# THE NEW YORK SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN

Financial Statements

December 31, 2020

**THE NEW YORK SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN**

Financial Statements

December 31, 2020

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ROGOFF & COMPANY PC
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

The Board of Directors
The New York Society for the
Prevention of Cruelty to Children

We have audited the accompanying financial statements of The New York Society for the Prevention of Cruelty to Children (the "Society", a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of revenues, expenses and other changes in net assets without donor restrictions, of changes in net assets, of cash flows, and of functional expenses for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management of the Society 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The New York Society for the Prevention of Cruelty to Children at December 31, 2020 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Society's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 31, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rogoff & Company PC

New York, New York
September 23, 2021

THE NEW YORK SOCIETY FOR THE
PREVENTION OF CRUELTY TO CHILDREN

Statement of Financial Position

Year Ended December 31, 2020
(With comparative figures for the year ended December 31, 2019)

| | 2020 | 2019 |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $ 1,323,804 | $ 983,811 |
| Accrued investment income | 2,156 | 8,703 |
| Contributions receivable | 21,500 | 100,000 |
| Government contracts receivable | 112,003 | 130,405 |
| Other receivable | 90,078 | 94,568 |
| Prepaid expenses | 71,778 | 53,388 |
| Beneficial interest in charitable trusts | 2,643,919 | 2,450,967 |
| Investments, at fair value | 39,154,441 | 36,396,079 |
| Furniture and equipment, net of accumulated depreciation of $226,371 in 2020; $210,841 in 2019 | 42,804 | 34,264 |
| Leasehold improvements, net of accumulated amortization of $439,922 in 2020; $439,163 in 2019 | 122,375 | 1,141 |
| Historical archives | 251,706 | 251,706 |
| Total assets | $ 43,836,564 | $ 40,505,032 |
| LIABILITIES and NET ASSETS | | |
| Accounts payable and accrued expenses | $ 220,344 | $ 215,853 |
| Accrued pension benefits | 2,623,521 | 1,938,937 |
| Paycheck Protection Program loan | 454,700 | - |
| Total liabilities | 3,298,565 | 2,154,790 |
| Commitments (Notes 7 and 9) | | |
| Net assets | | |
| Without donor restrictions | 36,410,432 | 34,295,627 |
| With donor restrictions | | |
| Purpose restricted | - | 120,000 |
| Endowment | 1,483,648 | 1,483,648 |
| Beneficial interest in charitable trusts | 2,643,919 | 2,450,967 |
| | 4,127,567 | 4,054,615 |
| Total net assets | 40,537,999 | 38,350,242 |
| Total liabilities and net assets | $ 43,836,564 | $ 40,505,032 |

The accompanying notes are an integral part of these financial statements

# THE NEW YORK SOCIETY FOR THE PREVENTION OF CRUELTY TO CHILDREN

## Statement of Revenues, Expenses and Other Changes in Net Assets Without Donor Restrictions

Year Ended December 31, 2020
(With comparative figures for the year ended December 31, 2019)

| | 2020 | 2019 |
|---|---|---|
| Operating Activities | | |
| Revenue | | |
| Investment return - operating portion, net | $ 1,577,863 | $ 1,433,205 |
| Charitable trust income | | |
| Summerfield Foundation | 22,713 | 24,665 |
| Paine Foundation | 106,766 | 78,782 |
| Contributions | 260,319 | 257,980 |
| Government contracts | 366,704 | 289,398 |
| Special events | 602,988 | 1,054,623 |
| Training Institute | 675,629 | 458,317 |
| Other income | 1,351 | 875 |
| Unrestricted revenue | 3,614,333 | 3,597,845 |
| Net assets released from restrictions | 366,000 | 620,100 |
| Total operating revenue | 3,980,333 | 4,217,945 |
| Expenses | | |
| Trauma Recovery | 635,066 | 802,205 |
| Training Institute/Advocacy | 1,208,154 | 897,760 |
| Supervised Visitation | 764,645 | 637,129 |
| Research and Evaluation | 441,627 | 421,806 |
| Archives | 81,809 | 136,187 |
| | 3,131,301 | 2,895,087 |
| General administration | 452,084 | 600,550 |
| Fund raising | | |
| Special events | 42,336 | 194,628 |
| Other | 611,444 | 576,831 |
| Total operating expenses | 4,237,165 | 4,267,096 |
| Excess of revenue over expenses - operating activities | (256,832) | (49,151) |
| Other changes | | |
| Investment return - non-operating portion, net | 2,825,612 | 1,925,456 |
| Legacy | - | 17,028,656 |
| Adjustment to accrued pension benefits, excluding net periodic pension cost of $230,609 in 2020; $208,455 in 2019 | (453,975) | (440,854) |
| Increase in net assets without donor restrictions | $ 2,114,805 | $ 18,464,107 |

