

**COMMUNITY SERVICE SOCIETY
OF NEW YORK
AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

JUNE 30, 2013

**COMMUNITY SERVICE SOCIETY OF NEW YORK
AND AFFILIATES**

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Independent Auditor's Report

**Board of Trustees
Community Service Society of New York
and Affiliates**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Community Service Society of New York and Affiliates (the "Society"), which comprise the consolidated statement of financial position as of June 30, 2013 and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Service Society of New York and Affiliates as of June 30, 2013 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information for the year ended June 30, 2013 included in Schedule 1 - consolidated schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information for the year ended June 30, 2013 is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Report on Summarized Comparative Information

We have previously audited Community Service Society of New York and Affiliates' June 30, 2012 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 19, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

We had also expressed an unmodified opinion on the supplementary information included in Schedule 1 for the year ended June 30, 2012 in relation to those financial statements as a whole. In our opinion, the supplementary information for the year ended June 30, 2012 in Schedule 1 is consistent, in all material respects, with the audited supplementary information from which it has been derived.

Jacob H. Troper LLP

October 24, 2013

**COMMUNITY SERVICE SOCIETY OF NEW YORK
AND AFFILIATES**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

(With Summarized Financial Information for June 30, 2012)

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 3,472,981	\$ 4,738,244
Investments (Note 2)	120,769,922	117,712,599
Accounts receivable (Note 4)		
Government agencies	3,063,253	2,201,279
Other - net (Note 2)	211,116	186,336
Securities sold receivable	1,400,000	
Prepaid expenses and other assets	65,834	84,276
Intangible asset - City Limits (Note 15)		220,000
Beneficial interest in perpetual trusts (Note 2)	31,335,966	29,670,817
Investment in The United Charities (Note 5)	2,090,057	1,906,028
Fixed assets - net (Note 6)	<u>2,031,422</u>	<u>2,108,839</u>
Total assets	<u>\$ 164,440,551</u>	<u>\$ 158,828,418</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,538,624	\$ 2,816,077
Accrued vacations payable	785,809	843,815
Securities purchased payable	1,400,000	
Liability for postemployment and postretirement benefits (Note 9)	<u>7,720,018</u>	<u>12,341,642</u>
Total liabilities	<u>11,444,451</u>	<u>16,001,534</u>
Net assets (Exhibit B)		
Unrestricted	66,691,463	60,535,230
Temporarily restricted (Note 7)	25,874,136	23,526,302
Permanently restricted (Note 8)	<u>60,430,501</u>	<u>58,765,352</u>
Total net assets	<u>152,996,100</u>	<u>142,826,884</u>
Total liabilities and net assets	<u>\$ 164,440,551</u>	<u>\$ 158,828,418</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

COMMUNITY SERVICE SOCIETY OF NEW YORK
AND AFFILIATES

EXHIBIT B

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013
(With Summarized Financial Information
for the Year Ended June 30, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2013	2012
Public support and revenues					
Public support					
Contributions	\$ 585,819	\$ 33,066		\$ 618,885	\$ 394,336
Foundations	325,290	3,338,308		3,663,598	3,508,962
Bequests	70,921			70,921	63,690
Greater New York Fund/United Way	932	29,400		30,332	16,880
New York Times Neediest Cases Fund		1,246,951		1,246,951	1,084,957
Government grants		8,187,042		8,187,042	5,943,660
Contracts					231,699
Subscription and advertisement income	105,913			105,913	165,615
Total public support and revenues	1,088,875	12,834,767		13,923,642	11,409,799
Revenues					
Investment income - net (Note 3)	9,490,390	3,493,543		12,983,933	2,762,494
Change in fair value of beneficial interest in perpetual trusts			\$ 1,665,149	1,665,149	(1,598,324)
Change in investment in The United Charities (Note 5)	184,029			184,029	582,530
Special events	\$ 478,350				
Less direct cost of special events	(214,419)				
Net revenue from special events	263,931			263,931	
Program service fees	157,705			157,705	178,668
Total revenues	10,096,055	3,493,543	1,665,149	15,254,747	1,925,368
Net assets released from restrictions (Note 7)	13,980,476	(13,980,476)			
Total public support, revenues, and other support	25,165,406	2,347,834	1,665,149	29,178,389	13,335,167

