

The New York Academy of Medicine

Financial Statements

December 31, 2017 and 2016

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, 2017 and 2016, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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' judgments, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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, 2017 and 2016, 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.

PKF O'Connor Davies, LLP

May 22, 2018

The New York Academy of Medicine

Statements of Financial Position

	December 31	
	2017	2016
ASSETS		
Cash and cash equivalents	\$ 198,009	\$ 418,627
Contributions and grants receivable, net	866,535	1,670,276
Accounts receivable	206,718	181,229
Notes receivable	-	150,170
Prepaid expenses and other assets	203,266	444,888
Investments	71,155,669	67,606,663
Property and equipment, net	9,198,546	9,897,366
Beneficial interest in perpetual trust	181,477	190,375
	<u>\$ 82,010,220</u>	<u>\$ 80,559,594</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 808,841	\$ 1,100,163
Grants payable	299,260	110,000
Deferred income	145,344	198,137
Total Liabilities	<u>1,253,445</u>	<u>1,408,300</u>
 Net Assets		
Unrestricted	46,747,140	44,812,530
Board-designated for capital improvements	141,302	292,152
Total Unrestricted	<u>46,888,442</u>	<u>45,104,682</u>
Temporarily restricted	21,903,629	22,094,071
Permanently restricted	11,964,704	11,952,541
Total Net Assets	<u>80,756,775</u>	<u>79,151,294</u>
	<u>\$ 82,010,220</u>	<u>\$ 80,559,594</u>

See notes to financial statements

The New York Academy of Medicine

Statements of Activities

	Year Ended December 31, 2017				Year Ended December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITIES								
Operating Support								
Grants and contributions	\$ 532,187	\$ 4,522,145	\$ -	\$ 5,054,332	\$ 239,344	\$ 5,751,353	\$ -	\$ 5,990,697
Special events revenue (net of direct benefit to donors of \$198,222 and \$191,257)	<u>705,482</u>	<u>-</u>	<u>-</u>	<u>705,482</u>	<u>550,954</u>	<u>-</u>	<u>-</u>	<u>550,954</u>
Total Operating Support	1,237,669	4,522,145	-	5,759,814	790,298	5,751,353	-	6,541,651
Operating Revenues								
Investment return designated for current operations	4,536,616	-	-	4,536,616	6,571,375	-	-	6,571,375
Subscriptions and fees	2,619,218	28,600	-	2,647,818	2,250,572	89,896	-	2,340,468
Membership dues	164,000	-	-	164,000	162,445	-	-	162,445
Miscellaneous	472,300	-	-	472,300	412,034	-	-	412,034
Net assets released from restrictions for operations	<u>6,206,292</u>	<u>(6,206,292)</u>	<u>-</u>	<u>-</u>	<u>5,466,326</u>	<u>(5,466,326)</u>	<u>-</u>	<u>-</u>
Total Operating Activities	<u>15,236,095</u>	<u>(1,655,547)</u>	<u>-</u>	<u>13,580,548</u>	<u>15,653,050</u>	<u>374,923</u>	<u>-</u>	<u>16,027,973</u>
OPERATING EXPENSES								
Program services	11,541,082	-	-	11,541,082	12,503,157	-	-	12,503,157
Management and general	3,512,592	-	-	3,512,592	3,324,317	-	-	3,324,317
Fundraising	<u>1,045,810</u>	<u>-</u>	<u>-</u>	<u>1,045,810</u>	<u>721,387</u>	<u>-</u>	<u>-</u>	<u>721,387</u>
Total Operating Expenses	<u>16,099,484</u>	<u>-</u>	<u>-</u>	<u>16,099,484</u>	<u>16,548,861</u>	<u>-</u>	<u>-</u>	<u>16,548,861</u>
Change in Net Assets from Operations	(863,389)	(1,655,547)	-	(2,518,936)	(895,811)	374,923	-	(520,888)
NON-OPERATING ACTIVITIES								
Permanently restricted contributions	-	-	2,500	2,500	-	-	2,500	2,500
Change in value of beneficial interest in perpetual trust	-	-	(8,898)	(8,898)	-	-	(8,839)	(8,839)
Investment return not designated for current operations	<u>2,647,149</u>	<u>1,465,105</u>	<u>18,561</u>	<u>4,130,815</u>	<u>(2,640,363)</u>	<u>833,569</u>	<u>(4,115)</u>	<u>(1,810,909)</u>
Change in Net Assets	1,783,760	(190,442)	12,163	1,605,481	(3,536,174)	1,208,492	(10,454)	(2,338,136)
NET ASSETS								
Beginning of year	<u>45,104,682</u>	<u>22,094,071</u>	<u>11,952,541</u>	<u>79,151,294</u>	<u>48,640,856</u>	<u>20,885,579</u>	<u>11,962,995</u>	<u>81,489,430</u>
End of year	<u>\$ 46,888,442</u>	<u>\$ 21,903,629</u>	<u>\$ 11,964,704</u>	<u>\$ 80,756,775</u>	<u>\$ 45,104,682</u>	<u>\$ 22,094,071</u>	<u>\$ 11,952,541</u>	<u>\$ 79,151,294</u>

