

The New York Academy of Medicine

Financial Statements

December 31, 2018 and 2017

Independent Auditors' Report

Board of Trustees The New York Academy of Medicine

We have audited the accompanying financial statements of The New York Academy of Medicine (the "Academy"), which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Academy of Medicine as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018 the Academy adopted new required accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

PKF O'Connor Davies, LLP

May 21, 2019

The New York Academy of Medicine

Statements of Financial Position

	December 31	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 503,132	\$ 198,009
Contributions and grants receivable, net	2,615,275	866,535
Accounts receivable	189,457	206,718
Prepaid expenses and other assets	123,543	203,266
Investments	62,076,330	71,155,669
Property and equipment, net	8,380,651	9,198,546
Beneficial interest in perpetual trust	172,872	181,477
	\$ 74,061,260	\$ 82,010,220
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 879,839	\$ 808,841
Grants payable	153,650	299,260
Deferred income	202,649	145,344
Total Liabilities	1,236,138	1,253,445
 Net Assets		
Without donor restrictions	39,068,901	46,888,442
With Donor Restrictions		
Time or purpose restricted	21,950,031	21,903,629
Investments held in perpetuity	11,806,190	11,964,704
Total With Donor Restrictions	33,756,221	33,868,333
Total Net Assets	72,825,122	80,756,775
	\$ 74,061,260	\$ 82,010,220

See notes to financial statements

The New York Academy of Medicine

Statements of Activities

	Year Ended December 31, 2018				Year Ended December 31, 2017			
	Without Donor Restrictions	With Donor Restrictions		Total	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose Restricted	Investments Held in Perpetuity			Time or Purpose Restricted	Investments Held in Perpetuity	
OPERATING ACTIVITIES								
Operating Support								
Grants and contributions	\$ 169,463	\$ 6,390,991	\$ -	\$ 6,560,454	\$ 532,187	\$ 4,522,145	\$ -	\$ 5,054,332
Special events revenue (net of direct benefit to donors of \$235,467 and \$198,222)	763,924	-	-	763,924	705,482	-	-	705,482
Total Operating Support	933,387	6,390,991	-	7,324,378	1,237,669	4,522,145	-	5,759,814
Operating Revenues								
Investment return designated for current operations	4,341,104	-	-	4,341,104	4,536,616	-	-	4,536,616
Subscriptions and fees	2,510,510	42,229	-	2,552,739	2,619,218	28,600	-	2,647,818
Membership dues	154,590	-	-	154,590	164,000	-	-	164,000
Miscellaneous	475,562	17,602	-	493,164	472,300	-	-	472,300
Net assets released from restrictions for operations	5,965,235	(5,965,235)	-	-	6,206,292	(6,206,292)	-	-
Total Operating Activities	14,380,388	485,587	-	14,865,975	15,236,095	(1,655,547)	-	13,580,548
OPERATING EXPENSES								
Program services	10,461,323	-	-	10,461,323	11,666,238	-	-	11,666,238
Management and general	3,493,156	-	-	3,493,156	3,386,151	-	-	3,386,151
Fundraising	1,040,417	-	-	1,040,417	1,047,095	-	-	1,047,095
Total Operating Expenses	14,994,896	-	-	14,994,896	16,099,484	-	-	16,099,484
Change in Net Assets from Operations	(614,508)	485,587	-	(128,921)	(863,389)	(1,655,547)	-	(2,518,936)
NON-OPERATING ACTIVITIES								
Permanently restricted contributions	-	-	-	-	-	-	2,500	2,500
Change in value of beneficial interest in perpetual trust	-	-	(8,605)	(8,605)	-	-	(8,898)	(8,898)
Investment return not designated for current operations	(7,205,033)	(479,271)	(109,823)	(7,794,127)	2,647,149	1,465,105	18,561	4,130,815
Change in Net Assets	(7,819,541)	6,316	(118,428)	(7,931,653)	1,783,760	(190,442)	12,163	1,605,481
NET ASSETS								
Beginning of year	46,888,442	21,903,629	11,964,704	80,756,775	45,104,682	22,094,071	11,952,541	79,151,294
Redesignation	-	40,086	(40,086)	-	-	-	-	-
End of year	\$ 39,068,901	\$ 21,950,031	\$ 11,806,190	\$ 72,825,122	\$ 46,888,442	\$ 21,903,629	\$ 11,964,704	\$ 80,756,775