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COMMUNITY SERVICE SOCIETY OF NEW YORK
AND AFFILIATES

EXHIBIT B

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CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013
(With Summarized Financial Information
for the Year Ended June 30, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2013	2012
Expenses					
Program services					
Direct service program (includes \$51,584 of interest expense in 2012)	\$ 13,188,297			\$ 13,188,297	\$ 11,752,564
Policy research and advocacy	4,084,754			4,084,754	3,537,621
Public interest	1,087,142			1,087,142	1,266,006
Total program services	<u>18,360,193</u>			<u>18,360,193</u>	<u>16,556,191</u>
Supporting services					
Management and general	4,913,726			4,913,726	4,769,158
Fund raising	950,208			950,208	974,459
Total supporting services	<u>5,863,934</u>			<u>5,863,934</u>	<u>5,743,617</u>
Total expenses	<u>24,224,127</u>			<u>24,224,127</u>	<u>22,299,808</u>
Change in net assets before other changes	941,279	\$ 2,347,834	\$ 1,665,149	4,954,262	(8,964,641)
Pension and other postretirement benefits adjustment (Note 9)	5,434,954			5,434,954	(6,967,496)
Impairment loss - City Limits (Note 15)	(220,000)			(220,000)	
Change in net assets (Exhibit C)	6,156,233	2,347,834	1,665,149	10,169,216	(15,932,137)
Net assets - beginning of year	<u>60,535,230</u>	<u>23,526,302</u>	<u>58,765,352</u>	<u>142,826,884</u>	<u>158,759,021</u>
Net assets - end of year (Exhibit A)	<u>\$ 66,691,463</u>	<u>\$ 25,874,136</u>	<u>\$ 60,430,501</u>	<u>\$ 152,996,100</u>	<u>\$ 142,826,884</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**COMMUNITY SERVICE SOCIETY OF NEW YORK
AND AFFILIATES**

CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 10,169,216	\$ (15,932,137)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Net unrealized and realized loss (gain) on investments	(9,590,315)	747,297
Depreciation and amortization	256,026	288,027
Decrease (increase) in beneficial interest in perpetual trusts	(1,665,149)	1,598,324
Change in investment in The United Charities	(184,029)	(582,530)
Impairment loss	220,000	
Decrease (increase) in assets		
Accounts receivable - government agencies	(861,974)	(564,247)
Accounts receivable - other	(24,780)	97,526
Prepaid expenses and other assets	18,442	37,102
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(1,277,453)	801,708
Accrued vacation payable	(58,006)	157,756
Liability for postretirement and postemployment benefits	(4,621,624)	6,655,979
Net cash used by operating activities	<u>(7,619,646)</u>	<u>(6,695,195)</u>
Cash flows from investing activities		
Purchase of investments	(21,483,155)	(29,899,427)
Proceeds from maturity and sales of investments	28,016,147	37,106,223
Fixed asset acquisitions	<u>(178,609)</u>	<u>(149,615)</u>
Net cash provided by investing activities	<u>6,354,383</u>	<u>7,057,181</u>
Cash flows from financing activities		
Payments to City Futures, Inc.		(50,000)
Repayment of loan		<u>(1,453,445)</u>
Net cash used by financing activities		<u>(1,503,445)</u>
Net change in cash and cash equivalents	(1,265,263)	(1,141,459)
Cash and cash equivalents - beginning of year	<u>4,738,244</u>	<u>5,879,703</u>
Cash and cash equivalents - end of year	<u>\$ 3,472,981</u>	<u>\$ 4,738,244</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 51,584</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**COMMUNITY SERVICE SOCIETY OF NEW YORK
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - ORGANIZATION SUMMARY

The consolidated financial statements include Community Service Society of New York (“CSS”) and two affiliated organizations, Institute for Community Empowerment (“Institute”) and Friends of R.S.V.P., Inc. (collectively, the “Society”). CSS is a 501(c)(3) not-for-profit corporation operating under a Certificate of Consolidation granted by the State of New York in 1939, merging the New York Association for Improving the Condition of the Poor and The Charity Organization Society of the City of New York. It is a private, nonsectarian, voluntary social agency. The mission of Community Service Society of New York is to identify problems which create a permanent poverty class in New York City, and to advocate the systemic changes required to eliminate such problems. CSS’ goals are to enable, empower, and promote opportunities for poor families and individuals to develop their full potential to contribute to society, and to realize social, economic and political opportunities. CSS’ primary focus is currently on the value of good-wage jobs and work supports to stimulate social and economic mobility among the working poor. In addition, City Limits Magazine and CityLimits.Org (collectively referred to as City Limits) were acquired with the authorization of the Board. A high-quality print magazine is distributed through subscription and newsstand sales pending achievement of the goal of transitioning City Limits Magazine and CityLimits.Org to an independent 501(c)(3) entity. The Institute is a 501(c)(4) not-for-profit corporation which was established in November 1988 to perform certain electoral advocacy, research, and lobbying activities with other community-based organizations. Friends of R.S.V.P., Inc. is a 501(c)(3) not-for-profit corporation created in 1986 as a fund-raising vehicle for the Retired and Senior Volunteer Program administered by CSS.