See notes to financial statements

The New York Academy of Medicine

Statements of Cash Flows

	Year Ended	
	December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,605,481	\$ (2,338,136)
Adjustments to reconcile change in net assets to net cash from operating activities		
Permanently restricted contributions	(2,500)	(2,500)
Depreciation and amortization	903,052	914,869
Bad debt expense	5,000	-
Net realized and unrealized gain on investments	(7,334,084)	(3,772,709)
Beneficial interest in perpetual trust	8,898	8,839
Changes in operating assets and liabilities		
Contributions and grants receivable	798,741	363,600
Accounts receivable	(25,489)	(56,040)
Note receivable	150,170	(150,170)
Prepaid expenses and other assets	241,622	(95,756)
Accounts payable and accrued expenses	(291,322)	227,293
Deferred income	(52,793)	20,897
Grants payable	189,260	7,749
Net Cash from Operating Activities	(3,803,964)	(4,872,064)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(204,232)	(157,455)
Purchase of investments	(46,557,408)	(31,490,333)
Proceeds from sales of investments	50,342,486	36,824,615
Net Cash from Investing Activities	3,580,846	5,176,827
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	2,500	2,500
Net Change in Cash and Cash Equivalents	(220,618)	307,263
CASH AND CASH EQUIVALENTS		
Beginning of year	418,627	111,364
End of year	\$ 198,009	\$ 418,627

See notes to financial statements

The New York Academy of Medicine

Notes to Financial Statements
December 31, 2017 and 2016

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.

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.

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.

The New York Academy of Medicine

Notes to Financial Statements
December 31, 2017 and 2016

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

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 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 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 unrestricted, temporarily restricted and permanently restricted, in accordance with the donors' intentions.

The New York Academy of Medicine

Notes to Financial Statements
December 31, 2017 and 2016

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

Investment Valuation and Income Recognition (continued)

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.

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.

The New York Academy of Medicine

Notes to Financial Statements
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2. Summary of Significant Accounting Policies (*continued*)

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. Minor costs for repairs and maintenance are expensed as incurred. Land is not depreciated.

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, 2017 and 2016, 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.

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, 2017 and 2016, accrued vacation obligations were approximately \$116,000 and \$130,000, respectively.

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.

The New York Academy of Medicine

Notes to Financial Statements
December 31, 2017 and 2016

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

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:

- (i) *Unrestricted* net assets represent 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 unrestricted net assets to be used for capital improvements.
- (ii) *Temporarily restricted* net assets represent those resources that are subject to donor-imposed stipulations that will be met either by specific actions of the Academy or by the passage of time.
- (iii) *Permanently restricted* net assets represent those endowment-related assets that are subject to the restrictions of gift instruments which require that the principal be held in perpetuity, subject to potential, prudent use by the Academy as permitted by the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). Included in the permanently restricted net assets are the changes in the value of a perpetual trust and unrealized (losses)/gains on investments, pending action by the Board of Trustees.

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.

The New York Academy of Medicine

Notes to Financial Statements
December 31, 2017 and 2016

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

Contributions and Grants (continued)

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, 2017 and 2016.

The Academy reports contributions and grants in temporarily restricted or permanently restricted net assets 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, temporarily restricted net assets are reclassified to unrestricted net assets 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.

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 have been permanently restricted 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, gains (losses) on the disposal of assets and permanently restricted contributions are recognized as non-operating activities.

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 New York Academy of Medicine

Notes to Financial Statements
December 31, 2017 and 2016

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

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 22, 2018.

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, 2017, the Academy had contributions and grants receivable due from one major foundation, one city agency and one private corporation totaling \$399,819. At December 31, 2016, the Academy had contributions and grants receivable due from one major foundation, and one private corporation, totaling \$826,740. These amounts represented approximately 46% and 49% of the total outstanding contributions and grants as of December 31, 2017 and 2016, respectively.