See notes to financial statements

The New York Academy of Medicine

Statement of Functional Expenses Year Ended December 31, 2018

	Program Services				Total	Supporting Services		Total
	Center for Health Policy and Programs	Library and Historical Collections	Center for Health Innovation	Other Program Services		Management and General	Fundraising	
Salaries and wages	\$ 947,348	\$ 829,111	\$ 665,759	\$ 2,327,847	\$ 4,770,065	\$ 1,814,316	\$ 704,239	\$ 7,288,620
Employee benefits and taxes	241,912	195,449	174,504	563,431	1,175,296	393,217	154,072	1,722,585
Professional fees and consultants	41,019	50,647	146,476	507,921	746,063	781,918	45,988	1,573,969
Program supplies	8,480	47,845	13,388	52,659	122,372	14,634	6,995	144,001
Office expenses	16,460	17,042	10,295	55,696	99,493	63,995	29,293	192,781
Travel, conference and meetings	54,833	14,754	35,086	560,322	664,995	15,396	16,419	696,810
Contractual services	64,726	41,111	447,210	305,857	858,904	117,363	17,481	993,748
Occupancy and building maintenance	57,180	83,335	61,801	218,715	421,031	118,925	12,326	552,282
Insurance	4,929	74,361	3,186	39,941	122,417	28,303	2,858	153,578
Awards and fellowships	50,332	14,806	1,496	369,925	436,559	2,125	750	439,434
Other general and administrative	18,451	85,198	4,874	190,166	298,689	29,708	33,707	362,104
Depreciation and amortization	23,667	391,254	4,960	325,558	745,439	113,256	16,289	874,984
Total Expenses	<u>\$ 1,529,337</u>	<u>\$ 1,844,913</u>	<u>\$ 1,569,035</u>	<u>\$ 5,518,038</u>	<u>\$ 10,461,323</u>	<u>\$ 3,493,156</u>	<u>\$ 1,040,417</u>	<u>\$ 14,994,896</u>

See notes to financial statements

The New York Academy of Medicine

Statement of Functional Expenses
Year Ended December 31, 2017

	Program Services				Total	Supporting Services		Total
	Center for Health Policy and Programs	Library and Historical Collections	Center for Health Innovation	Other Program Services		Management and General	Fundraising	
Salaries and wages	\$ 1,097,372	\$ 1,064,048	\$ 480,532	\$ 2,918,365	\$ 5,560,317	\$ 1,756,553	\$ 729,570	\$ 8,046,440
Employee benefits and taxes	299,835	242,401	132,897	703,488	1,378,621	387,672	169,059	1,935,352
Professional fees and consultants	178,499	76,466	4,236	259,717	518,918	642,584	36,400	1,197,902
Program supplies	16,337	60,169	10,437	46,560	133,503	62,390	3,440	199,333
Office expenses	34,942	19,678	461	35,840	90,921	86,186	12,249	189,356
Travel, conference and meetings	105,276	30,889	24,698	589,125	749,988	27,169	9,276	786,433
Contractual services	81,167	474	403,290	401,575	886,506	64,180	30,503	981,189
Occupancy and building maintenance	236	31,795	-	384,902	416,933	134,925	9,204	561,062
Insurance	6,947	78,575	3,246	39,569	128,337	29,327	3,194	160,858
Awards and fellowships	56,748	25,798	33,432	541,976	657,954	500	-	658,454
Other general and administrative	18,258	101,360	623	243,230	363,471	86,819	29,764	480,054
Depreciation and amortization	30,042	397,387	4,644	348,696	780,769	107,846	14,436	903,051
Total Expenses	<u>\$ 1,925,659</u>	<u>\$ 2,129,040</u>	<u>\$ 1,098,496</u>	<u>\$ 6,513,043</u>	<u>\$ 11,666,238</u>	<u>\$ 3,386,151</u>	<u>\$ 1,047,095</u>	<u>\$ 16,099,484</u>

See notes to financial statements

The New York Academy of Medicine

Statements of Cash Flows

	Year Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (7,931,653)	\$ 1,605,481
Adjustments to reconcile change in net assets to net cash from operating activities		
Permanently restricted contributions	-	(2,500)
Depreciation and amortization	874,984	903,051
Bad debt expense	7,808	5,000
Net realized and unrealized loss (gain) on investments	4,834,930	(7,334,084)
Change in beneficial interest in perpetual trust	8,605	8,898
Changes in operating assets and liabilities		
Contributions and grants receivable	(1,756,548)	798,741
Accounts receivable	17,261	(25,489)
Note receivable	-	150,170
Prepaid expenses and other assets	79,723	241,622
Accounts payable and accrued expenses	70,998	(291,322)
Deferred income	57,305	(52,793)
Grants payable	(145,610)	189,260
Net Cash from Operating Activities	(3,882,197)	(3,803,965)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(57,089)	(204,231)
Purchase of investments	(1,981,660)	(46,557,408)
Proceeds from sales of investments	6,226,069	50,342,486
Net Cash from Investing Activities	4,187,320	3,580,847
CASH FLOWS FROM FINANCING ACTIVITIES		
Perpetual endowment contributions	-	2,500
Net Change in Cash and Cash Equivalents	305,123	(220,618)
CASH AND CASH EQUIVALENTS		
Beginning of year	198,009	418,627
End of year	\$ 503,132	\$ 198,009

See notes to financial statements

The New York Academy of Medicine

Notes to Financial Statements
December 31, 2018 and 2017

1. Organization and Tax Status

The New York Academy of Medicine (the "Academy") advances solutions that promote the health and well-being of people in cities worldwide.