The primary sources of revenues are contributions, investment income and government grants.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis of accounting.

Basis of consolidation - All material intercompany balances and transactions have been eliminated in the consolidation.

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 and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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**COMMUNITY SERVICE SOCIETY OF NEW YORK
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents - The Society considers all highly liquid financial instruments with maturities of three months or less when acquired to be cash equivalents.

Investments - Investments are recorded at fair value. The Society invests in various types of investment securities. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in the Society's financial statements.

Accounts receivable - Accounts receivable are recorded when billed.

Allowance for doubtful accounts - Receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of client balances by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year end. Interest is not accrued or recorded on outstanding accounts receivable. As of June 30, 2013, the allowance for doubtful accounts is \$6,800.

Investment in The United Charities - Investment in The United Charities is recorded on the equity method.

Beneficial interest in perpetual trusts - The Society has beneficial interests in various perpetual trusts. The Society's interest in these trusts is reported as a contribution in the year received at their fair value. Changes in the fair value of the underlying assets are recorded as revenue adjusting permanently restricted net assets.

Fixed assets - Fixed assets are stated at cost. Items costing in excess of \$2,500 and having an estimated useful life of at least one year are subject to capitalization. Expenditures for equipment and leasehold improvements are capitalized in the property fund as part of unrestricted net assets. Depreciation and amortization are provided on equipment and improvements using the straight-line method over the shorter of their estimated useful lives or the terms of the leases:

Computer equipment	3 years
Office equipment	7 years
Leasehold improvements	15 years

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COMMUNITY SERVICE SOCIETY OF NEW YORK
AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets - Unrestricted net assets are those whose use by the Society has not been restricted by donors. Included in unrestricted net assets are board-designated funds of \$2,549,392 as of June 30, 2013. Temporarily restricted net assets are those whose use by the Society has been limited by donors or grantors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Society in perpetuity.

Contributions - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as temporarily restricted or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Government grants - Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. Revenues from government contracts are subject to audit and negotiations between the Society and the government agencies. All government grants received are restricted for specific purposes.

Donated services - The Society does not record as contributions the donated services of volunteers, since such services primarily supplement the efforts of the Society's professional staff in providing its essential services. The activities of such volunteers include working with and providing assistance to the elderly and children of minority group families, providing legal and financial assistance to low-income families, serving on advisory committees, and assisting in fund-raising activities.

Functional expenses - The costs of providing the Society's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Operating leases - Rent expense is recognized on the first day of each month for the current month. Operating leases have been recorded on the straight-line basis over the life of each lease.

Summarized financial information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

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COMMUNITY SERVICE SOCIETY OF NEW YORK
AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

Fair Value Measurements establishes a framework for measuring fair value. The 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 three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2013, as compared to those used at June 30, 2012.

Commingled funds, structured debt fund and real estate fund - Valued at the NAV of shares held at year end as determined by the managers of the underlying funds.

Beneficial interest in perpetual trusts - Beneficial interest in perpetual trusts is valued at fair value of the Society's beneficial interest in the fair value of underlying assets.

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**COMMUNITY SERVICE SOCIETY OF NEW YORK
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments for 2012 have been restated from within Level 1 to Level 3 to more accurately disclose the fair value hierarchy. In addition, the descriptions of the investments have also been restated.

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2013 with comparative summarized information for June 30, 2012:

	<u>2013</u>	<u>2012</u>
	<u>Level 3</u>	<u>Level 3</u>
Commingled Funds	\$ 113,553,102	\$ 109,786,686
Structured Debt Fund	1,371,391	2,120,737
Real Estate Fund	<u>5,845,429</u>	<u>5,805,176</u>
	120,769,922	117,712,599
Beneficial interest in perpetual trusts	<u>31,335,966</u>	<u>29,670,817</u>
	<u>\$ 152,105,888</u>	<u>\$ 147,383,416</u>

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**COMMUNITY SERVICE SOCIETY OF NEW YORK
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Level 3 assets for the year ended June 30, 2013:

