its donor-restricted endowment funds. The Board of Directors will continue to adhere to NYPMIFA's requirements.

[3] Endowment net asset composition by type of fund as of June 30, 2013 and 2012:

	June 30, 2013	
	Unrestricted Permanently Restricted Tota (in thousands)	ı
Donor-restricted endowment funds	<u>\$ (2,340)</u> <u>\$ 47,534</u> <u>\$ 45,19</u>	<u>94</u>
	June 30, 2012	
	Permanently	
	Unrestricted Restricted Tota	<u> </u>
	(in thousands)	
Donor-restricted endowment funds	<u>\$ (2,456)</u> \$ 43,270 \$ 40,8°	14

Notes to Financial Statements June 30, 2013 and 2012

NOTE H - ENDOWMENT (CONTINUED)

[4] Changes in endowment net assets for the fiscal-years ended June 30, 2013 and 2012:

	Year Ended June 30, 2013						
	Un	restricted		porarily stricted		rmanently estricted	Total
				(in thou	usan	ds)	
Endowment net assets, beginning of year Contributions Change in donors' intentions Accumulated endowment earnings Transfer of income to temporarily restricted fund	\$	(2,456)	\$	598	\$	43,270 3,461 803 598 (598)	\$ 40,814 3,461 803 598
Appropriation of endowment assets for expenditure Other changes		<u>116</u>		(482) (116)	_		(482) 0
Endowment net assets, end of year	<u>\$_</u>	(2,340)	<u>\$</u>	0	\$	47,534	<u>\$ 45,194</u>

	Year Ended June 30, 2012				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
		(in thou	ısands)		
Endowment net assets, beginning of year Contributions Accumulated endowment earnings Transfer of income to temporarily		\$ 1,565	\$ 38,476 4,794 (2,335)	\$ 40,041 4,794 (2,335)	
restricted fund Appropriation of endowment		(2,335)	2,335	0	
assets for expenditure		(1,686)		(1,686)	
Transfer of underwater funds	<u>\$ (2,456)</u>	2,456		0	
Endowment net assets, end of year	<u>\$ (2,456)</u>	<u>\$ 0</u>	\$ 43,270	\$ 40,814	

[5] Funds with deficiencies:

Due to unfavorable market fluctuations, from time to time, the fair value of assets associated with individual donor-restricted endowment funds may decline below historic dollar value of the donor's original permanently restricted contribution. Under the terms of NYPMIFA, the 92Y has no responsibility to restore such decreases in value.

[6] Return objectives and risk parameters:

The 92Y has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Notes to Financial Statements June 30, 2013 and 2012

NOTE H - ENDOWMENT (CONTINUED)

[7] Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the 92Y 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). The 92Y, under the direction of the Board of Directors' investment committee, targets a mix of assets, including cash, money-market funds, securities and various investments in limited partnerships and private equity securities, to achieve its long-term return objectives within prudent risk constraints.

[8] Spending policy:

The 92Y has a policy of making available for operating expenses each year, a portion of its endowment fund's average fair value over the 12 months of the fiscal year. In establishing this policy, the 92Y considered the long-term expected return on its endowment. This is consistent with the 92Y's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

NOTE I - PENSION PLANS

Personnel of the 92Y are eligible for pension benefits, and those who elect to participate are covered by the Retirement Plan of Federation of Jewish Philanthropies of New York and Beneficiary Societies. In addition, the 92Y pays pension expenses for employees in Local 306 and IATSE unions. Pension expense for fiscal-years 2013 and 2012 was approximately \$1,021,000 and \$1,083,000, respectively.

In addition, the 92Y offers a voluntary §403(b) retirement plan for its employees but does not contribute to the plan.

NOTE J - RELATED-PARTY TRANSACTIONS

The 92Y received donated legal services for the year ended June 30, 2013 of \$1,029,467 rendered by a law firm which has a partner whose spouse is a member of the Board of Directors.

The 92Y has incurred legal expenses for fiscal-years 2013 and 2012 of \$4,856 and \$4,475, respectively, for services rendered by a law firm which has a partner who is a member of the Board of Directors.