An independent organization since 1847, the Academy addresses the health challenges facing the world's urban populations through interdisciplinary approaches to policy leadership, innovative research, evaluation, education, and community engagement. Drawing on the expertise of diverse collaborators worldwide and more than 2,000 elected fellows from across the professions, current priorities are to create environments in cities that support healthy aging; to strengthen systems that prevent disease and promote the public's health; and to eliminate health disparities.

The Academy is exempt from federal income taxes pursuant to Section 501(c)(3) of the U.S. Internal Revenue Code and from state and local taxes under comparable laws.

2. Summary of Significant Accounting Policies

Basis of Accounting and Use of Estimates

The accompanying financial statements of the Academy have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as ("U.S. GAAP"), as applicable to not-for-profit organizations.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

On January 1, 2018, the Academy adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires the Academy to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the Academy to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements.

The New York Academy of Medicine

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies *(continued)*

Change in Accounting Principle (continued)

The changes have the following effect on net assets at December 31, 2017:

Net Asset Classifications	ASU 2016-14 Classifications			Total Net Assets
	Without Donor Restrictions	With Donor Restrictions		
	Without Donor Restrictions	Time or Purpose Restricted	Investments Held in Perpetuity	
As Previously Presented:				
Unrestricted net assets	\$ 46,656,340	\$ -	\$ -	\$ 46,656,340
Board-designated for capital improvements	232,102	-	-	232,102
Temporarily restricted net assets	-	21,903,629	-	21,903,629
Permanently restricted net assets	-	-	11,964,704	11,964,704
Total Net Assets	<u>\$ 46,888,442</u>	<u>\$ 21,903,629</u>	<u>\$ 11,964,704</u>	<u>\$ 80,756,775</u>

Cash and Cash Equivalents

The Academy considers highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents, with the exception of cash and cash equivalents held in the investment portfolio.

Investment Valuation and Income Recognition

The Academy's investments consist of (i) cash and cash equivalents held for investments, (ii) domestic and international equity securities, (iii) fixed-income securities, and (iv) alternative investments consisting of limited partnerships invested in private equity securities, flexible capital, hedge funds and real asset funds. Domestic and international equity securities and fixed-income securities are reported at their fair values at year-end based on market quotations. The alternative investments are reported at their fair values at year-end, based upon the valuation of the underlying assets as provided by the various investment managers.

The methods and procedures used to value these alternative investments may include, but are not limited to, (i) performing comparisons with prices of comparable or similar securities; (ii) obtaining valuation-related information from issuers; and (iii) obtaining such other analytical data and indications of value as may be available from investment managers and other sources. However, because of the inherent uncertainty of the valuation process, the estimated fair values for the aforementioned securities and interests may differ from the values that would have been used had a ready market for the investments existed, and those differences could be material.

The New York Academy of Medicine

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies *(continued)*

Investment Valuation and Income Recognition (continued)

The Academy uses Net Asset Value (“NAV”) or its equivalent as a practical expedient to measure the fair values of certain investments. This applies to investments (a) which do not have a readily determinable fair value and (b) the financial statements of which were prepared by the respective investment managers, consistent with the measurement principles of an investment company or that have the attributes of an investment company.

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

The Academy's investments are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

The Academy commingles its investments within a common investment pool to achieve a maximum return. Investment income, including realized and unrealized gains and losses, is allocated on a pro-rata basis to each of the participating restricted funds. Interest and dividend income, as well as realized and unrealized gains and losses, are reported as net assets with or without restrictions, in accordance with the donors' intentions.

Donated securities are recorded at their fair values at the dates of donation. It is the Academy's policy to sell the donated securities immediately upon receipt.

Fair Value Measurements

The Academy follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

The New York Academy of Medicine

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies *(continued)*

Fair Value Measurements (continued)

U.S. GAAP guidance provides for the use of NAV as a “Practical Expedient” for estimating fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the Academy’s interest therein.

Pursuant to U.S. GAAP guidance, alternative investments where fair value is measured using NAV are not categorized within the fair value hierarchy.

Investments Risks and Uncertainties

Alternative investments consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, venture capital funds, hedge funds, private equity funds and common trust funds. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees’ financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

Property and Equipment

The Academy's property and equipment are stated at their costs at the dates of acquisition. The Academy capitalizes all property and equipment expenditures or additions in excess of \$5,000. Depreciation is calculated using the straight-line method over the estimated useful lives of (i) building, building improvements and land improvements, which range from 7 to 40 years; (ii) library books and publications, which range from 20 to 40 years; and (iii) furniture and equipment, which range from 5 to 15 years. Land is not depreciated. Minor costs for repairs and maintenance are expensed as incurred.