	<u>Commingled Funds</u>	<u>Structured Debt Fund</u>	<u>Real Estate Fund</u>	<u>Beneficial Interest in Perpetual Trusts</u>	<u>Total</u>
Balance, beginning of year	\$ 109,786,686	\$ 2,120,737	\$ 5,805,176	\$ 29,670,817	\$ 147,383,416
Purchases	18,838,468		300,000		19,138,468
Sales	(25,936,534)	(797,992)	(965,066)		(27,699,592)
Fees	(284,976)	(31,579)			(316,555)
Interest income	2,169,045	10,586	165,056		2,344,687
Unrealized gains (losses)	6,187,033	(296,765)	349,257	1,665,149	7,904,674
Realized gain	<u>2,793,380</u>	<u>366,404</u>	<u>191,006</u>		<u>3,350,790</u>
Balance, end of year	<u>\$ 113,553,102</u>	<u>\$ 1,371,391</u>	<u>\$ 5,845,429</u>	<u>\$ 31,335,966</u>	<u>\$ 152,105,888</u>

* The amount of net gain for the period attributable to the change in unrealized gain relating to assets still held at the report date.

\$ 7,904,674

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COMMUNITY SERVICE SOCIETY OF NEW YORK
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

Level 3 Investments

Fund Name	Redemption Period	Notice Period	Description of Fund	Amount
CF Charitable Temporary Investment Fund	None	None	The assets of the Fund shall be invested primarily in instruments issued by the U.S. Government, Federal agencies, sponsored agencies or sponsored corporations; short-term corporate obligations maturing in 397 days or less. The Fund's maximum average maturity will be 60 days and the Fund's maximum weighted average life will be 120 days.	\$ 716,734
CF DV Aggregate Bond Index Fund	None	None	The objective of the Fund is to track the performance of the Barclays U.S. Aggregate Index. In meeting this objective, the Fund may invest in securities (including those issued through private placements) and a combination of other collective funds (each an affiliate of the Fund and collectively referred to herein as the "CF Collective Investment Funds").	35,061,638
CF DV International Stock Index Fund	None	None	The objective of the Fund is to track the performance of the MSCI EAFE Index. In meeting this objective, the assets of the Fund may be invested in securities and a combination of other CF Collective Investment Funds that together are designed to track the MSCI EAFE Index.	11,713,847

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COMMUNITY SERVICE SOCIETY OF NEW YORK
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

Level 3 Investments

Fund Name	Redemption Period	Notice Period	Description of Fund	Amount
CF DV Large Cap Stock Index Fund	None	None	The objective of the Fund is to track the performance of the Russell 1000 Index. In meeting this objective, the assets of the Fund may be invested in securities and a combination of other CF Collective Investment Funds that together are designed to track the performance of the Russell 1000 Index.	\$ 35,844,012
CF DV Small Cap Stock Index Fund	None	None	The objective of the Fund is to track the performance of the Russell 1000 Index. In meeting this objective, the assets of the Fund may be invested in securities and a combination of other CF collective Investment Funds that together are designed to track the performance of the Russell 1000 Index.	12,015,503
CF U.S. TIPS 1- 10 Year Fund	None	None	The investment objective of the Fund is to maximize portfolio real return and outperform the index, over a full market cycle, on an absolute risk-adjusted basis. The Fund seeks consistent outperformance in both rising and falling interest rate environments. The Fund invests in US TIPS and Treasuries.	3,259,704

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**COMMUNITY SERVICE SOCIETY OF NEW YORK
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

Level 3 Investments

<u>Fund Name</u>	<u>Redemption Period</u>	<u>Notice Period</u>	<u>Description of Fund</u>	<u>Amount</u>
CF DV Global Alpha II Fund	None	None	The objective of the Fund is to exceed the performance of the Citigroup One-Month U.S. Treasury Bill Index. In meeting this objective, the assets of the Fund may be invested in securities and a combination of other CF Collective Investment Funds.	\$ 3,009,086
CF Equity Market Neutral Fund	None	None	The objective of the Fund is to exceed the performance of the 30-day United States Treasury Bill while maintaining a net market exposure of zero. The objective may be achieved by investing up to 100% of the value of assets of the Fund in long positions and up to 100% of the value of the assets of the Fund in short positions.	3,117,724
CF Emerging Markets Value Equity Fund	None	None	The Fund will be invested primarily in common stocks and other equity securities of issuers organized or conducting business in countries other than the United States.	8,814,854
JPM Structured Debt Fund	Fund is winding down and distributing remaining assets as they are liquidated	None	The Fund consists of various co-op and commercial mortgages.	1,371,391

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**COMMUNITY SERVICE SOCIETY OF NEW YORK
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

Level 3 Investments

<u>Fund Name</u>	<u>Redemption Period</u>	<u>Notice Period</u>	<u>Description of Fund</u>	<u>Amount</u>
CF Global Real Estate Securities Fund	None	None	The primary investment objective of the Fund is to maximize total return. The assets of the Fund shall be invested primarily in a diversified portfolio of listed properties companies around the world whose principal business is the ownership, management and/or development of income-producing and for-sale real estate properties.	\$ <u>5,845,429</u>
				\$ <u>120,769,922</u>

Uncertainty in income taxes - The Society has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending June 30, 2010 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through October 24, 2013, which is the date the financial statements were available to be issued.