The accompanying notes are an integral part of these financial statements

THE NEW YORK SOCIETY FOR THE
PREVENTION OF CRUELTY TO CHILDREN

## STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2020
(With comparative figures for the year ended December 31, 2019)

| | 2020 | 2019 |
|---|---|---|
| Net assets without donor restrictions | | |
| Operating revenue | $ 3,614,333 | $ 3,597,845 |
| Net assets released from restrictions | 366,000 | 620,100 |
| Operating expenses | (4,237,165) | (4,267,096) |
| Other changes | 2,371,637 | 18,513,258 |
| Increase in net assets without donor restrictions | 2,114,805 | 18,464,107 |
| Net assets with donor restrictions | | |
| Expendable for restricted purposes | | |
| Contributions | 246,000 | 535,100 |
| Net assets released from restrictions | (366,000) | (620,100) |
| Decrease in purpose restricted net assets | (120,000) | (85,000) |
| Change in value of beneficial interest in charitable trusts | 192,952 | 370,957 |
| Increase in net assets with donor restrictions | 72,952 | 285,957 |
| Total increase in net assets | 2,187,757 | 18,750,064 |
| Net assets - beginning of year | 38,350,242 | 19,600,178 |
| Net assets - end of year | $ 40,537,999 | $ 38,350,242 |

The accompanying notes are an integral part of these financial statements

THE NEW YORK SOCIETY FOR THE
PREVENTION OF CRUELTY TO CHILDREN

## STATEMENT OF CASH FLOWS

Year Ended December 31, 2020
(With comparative figures for the year ended December 31, 2019)

| | 2020 | 2019 |
|---|---|---|
| Operating activities | | |
| Increase in net assets | $ 2,187,757 | $ 18,750,064 |
| Adjustments to reconcile increase in net assets to net cash provided (used) in operating activities: | | |
| Adjustment to accrued pension benefits | 453,975 | 440,854 |
| Depreciation and amortization | 16,289 | 16,161 |
| Change in value of beneficial interest in charitable trusts | (192,952) | (370,957) |
| Increase in fair value of investments | (3,871,420) | (2,586,027) |
| Alternative investment (earnings) loss | (317,839) | (358,444) |
| Decrease (increase) in: | | |
| Accrued investment income | 6,547 | 631 |
| Contributions receivable | 78,500 | 95,000 |
| Government contracts receivable | 18,402 | (91,157) |
| Other receivable | 4,490 | (76,068) |
| Prepaid expenses | (18,390) | (2,204) |
| Increase (decrease) increase in: | | |
| Accounts payable and accrued expenses | 4,491 | (45,774) |
| Accrued pension benefits | 230,609 | (791,545) |
| Net cash provided (used) by operating activities | (1,399,541) | 14,980,534 |
| Investing activities | | |
| Proceeds from sale of investments | 16,142,630 | 51,049,678 |
| Purchase of investments | (15,087,460) | (65,464,144) |
| Alternative investment distributions (contributions), net | 375,727 | (582,002) |
| Purchase of fixed assets | (24,070) | (6,421) |
| Leasehold improvements | (121,993) | - |
| Net cash provided (used) by investing activities | 1,284,834 | (15,002,889) |
| Financing activities | | |
| Proceeds from Paycheck Protection Program loan | 454,700 | - |
| Net increase (decrease) in cash | 339,993 | (22,355) |
| Cash and cash equivalents, beginning of year | 983,811 | 1,006,166 |
| Cash and cash equivalents, end of year | $ 1,323,804 | $ 983,811 |