Management evaluates the recoverability of the investment in long-lived assets on an on-going basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of December 31, 2018 and 2017, and in the opinion of management, there were no impairments. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management estimate of the recoverability of these assets.

The New York Academy of Medicine

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (*continued*)

Collection

The Academy has a collection of various purchased and donated materials, including books and artifacts. This collection is maintained by the Academy under curatorial care and is held for research, education and public exhibition in furtherance of public service. In accordance with not-for-profit industry practice, the costs and values of the items in the collection have not been capitalized and are not reported in the accompanying statements of financial position.

Accrued Vacation

Employees accrue vacation on the anniversaries of their dates of hire, based on tenure, with a provision for carryover of up to five unused days at the end of each calendar year, which must be taken by June 30 of the following year. Accrued vacation is included in accounts payable and accrued expenses in the accompanying financial statements and represents the Academy's obligation for the cost of unused employee vacation time that would be owed if employees were to leave the Academy's employment. As of December 31, 2018 and 2017, accrued vacation obligations were approximately \$126,000 and \$116,000 and included in accounts payable and accrued expenses.

Deferred Income

Payments related to the rental of conference center space received in advance are recorded as deferred income and are recognized when earned in the subsequent year.

Grants Payable

The Academy has certain awards and fellowship programs that are funded from endowed gifts, as well as from individual contributions. These program awards are determined and approved by applicable program committees. The Academy reports the full award commitment upon approval by the funding committee.

Net Assets

The Academy's net assets, as well as its revenues, expenses, gains and losses, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Academy and changes therein are classified and reported as follows:

Without donor restrictions - those resources that are not subject to donor-imposed restrictions and are available for the support of operations. Additionally, the Board of Trustees has designated a portion of net assets to be used for capital improvements.

The New York Academy of Medicine

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (*continued*)

Net Assets (continued)

With donor restrictions - represent amounts restricted by donors to be used for specific activities or at some future date, or which require the Academy to maintain in perpetuity, including funds that are subject to restrictions or gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. Income and gains earned on endowment fund investments are available to be used in the “without donor restrictions” or “with donor restrictions” net asset classes based upon stipulations by the donors.

Contributions and Grants

Contributions and grants to the Academy are recognized as revenue upon the receipt of cash, securities, or unconditional pledges. Unconditional promises to give to the Academy that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, discounted using risk-free interest rates applicable to the years in which payments are expected to be received. Contributions received with no explicit donor-restrictions are considered to be available for the general purposes of the Academy. Conditional promises to give are not included until such conditions are substantially met.

Management provides an allowance for uncollectible amounts through a provision for bad debt expense based on its assessment of the current status of individual accounts. Balances that are still outstanding, after management has used all reasonable collection efforts, are charged to the allowance with a corresponding credit to contributions and grants receivable. Management determined no allowance for doubtful accounts is necessary at December 31, 2018 and 2017.

The Academy reports contributions and grants in net assets with donor restrictions if they are received with donor stipulations or time considerations as to their use. When a donor's restriction is met, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

Subscriptions and Fees and Membership Dues

Subscriptions and fees consist of fees for (i) library services, (ii) the conference center facility, (iii) program registration fees, (iv) program sponsorship fees, and (v) lease income. The income is recognized when services are rendered. Membership dues are recorded as income in the applicable membership period.

The New York Academy of Medicine

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (*continued*)

Measure of Operations

The Academy includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities, including an authorized investment income allocation and all contributions except for those that are restricted for capital expenditures or to be held in perpetuity by donors. Investment income, including net realized and unrealized gains and losses, earned in excess of (or less than) the Academy's aggregate authorized spending amount, contributions for capital expenditures, change in value of beneficial interest in perpetual trust and perpetual endowment contributions are recognized as non-operating activities.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services in reasonable ratios determined by management. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. For example, programs include research, evaluation and policy, community partnerships, the library and fellows. Certain expenses attributable to more than one program or supporting function have been allocated among programs, management and general and fundraising. These expenses include salaries and wages, professional fees and consultants, office expenses, travel conference and meetings and occupancy and building maintenance among others, which are allocated based on estimates of time and effort and building space occupied.

Accounting for Uncertainty in Income Taxes

The Academy is subject to the provisions of the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. For the Academy, ASC Topic 740 is potentially applicable to the incurrence of unrelated business income ("UBI"), attributable to certain alternative investments, conference center events and commissions, and sponsorship fees not related to the Academy's mission. Nonetheless, because of the Academy's general tax-exempt status, management believes that ASC Topic 740 has not had, and is not expected to have, a material impact on the Academy's financial statements. The Academy is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2015.