NOTE 3 - INVESTMENT INCOME

Investment income for the years ended June 30, 2013 and 2012 consists of the following:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 2,350,923	\$ 2,549,186
Net realized gain	3,350,790	1,899,250
Net unrealized gain (loss)	6,239,525	(2,646,547)
Perpetual trust investment income	1,359,250	1,241,389
Less investment management fees	<u>(316,555)</u>	<u>(280,784)</u>
	\$ <u>12,983,933</u>	\$ <u>2,762,494</u>

-continued-

**COMMUNITY SERVICE SOCIETY OF NEW YORK
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 3 - INVESTMENT INCOME (continued)

State law allows the Board of Trustees (Board) to appropriate as much of the net appreciation as is prudent considering the Society's long- and short-term needs, present and anticipated financial requirements, expected total return on its investment, price level trends, and general economic conditions. Consistent with the Society's spending policy for the year ended June 30, 2013, \$7,714,000 was appropriated, of which \$7,714,000 was spent. For the year ended June 30, 2012, \$7,879,000 was appropriated, of which \$7,879,000 was spent.

NOTE 4 - ACCOUNTS RECEIVABLE

Receivables from government agencies primarily represent amounts owed by the U.S. Department of Health and Human Services for the New York State Establishment Exchange Grant, Consumer Assistance Program and Children's Health Insurance Program Reauthorization Act, from Corporation for National and Community Service for the RSVP Program, and from the NYC Department of Education for the Experience Corps Program.

Other receivables primarily represents amounts owed by private foundations for Healthcare Campaign Programs.

NOTE 5 - INVESTMENT IN THE UNITED CHARITIES

The Society has a 50% undivided interest in The United Charities, a not-for-profit corporation organized to provide a center in which benevolent institutions can have their headquarters. At December 31, 2012 and 2011, the net assets of The United Charities aggregated \$4,180,114 and \$3,812,056, respectively. The Society's investment in The United Charities is carried at \$2,090,057 and \$1,906,028 at June 30, 2013 and 2012, respectively. The United Charities is obligated under various lease agreements to provide office facilities to the Society and other tenants (see Note 11).

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**COMMUNITY SERVICE SOCIETY OF NEW YORK
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 6 - FIXED ASSETS

Fixed assets at June 30, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Computer and office equipment	\$ 808,764	\$ 633,802
Leasehold improvements	<u>2,916,577</u>	<u>2,912,930</u>
	3,725,341	3,546,732
Less accumulated depreciation and amortization	<u>(1,693,919)</u>	<u>(1,437,893)</u>
	<u>\$ 2,031,422</u>	<u>\$ 2,108,839</u>

The accumulated amortization was \$1,214,668 and \$1,023,322 as of June 30, 2013 and 2012, respectively.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2013 and 2012 include the following amounts that are restricted for the following program or activities by donor specifications:

	<u>2013</u>	<u>2012</u>
Direct service program	\$ 21,815,219	\$ 20,392,271
Policy research and advocacy	1,393,102	718,037
Public interest	357,062	20,000
Program administration	357,062	338,550
Unappropriated investment income from endowments	<u>2,308,753</u>	<u>2,057,444</u>
	<u>\$ 25,874,136</u>	<u>\$ 23,526,302</u>

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**COMMUNITY SERVICE SOCIETY OF NEW YORK
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors as follows:

Direct service program	\$ 11,441,833
Policy research and advocacy	2,056,175
Public interest	191,800
Program administration	<u>290,668</u>
	<u>\$ 13,980,476</u>

NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS

Community Service Society of New York and Affiliates' endowment consists of individual donor-restricted endowment funds established for Direct Service Programs.