The accompanying notes are an integral part of these financial statements

THE NEW YORK SOCIETY FOR THE
PREVENTION OF CRUELTY TO CHILDREN

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

| | Trauma Recovery | Training Institute/ Advocacy | Supervised Visitation | Research and Evaluation | Archives | Total Programs |
|---|---|---|---|---|---|---|
| Salaries | $ 358,642 | $ 542,777 | $ 436,228 | $ 206,937 | $ 47,813 | $ 1,592,397 |
| Social Security taxes | 25,596 | 36,336 | 29,412 | 14,625 | 3,207 | 109,176 |
| Employee benefits | 52,407 | 85,305 | 59,297 | 35,801 | 7,059 | 239,869 |
| Pension | 49,334 | 86,656 | 58,646 | 36,212 | 5,856 | 236,704 |
| Professional services | 37,723 | 246,679 | 44,828 | 53,682 | 4,486 | 387,398 |
| Insurance | 1,192 | 2,469 | 1,593 | 1,016 | 91 | 6,361 |
| Casework | 3,702 | 2,872 | 4,500 | - | - | 11,074 |
| Office and telephone | 5,148 | 8,938 | 5,940 | 3,682 | 598 | 24,306 |
| Publications | 2,080 | 1,864 | 2,465 | 1,524 | 201 | 8,134 |
| Repairs and maintenance | 8,748 | 15,378 | 9,444 | 6,458 | 987 | 41,015 |
| Rent | 77,311 | 145,562 | 101,134 | 74,170 | 9,532 | 407,709 |
| Other | 9,738 | 29,013 | 8,246 | 5,721 | 1,689 | 54,407 |
| Depreciation and amortization of property and equipment | 3,445 | 4,305 | 2,912 | 1,799 | 290 | 12,751 |
| | $ 635,066 | $ 1,208,154 | $ 764,645 | $ 441,627 | $ 81,809 | $ 3,131,301 |

(continued)

THE NEW YORK SOCIETY FOR THE
PREVENTION OF CRUELTY TO CHILDREN

STATEMENT OF FUNCTIONAL EXPENSES – (concluded)

Year Ended December 31, 2020
(With comparative total figures for the year ended December 31, 2019)

| | Total Programs | General Administration | Fund Raising | 2020 Total | 2019 Total |
|---|---|---|---|---|---|
| Salaries | $ 1,592,397 | $ 177,704 | $ 336,922 | $ 2,107,023 | $ 2,072,394 |
| Social Security taxes | 109,176 | 12,584 | 22,219 | 143,979 | 145,396 |
| Employee benefits | 239,869 | 24,559 | 46,581 | 311,009 | 342,449 |
| Pension | 236,704 | 27,384 | 47,771 | 311,859 | 286,196 |
| Professional services | 387,398 | 73,591 | 36,834 | 497,823 | 265,286 |
| Insurance | 6,361 | 13,719 | 1,326 | 21,406 | 29,397 |
| Casework | 11,074 | 1,767 | - | 12,841 | 24,891 |
| Office and telephone | 24,306 | 3,532 | 4,829 | 32,667 | 60,949 |
| Publications | 8,134 | 1,494 | 3,830 | 13,458 | 12,295 |
| Repairs and maintenance | 41,015 | 6,283 | 8,496 | 55,794 | 57,267 |
| Rent | 407,709 | 40,396 | 82,540 | 530,645 | 525,790 |
| Special events | - | - | 42,336 | 42,336 | 194,628 |
| Other | 54,407 | 67,904 | 17,725 | 140,036 | 233,997 |
| Depreciation and amortization of property and equipment | 12,751 | 1,167 | 2,371 | 16,289 | 16,161 |
| | $ 3,131,301 | $ 452,084 | $ 653,780 | $ 4,237,165 | $ 4,267,096 |

The accompanying notes are an integral part of these financial statements

**Note 1. Nature of Operations**

The New York Society for the Prevention of Cruelty to Children (the “NYSPCC” or the “Society”) protects children at risk of abuse and neglect by providing direct services to children and their families. As the world’s first child protection agency, the Society's mission is to respond to the complex needs of abused and neglected children, and those involved in their care, by providing best practice counseling, legal and educational services. Through research, communications and training initiatives, the Society works to expand these programs to prevent abuse and help more children heal. The Society's programs are composed of the following:

<u>Supervised Visitation</u>
The Supervised Visitation Program provides court-ordered and foster care-agency referred therapeutic supervised visitation services to families who need the guidance of a skilled clinician due to issues of child abuse or neglect, domestic violence, substance abuse and mental illness. The NYSPCC provides supervised visitation in a safe and supportive setting enabling non-custodial parents, as well as parents whose children are in foster care due to abuse or neglect, to visit with their children. Enhanced services are also provided specifically to fathers to target the unique issues they face as they work towards restoring their relationship with their children.