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date the financial statements were available to be issued, which date is May 21, 2019.

The New York Academy of Medicine

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies *(continued)*

Redesignation

In 2018, management reviewed a fund previously designated as a perpetual endowment with external legal counsel. Based upon that review the fund was re-designated as a purpose restricted fund with approval by the Board of Trustees.

3. Concentrations of Credit Risk

Certain financial instruments potentially subject the Academy to concentrations of credit risk. These financial instruments consist primarily of cash and cash equivalents. The Academy places its cash and investments with creditworthy, high-quality financial institutions. A portion of such cash and investments are not insured by the FDIC or SIPC. Management believes there is a very low risk of loss due to the failure of these institutions.

At December 31, 2018, the Academy had contributions and grants receivable due from one major foundation, one city agency and one private corporation totaling \$1,116,183. At December 31, 2017, the Academy had contributions and grants receivable due from one major foundation, and one private corporation, totaling \$399,819. These amounts represented approximately 43% and 46% of the total outstanding contributions and grants as of December 31, 2018 and 2017.

4. Investments

The following summarizes the investments held by the Academy as of December 31:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 10,261	\$ 10,261	\$ 10,261	\$ 10,261
Domestic and international equity securities	43,971,947	49,820,082	46,481,399	57,866,945
Fixed-income mutual funds	7,496,857	7,428,197	7,295,651	7,336,962
Flexible capital and hedge funds	66,679	131,372	283,830	317,601
Real assets funds (limited partnership)	4,369,235	4,109,134	4,493,897	4,586,340
Private equity securities	556,921	577,284	660,135	1,037,560
	<u>\$ 56,471,900</u>	<u>\$ 62,076,330</u>	<u>\$ 59,225,173</u>	<u>\$ 71,155,669</u>

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Notes to Financial Statements
December 31, 2018 and 2017

4. Investments (*continued*)

The investment return from investments and their classifications in the accompanying statements of activities is as follows for the years ended December 31:

	2018			
	Without Donor Restrictions	Time or Purpose Restricted	Investments Held in Perpetuity	Total
Dividends and interest	\$ 1,193,696	\$ 243,942	\$ -	\$ 1,437,638
Realized gains	1,240,548	250,588	-	1,491,136
Unrealized losses	(5,251,948)	(964,295)	(109,823)	(6,326,066)
Less: Custody and administrative fees	(46,225)	(9,506)	-	(55,731)
Investment Return	(2,863,929)	(479,271)	(109,823)	(3,453,023)
Less: Investment return designated for current operations (spending rate and special funding)	(4,341,104)	-	-	(4,341,104)
Investment return not designated for current operations	\$ (7,205,033)	\$ (479,271)	\$ (109,823)	\$ (7,794,127)
	2017			
	Without Donor Restrictions	Time or Purpose Restricted	Investments Held in Perpetuity	Total
Dividends and interest	\$ 1,159,546	\$ 238,714	\$ -	\$ 1,398,260
Realized gains	5,092,805	1,064,467	-	6,157,272
Unrealized gains	985,260	172,991	18,561	1,176,812
Less: Custody and administrative fees	(53,846)	(11,067)	-	(64,913)
Investment Return	7,183,765	1,465,105	18,561	8,667,431
Less: Investment return designated for current operations (spending rate and special funding)	(4,536,616)	-	-	(4,536,616)
Investment return not designated for current operations	\$ 2,647,149	\$ 1,465,105	\$ 18,561	\$ 4,130,815

Included within the custody and administrative fees disclosed above are those specific fees charged by the Academy's investment managers and advisors; however, fees that are embedded in various other mutual fund accounts and transactions are not reflected in that amount.

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5. Fair Value Measurements

The following are the classes and major categories of assets measured at fair value on a recurring basis, grouped by the fair value hierarchy, as of December 31:

	2018			
	Amounts within Fair Value Hierarchy		Investments Valued Using	Total
	Level 1	Level 3	NAV (*)	
Domestic and international equity securities	\$ 49,820,082	\$ -	\$ -	\$ 49,820,082
Fixed-income mutual funds	7,428,197	-	-	7,428,197
Flexible capital and hedge funds	-	-	131,372	131,372
Real asset funds (limited partnerships)	3,757,180	-	351,954	4,109,134
Private equity securities	-	-	577,284	577,284
Total Investments at Fair Value	61,005,459	-	1,060,610	62,066,069
Beneficial interest in perpetual trust	-	172,872	-	172,872
Total Assets at Fair Value	\$ 61,005,459	\$ 172,872	\$ 1,060,610	\$ 62,238,941
	2017			
	Amounts within Fair Value Hierarchy		Investments Valued Using	Total
	Level 1	Level 3	NAV (*)	
Domestic and international equity securities	\$ 57,866,945	\$ -	\$ -	\$ 57,866,945
Fixed-income mutual funds	7,336,962	-	-	7,336,962
Flexible capital and hedge funds	-	-	317,601	317,601
Real asset funds (limited partnerships)	4,076,559	-	509,781	4,586,340
Private equity securities	-	-	1,037,560	1,037,560
Total Investments at Fair Value	69,280,466	-	1,864,942	71,145,408
Beneficial interest in perpetual trust	-	181,477	-	181,477
Total Assets at Fair Value	\$ 69,280,466	\$ 181,477	\$ 1,864,942	\$ 71,326,885

(*) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy.