Permanently restricted net assets consist of the following:

	<u>2013</u>	<u>2012</u>
Endowment		
Direct service program		
Income restricted for specific purposes	\$ 4,741,097	\$ 4,741,097
Income restricted for program administration	454,414	454,414
Income available for general purposes	<u>23,899,024</u>	<u>23,899,024</u>
Total endowment	<u>29,094,535</u>	<u>29,094,535</u>
Beneficial interest in perpetual trusts - income restricted	11,509,999	11,038,740
Beneficial interest in perpetual trusts - income unrestricted	<u>19,825,967</u>	<u>18,632,077</u>
Total beneficial interest in perpetual trusts	<u>31,335,966</u>	<u>29,670,817</u>
	<u>\$ 60,430,501</u>	<u>\$ 58,765,352</u>

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COMMUNITY SERVICE SOCIETY OF NEW YORK
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS (continued)

Interpretation of Relevant Law

The Board of Directors of Community Service Society of New York and Affiliates has adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA moves away from the "historic dollar value" standard, and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. The Society is now governed by the NYPMIFA spending policy, which establishes a maximum prudent spending limit of 7% of the average of its previous five years' balance. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standards of prudence prescribed by NYPMIFA.

Return Objectives, Strategies Employed and Spending Policy

The overall financial objective of the endowment is to provide the operations of the Society with a relatively stable stream of spendable revenue that increases over time and matches the general rate of inflation, as measured by the Consumer Price Index.

The long-term investment objective for the total endowment is to attain a total return (net of investment management fees) of at least 6% per year in excess of inflation. This objective assumes that withdrawals from the Fund will average, long term, no more than 6% of the Fund's value over time.

Funds with Deficiencies

The Society does not have any funds with deficiencies.

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COMMUNITY SERVICE SOCIETY OF NEW YORK
AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS (continued)

Changes in Endowment Net Assets for the Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 2,781,980	\$ 29,094,535	\$ 31,876,515
Interest and dividend income	485,238	94,466		579,704
Realized gain	693,242	134,959		828,201
Unrealized gain	1,290,889	251,309		1,542,198
Appropriation for expenditures	<u>(2,469,369)</u>	<u>(229,425)</u>	<u>-</u>	<u>(2,698,794)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 3,033,289</u>	<u>\$ 29,094,535</u>	<u>\$ 32,127,824</u>

NOTE 9 - PENSION PLAN AND OTHER POSTRETIREMENT BENEFITS

The Society has a noncontributory defined benefit pension plan covering substantially all employees. The Society also maintains life insurance benefits and contributory group medical benefits for full-time employees (i.e., those who worked 30 hours or more per week) employed prior to July 1, 1978 who retire at or after age 55 and were not covered by the terms of the collective bargaining agreement providing health benefits through the 1199 National Benefit Fund. The Society is required to accrue the estimated cost of these retiree benefit payments during the employees' active service period. The Society pays the cost of postretirement benefits as incurred.

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**COMMUNITY SERVICE SOCIETY OF NEW YORK
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 9 - PENSION PLAN AND OTHER POSTRETIREMENT BENEFITS (continued)

The tables below set forth each plan's funded status and amounts recognized in the Society's financial statements at June 30, 2013 and 2012 as follows:

	Pension Benefits		Other Benefits	
	2013	2012	2013	2012
Projected benefit obligation	\$ (34,019,053)	\$ (35,005,576)	\$ (1,179,717)	\$ (1,406,272)
Fair value of plan assets	<u>27,478,752</u>	<u>24,070,206</u>		
Funded status	<u>\$ (6,540,301)</u>	<u>\$ (10,935,370)</u>	<u>\$ (1,179,717)</u>	<u>\$ (1,406,272)</u>
Society's contributions	\$ 900,000	\$ 1,500,000	\$ 181,056	\$ 193,483
Employees' contributions			2,789	11,728
Benefits paid	828,090	763,492	183,845	205,211
Accrued benefit cost recognized in the statement of financial position	(6,540,301)	(10,935,370)	(1,179,717)	(1,406,272)
Net periodic pension cost	1,852,903	1,320,195		
Other postemployment benefit cost			41,483	61,771

The future expected benefits to be paid for the postretirement plans are as follows:

Years Beginning July 1	
2014	\$ 1,245,178
2015	1,333,154
2016	1,539,233
2017	1,686,667
2018	1,733,208
2019-2023	10,361,170

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**COMMUNITY SERVICE SOCIETY OF NEW YORK
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 9 - PENSION PLAN AND OTHER POSTRETIREMENT BENEFITS (continued)

The accumulated benefit obligation for the defined benefit pension plan was \$30,809,004 and \$30,598,989 at June 30, 2013 and 2012, respectively.