<u>Trauma Recovery</u>
The Trauma Recovery Program focuses on the mental health care needs of the New York City’s most vulnerable children by providing counseling to children who have endured the trauma of child abuse or neglect. They are referred by the NYC Administration for Children’s Services (ACS) child protective, preventive and foster care systems and the NYSPCC’s supervised visitation program. The NYSPCC, through its Child Empowerment Program also provides group counseling and sexual abuse prevention workshops to children and adolescents in the NYC public school system, along with foster care and community-based agencies. Through its Crisis Debriefing Program, the NYSPCC provides services to ACS and other child welfare agencies to help staff during times of stress, grief and loss.

<u>Research and Evaluation</u>
The Research & Evaluation Department is dedicated to building the evidence base for effective approaches to preventing and treating child abuse and neglect. Research is focused on the integration and examination of evidence-based treatment methods into real-world settings, including within schools, community and government agencies. The NYSPCC also conducts ongoing evaluations of all programs to ensure consistency, program quality and client satisfaction. Program-specific evaluation plans are designed using a multi-dimensional, mixed-methods approach. Evaluation data is examined at regular intervals to allow for continuous monitoring of services and client progress. Findings are used to inform best practice for the Society’s programs within the agency, as well as across the broader child welfare field.

**Note 1. Nature of Operations** – continued

Training Institute/Advocacy
The NYSPCC's Training Institute provides training to child-welfare professionals on its best-practice program models, such as therapeutic supervised visitation, trauma recovery and managing secondary traumatic stress. It also provides training to professionals in their legal obligation to identify and report child abuse and neglect in both live lecture and on-line formats. The Training Institute provides sexual abuse prevention to children in school-based and community settings for grades K through 12, and to parents in sexual abuse prevention and numerous other topics relating to child safety. The Training Institute provides New York State Education Department-approved Continuing Education for Social Workers.

The NYSPCC engages in advocacy efforts to improve legal, governmental and social systems so that children will be better protected from abuse and neglect. This includes actively support legislative changes, working with other child welfare organizations on shared advocacy goals, and submitting or signing amicus curiae briefs in litigation regarding the safety and well-being of children.

Archives
The NYSPCC holds the archives documenting the early history of the child protective movement in the United States. The NYSPCC responds to requests from individuals who are attempting to trace their family history and also assists authors, students and filmmakers with historical information for documentaries, books, articles and dissertations.

**Note 2. Summary of Significant Accounting Policies**

Basis of presentation
The financial statements of the NYSPCC have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Society to report information regarding its financial position and activities according to the following net asset classifications:

> Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Society's management and the board of directors.
>
> Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Society or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions.

**Note 2. Summary of Significant Accounting Policies** – continued

Measure of operations

The statement of changes in net assets reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Society's ongoing programs and operating portion of investment return. Non-operating activities are limited to resources that generate non-operating portion of investment return and other activities considered to be of a more unusual or nonrecurring in nature.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash held in checking and money market accounts, excluding amounts included in investments.

Revenue Recognition

The Society recognizes contributions when cash, securities or other assets, or unconditional promise to give is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Grants and contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the grant or contribution is recognized. All other donor restricted grants and contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

The Society receives funding under contracts on a cost reimbursement basis. Revenue from contracts is recognized only when funds are utilized by the Society to carry out the activity stipulated in the contract agreement. Contracts receivable represent amounts due from funding organizations for reimbursable expenses incurred. Cash received under contracts in advance of incurring the related expenses is reported as deferred revenue.

Property and Equipment

All acquisitions of equipment and furniture in excess of $1,000 are capitalized. Equipment, furniture and leasehold improvements are stated at cost or fair value at date of gift, net of accumulated depreciation. Management reviews furniture and equipment for impairment. Furniture and equipment are written off to operations when considered impaired.

Investments

Investments are stated at fair values, as described more fully in Note 7. Investment income, and unrealized gains and losses, are reported as increases or decreases in net assets with or without donor restrictions, as appropriate.