Changes from the beginning to ending balances for investments measured at fair value using significant unobservable inputs (Level 3) consist only of changes in beneficial interest in perpetual trust reported on the accompanying statements of activities totaling (\$8,605) and (\$8,898) for the years ended December 31, 2018 and 2017.

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5. Fair Value Measurements *(continued)*

Information regarding alternative investments measured at fair value using the practical expedient at December 31, 2018 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Flexible capital and hedge funds (see "a" below)	\$ 131,372	\$ -	Annually - N/A	45 days - N/A
Real asset funds (limited partnerships) (see "b" below)	351,954	147,137	N/A*	N/A*
Private equity securities (see "c" below)	577,284	336,010	N/A*	N/A*
	<u>\$ 1,060,610</u>	<u>\$ 483,147</u>		

* These investments are illiquid investments.

- a. The Academy's investments at year-end were primarily in absolute return oriented strategies which allocate to long/short equity, long/short credit, and event-driven investments. Event driven investments focus on unlocking value through event catalysts such as company mergers and distressed situations. One investment can be redeemed annually with 45 days of notice. The remaining investment is currently in liquidation and the proceeds will be paid out over the coming years.
- b. The Academy invests as a limited partner in funds, which in turn invest in private companies and private commercial properties that are not traded on an exchange. Strategies may include investments in private commercial real estate, and private natural resource and commodity related firms. The Academy's investments at year-end were in a private real estate fund and a multi-strategy private real asset fund. These investments are illiquid and they are currently in liquidation. Proceeds will be paid out over the coming years.
- c. The Academy's investments at year-end were as a limited partner in funds, which in turn invest in private companies that are not traded on an exchange. Investment strategies in this category include, leveraged buyout, venture capital, and opportunistic/distressed. The Academy's investments at year-end were primarily in opportunistic/distressed and secondary funds. These are long-term investments that cannot be redeemed at the discretion of the Academy. Instead, distributions are received through the liquidation of the underlying assets of the funds. Management has estimated that the underlying assets of the funds will be liquidated over 10 to 12 years.

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6. Contributions and Grants Receivable

At December 31, contributions and grants receivable are estimated to be received as follows:

	<u>2018</u>	<u>2017</u>
Due less than one year	\$ 1,995,600	\$ 863,645
Due between one and two years	<u>650,792</u>	<u>3,000</u>
	2,646,392	866,645
Less discount to present value	<u>(31,117)</u>	<u>(110)</u>
Present value of contributions receivable	<u>\$ 2,615,275</u>	<u>\$ 866,535</u>

A present value discount using rates of 2.48% to 1.24% has been calculated using discount factors that approximate the risk and expected timing of future contribution payments. Based on its prior experience with donors and grantors, management expects all receivables to be fully collectible. Accordingly, no allowance for doubtful amounts has been provided.

7. Property and Equipment

Property and equipment at December 31 consisted of the following:

	<u>2018</u>	<u>2017</u>
Land and land improvements	\$ 284,261	\$ 284,261
Building and building improvements	13,556,283	13,559,620
Library books and publications	2,923,248	3,232,254
Furniture and equipment	1,013,735	880,398
Construction-in-process	<u>13,768</u>	<u>174,868</u>
	17,791,295	18,131,401
Less accumulated depreciation and amortization	<u>(9,410,644)</u>	<u>(8,932,855)</u>
	<u>\$ 8,380,651</u>	<u>\$ 9,198,546</u>

During 2018 and 2017, approximately \$397,000 and \$405,000 of fully depreciated library books and publications, building improvements, and furniture and equipment were removed from the property and equipment balances. During 2018, \$85,319 of construction in progress was written off.

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Notes to Financial Statements
December 31, 2018 and 2017

8. Beneficial Interest in Perpetual Trust

The Academy is the remainder beneficiary of a perpetual trust arrangement. The fair value of the trust as of December 31, 2018 and 2017 was determined by its trustee. The Academy receives a quarterly distribution of income from the trust.