	Pension Benefits		Other Benefits	
	2013	2012	2013	2012
Weighted-average assumptions as of June 30:				
Discount rate	4.75%	4.25%	4.75%	4.25%
Expected return on plan assets	8.00%	8.00%	N/A	N/A
Rate of compensation increase	4.50	4.50	4.50	4.50

Mortality table: Combined RP 2000 Annuitant and Non-Annuitant table updated for 2012 used for pension benefits. 1994 Group Annuity Mortality Table for 2011 used for other benefits.

For 2013 and 2012, an assumed long-term rate of return of 8.0% was used for the pension plan. In developing this rate, the Society evaluated input from its actuaries on asset class return expectations and long-term inflation.

For measurement purposes, a 7.6% health care cost trend rate was assumed for 2013 and 2012. The rate is expected to decrease to 5.9% after 2023-2033.

The components of net pension cost and net postretirement benefit cost for the years ended June 30, 2013 and 2012 are as follows:

	Pension Benefits		Other Benefits	
	2013	2012	2013	2012
Service costs	\$ 1,228,695	\$ 1,007,223		
Interest cost	1,445,525	1,492,570	\$ 53,531	\$ 72,859
Expected return on assets	(1,894,054)	(1,773,615)		
Net amortization and deferral	1,000,784	463,294	19,932	20,892
Amortization of prior service cost	<u>71,953</u>	<u>130,723</u>	<u>(31,980)</u>	<u>(31,980)</u>
Net cost	<u>\$ 1,852,903</u>	<u>\$ 1,320,195</u>	<u>\$ 41,483</u>	<u>\$ 61,771</u>

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COMMUNITY SERVICE SOCIETY OF NEW YORK
AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 9 - PENSION PLAN AND OTHER POSTRETIREMENT BENEFITS (continued)

Unallocated insurance contract - The Community Service Society of New York Retirement Plan's investment contract with Metropolitan Life Insurance Company is valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations, considering the creditworthiness of the issuer. Funds under the investment contract that have been allocated and applied to purchase annuities (that is, Metropolitan is obligated to pay the related pension benefits) are excluded from the Society's assets.

Pooled separate accounts - The pooled separate accounts are valued at the net asset value ("NAV") of shares held by The Community Service Society of New York Retirement Plan at year end.

	2013			2012		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Unallocated insurance contract	\$ -	\$11,133,007	\$11,133,007	\$ -	\$10,613,938	\$10,613,938
Pooled separate accounts						
Metropolitan Life Insurance Company Index Fund II	13,398,500	-	13,398,500	11,124,203	-	11,124,203
Metropolitan Life Insurance Company Small Cap Fund	<u>2,947,245</u>	<u>-</u>	<u>2,947,245</u>	<u>2,332,065</u>	<u>-</u>	<u>2,332,065</u>
	<u>\$16,345,745</u>	<u>\$11,133,007</u>	<u>\$27,478,752</u>	<u>\$13,456,268</u>	<u>\$10,613,938</u>	<u>\$24,070,206</u>

The Society's pension investment policy recognizes the long-term nature of pension liabilities, the benefits of diversification across asset classes and the effects of inflation. The diversified portfolio is designed to maximize returns consistent with levels of liquidity and investment risk that are prudent and reasonable. All assets are managed externally according to guidelines established individually with investment managers. Portfolio risk is controlled by having managers comply with guidelines, establishing the maximum size of any single holding in their portfolios and by using managers with different investment styles. The target asset allocation of the pension fund is approximately 50%, S&P 500 equities, 10% small-cap managers, and 40% fixed income.

The Society expects to contribute at least \$900,000 to its pension plan during fiscal year 2014.

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**COMMUNITY SERVICE SOCIETY OF NEW YORK
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 10 - LEASES

Community Service Society leases office space under operating leases which expire at various dates through December 31, 2013, and is obligated to pay annual rentals plus an additional amount based upon increases in real estate taxes, maintenance, and utility costs. Rental expense was \$1,034,340 in 2013 and 2012.

The related future minimum lease payments as of June 30, 2013 are \$504,792 through December 31, 2013 (Note 11).

NOTE 11 - RELATED-PARTY TRANSACTIONS

The United Charities, a charitable corporation, leases office space to the Society, which has a 50% undivided interest in the ownership of the building since 1939. The United Charities was organized to provide a center in which certain benevolent institutions maintain their headquarters. The lease expired December 31, 2012, and was renewed until December 31, 2013. Rent expenses paid by the Society for the year ended June 30, 2013 was \$1,009,584. Management fees received from The United Charities were \$84,000 and \$78,000 in 2013 and 2012, respectively.