**Note 2. Summary of Significant Accounting Policies** – continued

Contributed Services

A substantial number of volunteers have donated significant amounts of time and services in the Society's program operations and in its fundraising campaigns. However, such contributed services do not meet the criteria for recognition of contributed services in accordance with generally accepted accounting principles and, accordingly, are not reflected in the accompanying financial statements.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statement of revenues, expenses and other changes in net assets without donor restrictions. Accordingly, certain costs have been allocated among program services and supporting services.

Salaries and benefits, rent, and office expenses are allocated based on employees' time and effort spent on program or support activities. Other expenses, which are not identifiable by program or support services, are allocated based on the best estimates of management.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Comparative Information

The financial statements include certain 2019 comparative information that may not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended December 31, 2019, from which the comparative information was derived.

Income Taxes

The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is not a private foundation under the code. Similar tax-exempt status applies at the state and local levels.

The Society recognizes the effects of income tax positions only if those positions are more likely than not of being sustained. The Society evaluated its tax positions and determined that it has no uncertain tax positions.

**Note 2. Summary of Significant Accounting Policies** – continued

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* as subsequently amended, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most recent current revenue recognition guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also specifies the accounting for certain incremental costs of obtaining a contract, and costs to fulfill a contract with a customer. For non-public entities, the effective date of this ASU is for annual periods beginning after December 15, 2019.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which provides guidance for determining whether a transaction should be accounted for as contribution (nonreciprocal transaction) or an exchange (reciprocal transaction), and whether a contribution is conditional. The Society adopted ASU 2018-08 effective January 1, 2020.

The adoption of ASU 2014-09 and ASU 2018-08 did not have a material impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under the new standard, a lessee will be required to recognize right-of-use asset and liability on the statement of financial position for all leases with the exception of those leases with a term of 12 months or less. The new standard is effective for the year end December 31, 2022. Early adoption is permitted. The Society is evaluating the impact of this standard on its financial statements.

**Note 3. Availability and Liquidity**

The following represents the Society's financial assets at December 31, 2020:

| | |
|---|---|
| Financial assets at year end | |
| Cash and cash equivalents | $ 1,323,804 |
| Accrued investment income | 2,156 |
| Contributions receivable | 21,500 |
| Government contracts receivable | 112,003 |
| Other receivable | 90,078 |
| Investments, at fair value | 39,154,441 |
| Total financial assets | 40,703,982 |
| Less amounts not available to be used within one year: | |
| Investments subject to liquidity limitations (Note 7) | (7,249,334) |
| Net assets with donor restrictions | (1,483,648) |
| Financial assets available to meet general expenditures over the next twelve months | $ 31,971,000 |

The Society structures its financial assets to be available as its general expenditures, liabilities, and other obligation come due. As part of its liquidity plan, a portion of excess cash is invested in short-term investments.

**Note 4. Property and Equipment**

Historical archives are not depreciated. Depreciation is provided using the straight-line method over the estimated useful lives of other assets. The components of property and equipment are as follows:

| | | Estimated Useful Lives |
|---|---|---|
| Furniture and equipment | $ 269,175 | 5 |
| Leasehold improvements | 562,297 | 5-10 |
| | 831,472 | |
| Accumulated depreciation | (666,293) | |
| | $ 165,179 | |

Depreciation expense for the year ended December 31, 2020, was $16,289.

## Note 5. Beneficial Interest in Charitable Trusts

The Society is an income beneficiary of two charitable trusts or portions thereof. The Society's beneficial interest in future distributions from these trusts has been recorded in the statement of financial position at $2,643,919 as of December 31, 2020. These interests are valued as follows:

| Method | Value |
|---|---|
| Based on fair value of trust assets | $ 2,203,349 |
| Based on present value of projected income | 440,570 |
| | $ 2,643,919 |

Distributions from and changes in valuation of the beneficial interest in trusts are included in the statement of changes in net assets. Beneficial interests in charitable trusts are presented as part of net assets with donor restrictions because such amounts are not available for expenditure. The trusts are managed by third-party trustees.

## Note 6. Concentrations of Credit Risk

Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash, cash equivalents and investments. The Society maintains its cash and cash equivalents in various bank deposit accounts that may exceed federally insured limits at times. To minimize risk, the Society's cash accounts are placed in high-credit quality financial institutions, while the Society's investment portfolio is diversified with several investment managers in a variety of asset classes. The Society regularly evaluates its depository arrangements and investments, including performance thereof.