4. Investments

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

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 10,261	\$ 10,261	\$ 2,199,106	\$ 2,199,106
Domestic and international equity securities	46,481,399	57,866,945	31,347,898	38,847,208
Fixed-income mutual funds	7,295,651	7,336,962	6,971,253	6,691,918
Flexible capital and hedge funds	283,830	317,601	8,529,593	11,276,775
Real assets funds (limited partnership)	4,493,897	4,586,340	7,197,478	6,975,597
Private equity securities	660,135	1,037,560	607,651	1,616,059
	<u>\$ 59,225,173</u>	<u>\$ 71,155,669</u>	<u>\$ 56,852,979</u>	<u>\$ 67,606,663</u>

The New York Academy of Medicine

Notes to Financial Statements
December 31, 2017 and 2016

4. Investments (continued)

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

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
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)
Gain on investments, net	7,183,765	1,465,105	18,561	8,667,431
Less: Investment returns designated for current operations (spending rate and special funding)	(4,536,616)	-	-	(4,536,616)
Investment returns not designated for current operations	\$ 2,647,149	\$ 1,465,105	\$ 18,561	\$ 4,130,815
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest	\$ 980,324	\$ 205,216	\$ -	\$ 1,185,540
Realized gains	3,304,447	690,815	-	3,995,262
Unrealized losses	(190,241)	(28,196)	(4,115)	(222,552)
Less: Custody and administrative fees	(163,518)	(34,266)	-	(197,784)
Gain (loss) on investments, net	3,931,012	833,569	(4,115)	4,760,466
Less: Investment returns designated for current operations (spending rate and special funding)	(6,571,375)	-	-	(6,571,375)
Investment returns not designated for current operations	\$ (2,640,363)	\$ 833,569	\$ (4,115)	\$ (1,810,909)

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 balance.

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Notes to Financial Statements
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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:

	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	<u>69,280,466</u>	-	1,864,942	71,145,408
Beneficial interest in perpetual trust	-	181,477	-	181,477
Total Assets at Fair Value	<u>\$ 69,280,466</u>	<u>\$ 181,477</u>	<u>\$ 1,864,942</u>	71,326,885
Investment cash and cash equivalents, at cost				10,261
Total Investments				<u>\$ 71,337,146</u>
	2016			
	Amounts within Fair Value Hierarchy		Investments Valued Using	Total
	Level 1	Level 3	NAV (*)	
Domestic and international equity securities	\$ 38,847,208	\$ -	\$ -	\$ 38,847,208
Fixed-income mutual funds	4,564,766	-	2,127,152	6,691,918
Flexible capital and hedge funds	-	-	11,276,775	11,276,775
Real asset funds (limited partnerships)	6,237,023	-	738,574	6,975,597
Private equity securities	-	-	1,616,059	1,616,059
Total Investments at Fair Value	<u>49,648,997</u>	-	15,758,560	65,407,557
Beneficial interest in perpetual trust	-	190,375	-	190,375
Total Assets at Fair Value	<u>\$ 49,648,997</u>	<u>\$ 190,375</u>	<u>\$ 15,758,560</u>	65,597,932
Investment cash and cash equivalents, at cost				2,199,106
Total Investments				<u>\$ 67,797,038</u>

(*) 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 \$8,898 and \$8,839 for the years ended December 31, 2017 and 2016, respectively.

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Notes to Financial Statements
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5. Fair Value Measurements *(continued)*

Information regarding alternative investments measured at fair value using the practical expedient at December 31, 2017 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Flexible capital and hedge funds (see "a" below)	\$ 317,601	\$ -	Annually - N/A	45 days - N/A
Real asset funds (limited partnerships) (see "b" below)	509,781	157,137	N/A*	N/A*
Private equity securities (see "c" below)	1,037,560	336,010	N/A*	N/A*
	<u>\$ 1,864,942</u>	<u>\$ 493,147</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.

The New York Academy of Medicine

Notes to Financial Statements
December 31, 2017 and 2016

6. Contributions and Grants Receivable

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

	2017	2016
2017	\$ -	\$ 1,631,958
2018	863,645	39,274
2019	3,000	-
	866,645	1,671,232
Less discount to present value	(110)	(956)
Present value of contributions receivable	\$ 866,535	\$ 1,670,276

A present value discount using rates of 1.24% to 1.89% 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:

	2017	2016
Land and land improvements	\$ 284,261	\$ 284,261
Building and building improvements	13,559,620	13,619,544
Library books and publications	3,232,254	3,542,208
Furniture and equipment	880,398	855,556
Construction-in-process	174,868	30,688
	18,131,401	18,332,257
Less accumulated depreciation and amortization	(8,932,855)	(8,434,891)
	\$ 9,198,546	\$ 9,897,366

During 2017 and 2016, approximately \$405,000 and \$2,158,000, respectively, of fully depreciated library books and publications, building improvements, and furniture and equipment were removed from the property and equipment balances.

The New York Academy of Medicine

Notes to Financial Statements
December 31, 2017 and 2016

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, 2017 and 2016 was determined by its trustee. The Academy receives a quarterly distribution of income from the trust.