9. Net Assets without Donor Restrictions

The Board of Trustees of the Academy has established an operating reserve with the objective of setting funds aside for capital improvements of the Academy's property and equipment. At December 31, net assets without donor restrictions consisted of the following:

	2018	2017
Undesignated - operations	\$ 38,893,687	\$ 46,656,340
Board-designated for capital improvements	175,214	232,102
	\$ 39,068,901	\$ 46,888,442

10. Net Assets with Donor Restrictions

At December 31, net assets with donor restrictions consisted of the following:

	2018	2017
Time or Purpose Restricted:		
Lectures and Awards Programs	\$ 15,018,412	\$ 15,761,299
Library	2,506,341	3,400,201
Health Policy and Planning Programs	1,354,993	1,194,652
Center for Cognitive Studies in Medicine	1,185,992	72,071
Population Health Programs	595,435	357,780
Center for Health Innovation	320,773	312,696
Center for Evaluation and Applied Research	5,114	244,412
Other programs	962,971	560,518
	21,950,031	21,903,629
Held In Perpetuity		
Endowment funds	11,806,190	11,964,704
	\$ 33,756,221	\$ 33,868,333

The New York Academy of Medicine

Notes to Financial Statements
December 31, 2018 and 2017

10. Net Assets with Donor Restrictions (*continued*)

Net assets with donor restrictions released from restrictions consisted of the following for the years ended December 31:

	2018	2017
Lectures and Awards Programs	\$ 703,951	\$ 1,219,481
Library	389,670	509,972
Health Policy and Planning Programs	942,714	1,809,540
Center for Cognitive Studies in Medicine	613,223	362,263
Population Health Programs	790,112	130,732
Center for Health Innovation	1,520,294	1,266,695
Center for Evaluation and Applied Research	865,737	579,204
Other programs	139,534	328,405
	\$ 5,965,235	\$ 6,206,292

At December 31, investments held in perpetuity consisted of the following:

	2018	2017
Lectures and Awards Program	\$ 5,593,105	\$ 5,633,190
Library	5,614,153	5,677,670
Support of General Operations	598,932	653,844
	\$ 11,806,190	\$ 11,964,704

11. Endowment

The endowment consists of 42 individual donor-restricted funds that have been established for a variety of purposes. The Academy does not have any funds designated by the Board of Trustees to function as an endowment.

Return Objectives and Risk Parameters

The Academy has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Academy must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce an inflation adjusted real return over time that enables these programs to be sustained.

The New York Academy of Medicine

Notes to Financial Statements
December 31, 2018 and 2017

11. Endowment (*continued*)

Strategies Employed for Achieving Objectives

To satisfy its long-term, rate-of-return objectives, the Academy relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). At present, endowment assets are allocated as follows:

- Cash
- Equity securities
- Fixed-income securities
- Flexible capital and hedge funds
- Real assets
- Private equity

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Academy's spending policy provides that the Academy will generally spend up to 5% of the value of restricted funds each year. The overall spending policy goal is 5% to 6% of a three-year rolling average of the market value of the restricted and unrestricted portfolio. The three-year average market value is calculated based on the prior three years' values.

Interpretation of Relevant Law

In classifying endowment funds for financial statement purposes as either net assets with donor restrictions or net assets without donor restrictions, the Board of Trustees looks to the explicit direction of the donor and the New York Prudent Management of Investment Funds Act (NYPMIFA).

The Board of Trustees of the Academy has interpreted NYPMIFA as allowing the Academy to appropriate for expenditure or accumulate so much of an endowment fund as the Academy determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Trustees. NYPMIFA is applicable to all of the Academy's institutional funds. The Academy adheres to NYPMIFA's requirements.

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Notes to Financial Statements
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11. Endowment (continued)

Interpretation of Relevant Law (continued)

Changes in endowment net assets for the year ended December 31:

	2018		
	Time or Purpose Restricted	Investments Held in Perpetuity	Total
Endowment funds, beginning of year	\$ 11,517,125	\$ 11,962,204	\$ 23,479,329
Contributions	-	2,500	2,500
Income distribution from perpetual trust	8,246	-	8,246
Investment return	(479,271)	(109,823)	(589,094)
Contributions previously designated as endowment redesignated as time or purpose restricted	(392,861)	(40,086)	(432,947)
Change in the value of perpetual trust	-	(8,605)	(8,605)
Appropriation of endowment assets for expenditures	(637,679)	-	(637,679)
Total endowment net assets, end of year	<u>\$ 10,015,560</u>	<u>\$ 11,806,190</u>	<u>\$ 21,821,750</u>
Comprised of the following:			
Donor-restricted endowment funds	<u>\$ 10,015,560</u>	<u>\$ 11,806,190</u>	<u>\$ 21,821,750</u>
	2017		
	Time or Purpose Restricted	Investments Held in Perpetuity	Total
Endowment funds, beginning of year	\$ 10,579,726	\$ 11,951,041	\$ 22,530,767
Contributions	-	1,500	1,500
Income distribution from perpetual trust	8,583	-	8,583
Investment return	1,465,105	18,561	1,483,666
Change in the value of perpetual trust	-	(8,898)	(8,898)
Appropriation of endowment assets for expenditures	(536,289)	-	(536,289)
Endowment funds, end of year	11,517,125	11,962,204	23,479,329
Contributions receivable	-	2,500	2,500
Total endowment net assets, end of year	<u>\$ 11,517,125</u>	<u>\$ 11,964,704</u>	<u>\$ 23,481,829</u>
Comprised of the following:			
Donor-restricted endowment funds	<u>\$ 11,517,125</u>	<u>\$ 11,964,704</u>	<u>\$ 23,481,829</u>