## Note 7. Investments

Investment Policy
The Society's investment policy is intended to produce a real return of at least 5% per year over inflation as measured by Consumer Price index; and to preserve the principal value of assets as measured in real, inflation-adjusted terms. The Society invests in corporate stocks, federal and municipal bonds, mutual funds containing equity and fixed income instruments, and alternative investments (partnerships and private placement (hedge) funds.

**Note 7. Investments** – continued

Investment Valuation

The Financial Accounting Standards Board has established a framework for measuring fair value of investments. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The levels of the fair value hierarchy are described as follows:

*Level 1* – Valuation is based upon quoted prices for identical securities in active markets. Level 1 also includes open-ended mutual funds that are redeemable at daily-published unit prices.

*Level 2* – Valuation is based upon inputs other than quoted prices for similar securities in active markets and quoted prices for identical or similar securities in markets that are not active.

*Level 3* – Valuation is based upon inputs that are unobservable and significant to the fair value measurement.

Equity securities are valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds are valued at net asset value at the closing price reported in the active market in which the mutual and exchange-traded funds are traded.

Fixed income securities are valued at the closing price reported in the market in which they are traded.

For investments in partnerships and private placement funds ("alternative investments") for which the above hierarchy is not appropriate, investees that compute and report net asset value (NAV) in accordance with U.S. generally accepted accounting principles for investment companies are valued at those NAV.

The following table presents the Society's investments at fair value as of December 31, 2020:

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Fair Value |
|---|---|---|---|---|
| Cash and money market funds | $ 2,962,353 | $ - | $ - | $ 2,962,353 |
| Equities | 6,208,019 | - | - | 6,208,019 |
| Fixed income | - | 810,797 | - | 810,797 |
| Exchange-traded products | 1,313,865 | - | - | 1,313,865 |
| Mutual funds | 20,610,073 | - | - | 20,610,073 |
| | $ 31,094,310 | $ 810,797 | $ - | 31,905,107 |
| Alternative investments at net asset value (NAV) | | | | 7,249,334 |
| | | | | $ 39,154,441 |

**Note 7. Investments** – continued

Alternative investments include Limited Partnerships and Private Placement Funds that invest in various economic sectors. Generally, these investments may not be redeemed with the investees. Distributions will be received as income is generated and/or the underlying investments are liquidated. The Society may be subject to additional capital calls of approximately $5,406,400 in future years. In 2020 the total earnings and distributions of alternative investments were $317,839 and $1,502,372, respectively.

The preceding valuation methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Further, although the Society believes its valuation methods are appropriate and have been used consistently, the use of different methodologies or assumptions to determine the fair value of certain investments could result in a different fair value measurement at the reporting date.

Spending Policy

The Society utilizes only a portion of its total investment return for support of current operations. The remainder is retained to support operations of future years and to offset potential market declines. A 5.21% spending rate (based on average market value of the previous three years) was authorized for use in current operations in 2020.

New York Prudent Management of Institutional Funds Act (“NYPMIFA”)

The Board of Directors of the Society has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift of donor-restricted endowment funds absent explicit donor stipulations to the contrary. Accordingly, the Society includes in net assets with donor restrictions (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of endowment-like (*i.e.* invested) net assets is included in net assets without donor restrictions and is available for appropriation for expenditure by the Society in a manner consistent with the standard of prudence prescribed by NYPMIFA.

**Note 7. Investments** – continued

New York Prudent Management of Institutional Funds Act ("NYPMIFA") – continued
In accordance with NYPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate the income of donor-restricted endowment funds:

(a) The duration and preservation of the fund;
(b) The purposes of the donor-restricted endowment fund;
(c) General economic conditions;
(d) The possible effect of inflation and deflation;
(e) The expected total return of income and the appreciation of investments;
(f) Other resources of the Society; and
(g) The investment policies of the Society.

Endowment net assets consist of the following at December 31, 2020:

| Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|
| $ - | $ 1,483,648 | $ 1,483,648 |

No changes occurred in endowment net assets with donor restrictions in the year ended December 31, 2020.

