

# **The New York Academy of Medicine**

Financial Statements

December 31, 2016 and 2015



## **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 statement of financial position as of December 31, 2016, the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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 auditors consider 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.

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**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, 2016, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Prior Period Financial Statements**

The financial statements of the Academy as of December 31, 2015, were audited by other auditors whose report dated June 6, 2016, expressed an unmodified opinion on those statements.

*PKF O'Connor Davies, LLP*

June 26, 2017

## The New York Academy of Medicine

### Statements of Financial Position

	December 31	
	2016	2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 418,627	\$ 111,364
Contributions and grants receivable, net	1,670,276	2,033,876
Accounts receivable	181,229	125,189
Notes receivable	150,170	-
Prepaid expenses and other assets	444,888	349,132
Investments	67,606,663	69,168,235
Property and equipment, net of accumulated depreciation	9,897,366	10,654,780
Beneficial interest in perpetual trust	190,375	199,215
	<b>\$ 80,559,594</b>	<b>\$ 82,641,791</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 1,100,163	\$ 872,870
Grants payable	110,000	102,251
Deferred income	198,137	177,240
Total Liabilities	1,408,300	1,152,361
 Net Assets		
Unrestricted	44,812,530	48,020,390
Board-designated for capital improvements	292,152	620,466
Total Unrestricted	45,104,682	48,640,856
Temporarily restricted	22,094,071	20,885,579
Permanently restricted	11,952,541	11,962,995
Total Net Assets	79,151,294	81,489,430
	<b>\$ 80,559,594</b>	<b>\$ 82,641,791</b>

See notes to financial statements

# The New York Academy of Medicine

## Statements of Activities

	Year Ended December 31, 2016				Year Ended December 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>OPERATING ACTIVITIES</b>								
Operating Support								
Grants and contributions	\$ 239,344	\$ 5,751,353	\$ -	\$ 5,990,697	\$ 297,665	\$ 5,326,395	\$ -	\$ 5,624,060
Special events revenue (net of direct benefit to donors of \$198,222 and \$191,257)	550,954	-	-	550,954	311,633	-	-	311,633
Total Operating Support	790,298	5,751,353	-	6,541,651	609,298	5,326,395	-	5,935,693
Operating Revenues								
Investment return designated for current operations	6,571,375	-	-	6,571,375	7,093,962	-	-	7,093,962
Subscriptions and fees	2,250,572	89,896	-	2,340,468	1,935,098	54,738	-	1,989,836
Membership dues	162,445	-	-	162,445	161,530	-	-	161,530
Miscellaneous	412,034	-	-	412,034	350,049	-	-	350,049
Net assets released from restrictions for operations	5,466,326	(5,466,326)	-	-	6,209,408	(6,209,408)	-	-
Total Operating Activities	15,653,050	374,923	-	16,027,973	16,359,345	(828,275)	-	15,531,070
<b>OPERATING EXPENSES</b>								
Program services	12,503,157	-	-	12,503,157	13,080,718	-	-	13,080,718
Management and general	3,324,317	-	-	3,324,317	3,840,343	-	-	3,840,343
Fundraising	721,387	-	-	721,387	829,447	-	-	829,447
Total Operating Expenses	16,548,861	-	-	16,548,861	17,750,508	-	-	17,750,508
Change in Net Assets from Operations	(895,811)	374,923	-	(520,888)	(1,391,163)	(828,275)	-	(2,219,438)
<b>NON-OPERATING ACTIVITIES</b>								
Permanently restricted contributions	-	-	2,500	2,500	-	-	324,811	324,811
Change in value of beneficial interest in perpetual trust	-	-	(8,839)	(8,839)	-	-	(10,435)	(10,435)
Investment return not designated for current operations	(2,640,363)	833,569	(4,115)	(1,810,909)	(9,398,406)	(309,150)	(78,231)	(9,785,787)
Change in Net Assets	(3,536,174)	1,208,492	(10,454)	(2,338,136)	(10,789,569)	(1,137,425)	236,145	(11,690,849)
<b>NET ASSETS</b>								
Beginning of year	48,640,856	20,885,579	11,962,995	81,489,430	59,430,425	22,023,004	11,726,850	93,180,279
End of year	\$ 45,104,682	\$ 22,094,071	\$ 11,952,541	\$ 79,151,294	\$ 48,640,856	\$ 20,885,579	\$ 11,962,995	\$ 81,489,430