9. Temporarily Restricted Net Assets

At December 31, temporarily restricted net assets consisted of the following:

	2017	2016
Lectures and Awards Programs	\$ 15,761,299	\$ 15,651,354
Library	3,400,201	2,966,567
Health Policy and Planning Programs	1,194,652	2,293,653
Center for Cognitive Studies in Medicine	72,071	72,193
Population Health Programs	357,780	26,754
Center for Health Innovation	312,696	120,061
Center for Evaluation and Applied Research	244,412	485,889
Other programs	560,518	477,600
	\$ 21,903,629	\$ 22,094,071

Temporarily restricted net assets released from restrictions consisted of the following for the year ended December 31:

	2017	2016
Lectures and Awards Programs	\$ 1,219,481	\$ 1,815,193
Library	509,972	537,009
Health Policy and Planning Programs	1,809,540	1,227,031
Center for Cognitive Studies in Medicine	362,263	371,496
Population Health Programs	130,732	416,739
Center for Health Innovation	1,266,695	339,249
Center for Evaluation and Applied Research	579,204	500,941
Other programs	328,405	258,668
	\$ 6,206,292	\$ 5,466,326

The New York Academy of Medicine

Notes to Financial Statements
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10. Permanently Restricted Net Assets

At December 31, permanently restricted net assets consisted of the following:

	<u>2017</u>	<u>2016</u>
Lectures and Awards Program	\$ 5,633,190	\$ 5,630,690
Library	5,677,670	5,677,288
Support of General Operations	<u>653,844</u>	<u>644,563</u>
	<u>\$ 11,964,704</u>	<u>\$ 11,952,541</u>

11. Endowment

The endowment consists of 43 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.

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

The New York Academy of Medicine

Notes to Financial Statements
December 31, 2017 and 2016

11. Endowment *(continued)*

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

NYPMIFA is applicable to all of the Academy's institutional funds. The Academy adheres to NYPMIFA's requirements.

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

	2017		Total
	Temporarily Restricted	Permanently Restricted	
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	<u>(536,289)</u>	<u>-</u>	<u>(536,289)</u>
Endowment funds, end of year	11,517,125	11,962,204	23,479,329
Contributions receivable	<u>-</u>	<u>2,500</u>	<u>2,500</u>
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
December 31, 2017 and 2016

11. Endowment (*continued*)

Interpretation of Relevant Law (continued)

	2016		
	Temporarily Restricted	Permanently Restricted	Total
Endowment funds, beginning of year	\$ 10,293,396	\$ 11,956,495	\$ 22,249,891
Contributions	-	7,500	7,500
Income distribution from perpetual trust	8,900	-	8,900
Investment return	833,569	(4,115)	829,454
Change in the value of perpetual trust	-	(8,839)	(8,839)
Appropriation of endowment assets for expenditures	(556,139)	-	(556,139)
Endowment funds, end of year	10,579,726	11,951,041	22,530,767
Contributions receivable	-	1,500	1,500
Total endowment net assets, end of year	\$ 10,579,726	\$ 11,952,541	\$ 22,532,267
Comprised of the following:			
Donor-restricted endowment funds	\$ 10,579,726	\$ 11,952,541	\$ 22,532,267

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 permanently restricted 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, 2017 and 2016, there were no funds with deficiencies.

12. 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 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. 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 2017 and 2016) of an employee's annual compensation is contributed by the Academy, up to a maximum of \$7,950 for 2017 and 2016. The accumulated funds are 100% vested with the participants. The pension expense for 2017 and 2016 was \$203,384 and \$193,471, respectively.

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Notes to Financial Statements
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12. Employee Benefit Plans (*continued*)

Deferred Compensation Plan

Under the terms of the employment agreement with the President, a Section 457(f) deferred-compensation plan was established, in which the Academy contributes \$40,000 each year during the remaining term of employment. The related liability is reported within accounts payable and accrued expenses in the accompanying statements of financial position.

The Academy also has a Section 457(b) deferred-compensation plan which is available to key employees. 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 \$32,250. During 2016, there were seven employees participating in this plan, of which two employees' contributions were funded by the Academy for a total of approximately \$36,000.

13. 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.

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

Year Ending December 31	Amount
2018	\$ 398,587
2019	408,175
2020	182,259
	<u>\$ 989,021</u>

Total rental income was \$348,455 and \$255,737 in 2017 and 2016, respectively.

Annual lease expense was \$10,054 and \$11,290 in 2017 and 2016, respectively.

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.

The New York Academy of Medicine

Notes to Financial Statements
December 31, 2017 and 2016

13. Commitments (*continued*)

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.

14. Related Party Transactions

During 2017 and 2016, the Academy received donations of \$238,575 and \$245,588, respectively, from members of the Board of Trustees.

During 2016, a Director of a program unit at the Academy was related to a member of the Board of Trustees.

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