Net Investment Return
The following schedule summarizes the net investment return and its classification in the statement of revenue, expenses and other changes in net assets without donor restrictions.

| | 2020 | 2019 |
|---|---|---|
| Dividends and interest, net | $ 418,747 | $ 688,336 |
| Fees paid directly to advisors | (204,531) | (274,146) |
| Realized and unrealized gain | 3,871,420 | 2,586,027 |
| Partnership earnings | 317,839 | 358,444 |
| Net investment return | $ 4,403,475 | $ 3,358,661 |
| Net investment return - operating portion | $ 1,577,863 | $ 1,433,205 |
| Net investment return - non-operating portion | 2,825,612 | 1,925,456 |
| Total net investment return | $ 4,403,475 | $ 3,358,661 |

## Note 8. Pension Plans

Defined-benefit Plan

The Society has a non-contributory defined benefit pension plan covering its eligible employees. The plan provides for monthly benefits upon retirement based on compensation and length of service prior to retirement, including certain early retirement benefits. The plan is frozen to new participants; however, the Society continues to fund benefits already earned.

Amounts and calculations disclosed herein are based on the Society's understanding of generally accepted accounting principles applicable to employer financial reporting requirements. Determinations for purposes other than those requirements may be significantly different from the results reported herein. Accordingly, additional determinations are needed for other purposes, including judging benefit security at termination; or judging the adequacy of funding for an ongoing plan.

As of December 31, 2020 the Society has met all funding obligations as determined under the Employee Retirement Income Security Act of 1974 (ERISA).

The following sets forth further information about the plan as of and for the years ended December 31, 2020 and 2019:

| | 2020 | 2019 |
|---|---|---|
| Projected benefit obligation | $ 8,364,220 | $ 7,547,098 |
| Plan assets at fair value | 5,740,699 | 5,608,161 |
| Funded status (deficiency) | $ (2,623,521) | $ (1,938,937) |
| Accumulated benefit obligation | $ 8,334,453 | $ 7,410,721 |
| Accrued pension benefits | $ (2,623,521) | $ (1,938,937) |
| Employer contributions | $ - | $ 1,000,000 |
| Benefits paid | $ 350,368 | $ 322,034 |
| Net periodic pension cost | $ 230,609 | $ 208,455 |
| Net effect of items not yet reflected in net periodic pension cost | $ 2,659,132 | $ 2,205,157 |

**Note 8. Pension Plans** – continued

The *Projected Benefit Obligation* is the present value of projected benefits based on service accrued to date. The projected benefit obligation is measured using assumptions as to future compensation levels, if the pension benefit formula is based on those future compensation levels (pay-related, final-pay, final-average-pay, or career-average-pay plans).

The *Accumulated Benefit Obligation* is the actuarial present value of benefits attributed to employee service rendered before a specified date and based on employee service and compensation before that date. The accumulated benefit obligation differs from the projected benefit obligation in that it includes no assumption about future compensation levels. For plans with flat-benefit or non-pay-related pension benefit formulas, the accumulated benefit obligation and the projected benefit obligation are the same.
The *Funded Status* is the difference between the Projected Benefit Obligation and the Plan's assets.

The following table provides weighted-average assumptions used for determining net periodic pension cost:

| | 2020 | 2019 |
|---|---|---|
| Discount rate | 3.25% | 4.15% |
| Expected long term rate of return on plan assets | 6.00% | 6.00% |
| Rate of compensation increase | 3.00% | 3.00% |

The following table provides weighted-average assumptions used for determining pension benefit obligations:

| | 2020 | 2019 |
|---|---|---|
| Discount rate | 2.45% | 3.25% |
| Rate of compensation increase | 3.00% | 3.00% |

Benefit payments are expected to be paid over the next ten years ending December 31 as follows:

| | |
|---|---|
| 2021 | $ 380,000 |
| 2022 | 380,000 |
| 2023 | 370,000 |
| 2024 | 390,000 |
| 2025 | 410,000 |
| 2026 - 2030 | 1,960,000 |
| Total | $ 3,890,000 |

**Note 8. Pension Plans** – continued

These amounts are based on current data and assumptions and reflect expected future service, as appropriate. Benefit payments reflect current assumptions throughout the 10-year period.

The Plan invests in Mutual Funds and Pooled Separate Accounts (PSAs). PSAs are made up of variety of underlying investments such as equities, preferred stocks, bonds, real estate and mutual funds. The net asset value (NAV) of a PSA is based on the market value of its underlying investments. The Society's overall investment strategy is to achieve a long-term asset mix of approximately 50% fixed income and 50% equities.