During the years ended June 30, 2013 and 2012, the 92Y incurred fund-raising and consulting fees of approximately \$51,000 and \$53,000, respectively, for services rendered by an individual whose sister-in-law is a member of the Board of Directors.

A board member contributed funds to the 92Y and directed those funds to be invested in a certain limited partnership investment that is managed by the board member's firm. In addition, this board member also managed another limited partnership investment that was part of the 92Y's investment portfolio as of June 30, 2012. During the year ended June 30, 2013, such limited partnership investment was sold and the board member provided the 92Y with unrestricted contributions equivalent to the losses generated from the investment.

During fiscal-years 2013 and 2012, the 92Y received contributions of approximately \$10,583,000 and \$28,034,000, respectively, from the members of the Board of Directors. This level of Board participation represents 41% and 67% of total contributions, respectively.

Notes to Financial Statements June 30, 2013 and 2012

NOTE K - CONCENTRATION OF CREDIT RISK

The 92Y maintains its cash and cash equivalents in various bank accounts, the amounts of which may at times exceed federally insured limits. In addition, the 92Y's cash investments are placed with high-credit-quality financial institutions. Management believes the 92Y is not subject to a risk of loss beyond that which may be related to market changes.

NOTE L - DONATED GOODS AND SERVICES

Certain unpaid volunteers have made significant contributions of their time to the 92Y. However, these services have not been reported in the accompanying financial statements, as they neither require specialized skills nor would have been typically purchased had they not been donated.

The 92Y receives in-kind contributions in the form of donated placements of public service announcements ("PSAs") on radio stations and in magazines and newspapers. For the year ended June 30, 2013, the 92Y received in-kind contributions in the form of donated legal services. The fair value of all in-kind contributions recognized as revenue and expense in the accompanying financial statements amounted to \$1,505,000 and \$308,000 for years ended June 30, 2013 and 2012, respectively.

NOTE M - COMMITMENTS AND CONTINGENCY

[1] The 92Y leases program space under an operating lease that expires on January 31, 2021, with future minimum rental payments as follows:

Year Ending June 30,	Amount
2014 2015 2016 2017 2018 Thereafter	\$ 829,314 829,314 829,314 829,314 829,314 2,142,395
	\$ 6,288,965

Rent expense for fiscal-years 2013 and 2012 was approximately \$1,231,160 and \$1,172,260, respectively.

- [2] At June 30, 2013 and 2012, the 92Y was obligated under a \$139,000 unused bank letter of credit which is required, in lieu of a security deposit, under a lease agreement for the 92Y Tribeca. The letter of credit is collateralized by a \$139,000 time deposit, which the 92Y must maintain with the bank.
- [3] Agencies of the governments of the City of New York, the State of New York, and the United States have the right to conduct or otherwise require audits of funding they provide to the 92Y. Such audits might result in disallowances of costs submitted for reimbursement or other questioned amounts. The 92Y has accrued \$481,000 for repayment of funding to a government agency due to the closing of its 200 Hudson Street location for the year ended June 30, 2013.

No other amounts have been provided in the accompanying financial statements for such potential claims. Management believes that, in the event of such audits, any findings would not have a material effect on the 92Y's financial position or operations.

Notes to Financial Statements June 30, 2013 and 2012

NOTE M - COMMITMENTS AND CONTINGENCY (CONTINUED)

- [4] The 92Y has paid, accrued and/or reflected as in-kind expenses approximately \$1,029,000 associated with an internal investigation, which has resulted in the termination of certain employees, among other things. No amounts have been reflected or provided in the accompanying financial statements for any losses or for potential claims resulting from the internal investigation or the resultant actions. The 92Y is not aware of any pending lawsuits regarding these matters and would vigorously defend any future lawsuits relating to these issues.
- [5] At June 30, 2013 and 2012, the 92Y had contractual commitments with regard to construction-in-progress that totaled approximately \$936,000 and \$221,000, respectively. The total cost of construction is approximately \$2,075,000 and is expected to be completed in fiscal-year 2014.