NOTE 12 - CONCENTRATIONS

Financial instruments which potentially subject the Society to a concentration of credit risk are cash accounts with financial institutions in excess of FDIC insurance limits.

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reported on the consolidated statement of financial position of the Society approximates their fair value.

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**COMMUNITY SERVICE SOCIETY OF NEW YORK
AND AFFILIATES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 14 - EXPENSES

	<u>2013</u>	<u>2012</u>
Program services	\$ 18,360,193	\$ 16,556,191
Management and general	5,230,281	5,049,942
Fund raising	950,208	974,459
Direct cost of special event	<u>214,419</u>	<u> </u>
Total	<u>\$ 24,755,101</u>	<u>\$ 22,580,592</u>

NOTE 15 - INTANGIBLE ASSET - CITY LIMITS

In 2011, the Society recorded intangible assets totaling \$220,000, which include: twelve years' digitized archives, photo library, subscriber list, donor list and seven computers in connection with its acquisition of City Limits.

At June 30, 2013, management has determined that the carrying value has been impaired and recorded an impairment loss of \$220,000 for City Limits.

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2013
(With Summarized Financial Information
for the Year Ended June 30, 2012)

	Program Services				Supporting Services			Direct Cost of Special Event	Total	
	Direct Service Program	Policy Research and Advocacy	Public Interest	Total	Management and General	Fund Raising	Total		2013	2012
	Salaries	\$ 4,124,651	\$ 1,619,620	\$ 484,571	\$ 6,228,842	\$ 1,918,348	\$ 438,096		\$ 2,356,444	\$ 8,585,286
Fringe benefits and payroll taxes	2,154,863	845,901	253,592	3,254,356	1,309,681	229,270	1,538,951	4,793,307	4,191,763	
Total salaries and related expenses	6,279,514	2,465,521	738,163	9,483,198	3,228,029	667,366	3,895,395	13,378,593	13,416,312	
Professional fees	5,003,328	1,196,777	185,098	6,385,203	818,355	135,426	953,781	7,338,984	5,380,049	
Supplies	202,206	22,146	13,534	237,886	27,856	7,124	34,980	272,866	259,838	
Telephone	60,588	23,697	10,613	94,898	63,326	18,025	81,351	176,249	149,324	
Postage and shipping	26,964	3,473	1,950	32,387	10,367	2,291	12,658	45,045	83,409	
Occupancy	525,858	206,662	75,700	808,220	194,761	55,836	250,597	1,058,817	1,065,808	
Insurance	10,005	14,484	4,716	29,205	112,669		112,669	141,874	131,716	
Printing	12,913	6,908	1,567	21,388	243	27,342	27,585	48,973	93,319	
Transportation	192,114	16,768	1,643	210,525	109,696	804	110,500	321,025	322,493	
Conferences, conventions and meetings	261,990	54,325	28,087	344,402	121,238	14,453	135,691	480,093	471,413	
Subscriptions and reference publications	19,891	14,221	3,661	37,773	10,617	1,854	12,471	50,244	48,008	
Catering and entertainment								\$ 214,419	214,419	
Direct assistance	355,534	5,692		361,226				361,226	191,397	
Support payments	60,923	200	150	61,273				61,273	51,018	
Equipment rentals and expenses	39,179	11,634	5,337	56,150	162,470	7,642	170,112	226,262	225,950	
Interest									51,584	
Bad debt	892		5,679	6,571	6		6	6,577	70,143	
Investment management fees					316,555		316,555	316,555	280,784	
Total other than personnel costs	6,772,385	1,576,987	337,735	8,687,107	1,948,159	270,797	2,218,956	214,419	11,120,482	
Total expenses before depreciation and amortization	13,051,899	4,042,508	1,075,898	18,170,305	5,176,188	938,163	6,114,351	214,419	24,499,075	
Depreciation and amortization	136,398	42,246	11,244	189,888	54,093	12,045	66,138	256,026	288,027	
Total expenses	13,188,297	4,084,754	1,087,142	18,360,193	5,230,281	950,208	6,180,489	214,419	24,755,101	
Less direct cost of special event								(214,419)	(214,419)	
Less investment management fees deducted from investment income on the statement of activities					(316,555)		(316,555)		(280,784)	
Total expenses reported by function on the statement of activities (Exhibit B)	\$ 13,188,297	\$ 4,084,754	\$ 1,087,142	\$ 18,360,193	\$ 4,913,726	\$ 950,208	\$ 5,863,934	\$ -	\$ 24,224,127	

See independent auditor's report.