Plan investments are valued using the same methodologies described in Note 7. The fair values of Plan assets by category are:

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Net Asset Value (NAV) | Total Fair Value |
|---|---|---|---|
| Equities | | | |
| Mutual funds | $ 1,759,319 | $ - | $ 1,759,319 |
| Pooled Separate Accounts | - | 1,036,114 | 1,036,114 |
| Fixed income | | | |
| Mutual funds | 2,588,200 | - | 2,588,200 |
| Pooled Separate Accounts | - | 357,066 | 357,066 |
| | $ 4,347,519 | $ 1,393,180 | $ 5,740,699 |

As of December 31, 2020, the fair value of assets of $5,740,699 is exceeded by the projected benefit obligation of $8,364,220 of the Plan. The difference of $2,623,521, representing the unfunded projected benefit obligation, is recognized as a liability in the statement of financial position.

The following is a reconciliation of items not yet reflected in net periodic benefit cost:

| | January 1, 2020 | Amortization of net gain (loss) | Net (gain) loss | December 31, 2020 |
|---|---|---|---|---|
| Net (gain) or loss | $ 2,205,157 | $ (246,675) | $ 700,650 | $ 2,659,132 |

The net periodic benefit cost for 2020 was $230,609.

**Note 8. Pension Plans** – continued

The expected long-term rate of return on plan assets assumption of 6% was developed as a weighted average rate based on the target asset allocation of the plan and the long-term capital market assumptions. The overall return for each asset class was developed by combining a long-term inflation component and the associated expected real rates. The development of the capital market assumptions utilized a variety of methodologies, including, but not limited to, historical analysis, stock valuation models such as dividend discount models and earnings yields' models, expected economic growth outlook, and market yields analysis.

<u>Defined Contribution Plan</u>
The Society matches one-half of employee elective deferral contributions. Elective deferrals over 6% of salary are not matched. The Society's matching contributions amounted to $33,930 and $32,889 in December 31, 2020 and 2019, respectively.

<u>Other Payments</u>
The Society makes supplemental payments to certain retirees based on contractual or gratuitous arrangements. The amount of such payments was $3,198 in 2020 and in 2019.

**Note 9. Commitments**

<u>Office Lease</u>
The Society rents office space in New York City under a lease that expired June 30, 2021. The Society signed a new lease for the term of approximately ten years and four months. Fixed annual rent under the new lease is $591,123.

Total 2020 rental expense consisted of the following:

| | 2020 | 2019 |
|---|---|---|
| Base rent | $ 404,820 | $ 404,820 |
| Real estate taxes and operating expenses | 125,825 | 120,970 |
| | $ 530,645 | $ 525,790 |

The Society has executed a bank letter of credit in the amount of $100,000 in favor of the landlord as a security deposit.

<u>Investment Commitments</u>
Additional commitments related to the Society's investments are described in Note 7.

## Note 10. Paycheck Protection Program

In April 2020, NYSPCC was granted a loan from First Republic Bank in the amount of $454,700 pursuant to the Paycheck Protection Program of the Small Business Administration. The loan was forgiven in 2021. No forgiveness income has been recorded for the year ended December 31, 2020.

## Note 11. Risks and Uncertainties

As a result of the COVID-19 outbreak, the methods of delivering NYSPCC's program services have been altered, as have the timing and format of fundraising events. Charitable giving has also been affected.

Certain effects of COVID-19 will likely persist in 2021. NYSPCC has conducted its activities in a manner to minimize the ultimate financial impact, which cannot be determined at this time.

## Note 12. Net Assets with Donor Restrictions – Purpose Restricted

During the year ended December 31, 2020, purpose restricted net assets were released from restrictions and expended as follows:

| | |
|---|---|
| Trauma Recovery | $ 123,000 |
| Supervised Visitation | 195,000 |
| Training Institute/Advocacy | 38,500 |
| Purchase of furnishings, equipment and software | 9,500 |
| | $ 366,000 |

There were no purpose restricted net assets as of December 31, 2020.

## Note 13. Subsequent Events

Subsequent events were evaluated by management through September 23, 2021, the date the financial statements were available to be issued. Management is not aware of any subsequent events that should be recorded in the accompanying financial statements.