The New York Academy of Medicine

Notes to Financial Statements
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11. Endowment (*continued*)

Funds with Deficiencies

As a result of unfavorable market fluctuations, from time-to-time the fair value of assets associated with individual donor-restricted endowment funds may decline below the historic dollar value of the donor's original perpetual endowment contribution. In such circumstances, under the terms of NYPMIFA, the Academy's Board of Trustees would discuss the matter and decide whether to restore the decreases in value. As of December 31, 2018 and 2017, there were no funds with deficiencies.

12. Liquidity and Availability of Financial Assets

The following reflect the Academy's financial assets as of December 31, 2018, reduced by amounts not available for general use within one year of that date because of contractual or donor-imposed restrictions or internal designations.

Financial Assets:

Cash and cash equivalents	\$ 503,132
Contributions and grants receivable, net	2,615,275
Accounts receivable	189,457
Investments	62,076,330
Beneficial interest in perpetual trust	<u>172,872</u>
Total Financial Assets	<u>65,557,066</u>

Less amounts not available to be used within one year:

Beneficial interest in perpetual trust	172,872
Restricted by donor with time or purpose restrictions	21,950,031
Board-designated for capital improvements	175,214
Restricted by donor to be held in perpetuity	11,806,190
Less net assets with purpose or time restrictions to be met in less than one year	<u>(5,961,342)</u>

28,142,965

Financial assets available to meet general expenditures
over the next twelve months

\$ 37,414,101

At the end of each year management prepares and submits an operating budget and a capital budget for the following year to the Board of Trustees for approval. Based on the Board-approved budget, management develops monthly cash flow needs and shares them with the Academy's investment manager. Because of variability in receipt of grant, contract and donation funds throughout the year, funds are not necessarily withdrawn from the investment portfolio each month. Rather funds are withdrawn as needed for both donor restricted and non-donor restricted operations.

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13. Employee Benefit Plans

Section 403(b) Plan

The Academy has a Section 403(b), defined-contribution employee-benefit plan, covering all of its full-time salaried employees. Until 2018, employees who have worked for the Academy for at least two years or who have previously worked at a not-for-profit entity for two years and are over 21 years of age were eligible to participate in the plan. In 2018, the Academy changed the two-year work requirement, to participation on the date of hire. The plan is funded through individual annuity contracts that the Academy maintains with the Teachers Insurance and Annuity Association - College Retirement Equities Fund. Under the plan, a fixed percentage (3.0% for both 2018 and 2017) of an employee's annual compensation is contributed by the Academy, up to a maximum of \$7,950 for 2018 and 2017. The accumulated funds are 100% vested with the participants. The pension expense for 2018 and 2017 was \$260,361 and \$203,384.

Deferred Compensation Plan

Under the terms of the employment agreement with the former President, a Section 457(f) deferred-compensation plan was established. This plan was closed in September 2017.

The Academy also has a Section 457(b) deferred-compensation plan which is available to key employees. During 2018, there were six employees participating in this plan, of which four employees' contributions were funded by the Academy, for a total of approximately \$60,900. During 2017, there were nine employees participating in this plan, of which two employees' contributions were funded by the Academy for a total of approximately \$35,250.

14. Commitments

Effective February 2014, the Academy entered into a five-year, non-exclusive Affiliation Agreement with the Icahn School of Medicine at Mount Sinai, New York City, for the purpose of collaborating on research, education and health-policy activities. In addition, as of November 2014, the Icahn School entered into a five-year lease agreement with the Academy for the rental of two office spaces from the Academy. The lease agreement will expire in 2020. The Academy also leases other office space to another not-for-profit organization that will expire in 2020.

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Notes to Financial Statements
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14. Commitments (*continued*)

The following are the required annual payments under the leases noted above:

<u>Year Ending December 31</u>	<u>Amount</u>
2019	\$ 408,175
2020	<u>182,259</u>
	<u>\$ 590,434</u>

Total rental income was \$397,418 and \$348,455 in 2018 and 2017.

Annual lease expense was \$10,054 in 2018 and 2017.

The Academy had an employment agreement with its former President which ended in September 2017. On June 7, 2017, the Academy entered into a five-year employment agreement with a new President. This agreement took effect on September 5, 2017, and includes the option to renew for an additional five years.

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

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