See notes to financial statements

## The New York Academy of Medicine

### Statements of Cash Flows

	Year Ended December 31	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (2,338,136)	\$ (11,690,849)
Adjustments to reconcile change in net assets to net cash from operating activities		
Permanently restricted contributions	(2,500)	(324,811)
Depreciation and amortization	914,869	1,028,043
Bad debt expense	-	42,049
Net realized and unrealized (gain) loss on investments	(3,772,710)	3,599,176
Beneficial interest in perpetual trust	8,840	10,435
Changes in operating assets and liabilities		
Contributions and grants receivable	363,600	(400,346)
Accounts receivable	(56,040)	(20,831)
Note receivable	(150,170)	-
Prepaid expenses and other assets	(95,756)	(102,847)
Accounts payable and accrued expenses	227,293	(403,763)
Deferred income	20,897	(75,407)
Grants payable	7,749	32,751
Net Cash from Operating Activities	(4,872,064)	(8,306,400)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(157,455)	(123,471)
Purchase of investments	(31,490,333)	(22,977,219)
Proceeds from sales of investments	36,824,615	30,141,962
Net Cash from Investing Activities	5,176,827	7,041,272
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Permanently restricted contributions	2,500	324,811
Net Change in Cash and Cash Equivalents	307,263	(940,317)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	111,364	1,051,681
End of year	\$ 418,627	\$ 111,364

See notes to financial statements

# The New York Academy of Medicine

Notes to Financial Statements  
December 31, 2016 and 2015

## 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, 2016 and 2015

### 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, 2016 and 2015

### 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  
December 31, 2016 and 2015

### 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, 2016 and 2015, 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, 2016 and 2015, accrued vacation obligations were approximately \$130,000 and \$134,000, 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, 2016 and 2015

### 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, 2016 and 2015

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

#### ***Contributions and Grants (continued)***

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.

#### ***Reclassification***

Certain reclassifications have been made to 2015 information to conform to 2016 presentation.

## The New York Academy of Medicine

Notes to Financial Statements  
December 31, 2016 and 2015

### 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 June 26, 2017.

### 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, 2016, the Academy had contributions and grants receivable due from one major foundation and one private corporation totaling \$826,740. At December 31, 2015, the Academy had contributions and grants receivable due from two major foundations, five governmental agencies and federal pass-through funds from eleven organizations, totaling \$1,658,560. These amounts represented approximately 49% and 82% of the total outstanding contributions and grants as of December 31, 2016 and 2015, respectively.

### 4. Investments

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

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 2,199,106	\$ 2,199,106	\$ 1,605,548	\$ 1,605,548
Domestic and international equity securities	31,347,898	38,847,208	29,829,560	38,381,352
Fixed-income mutual fund	6,971,253	6,691,918	6,855,283	6,545,653
Flexible capital and hedge funds	8,529,593	11,276,775	11,355,306	13,768,999
Real assets funds (limited partnership)	7,197,478	6,975,597	7,533,096	6,518,746
Private equity securities	607,651	1,616,059	1,013,206	2,347,937
	<u>\$ 56,852,979</u>	<u>\$ 67,606,663</u>	<u>\$ 58,191,999</u>	<u>\$ 69,168,235</u>

## The New York Academy of Medicine

Notes to Financial Statements  
December 31, 2016 and 2015

### 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:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
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 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)
	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest	\$ 961,257	\$ 173,130	\$ -	\$ 1,134,387
Realized gains	946,129	176,633	-	1,122,762
Unrealized losses	(4,019,193)	(624,514)	(78,231)	(4,721,938)
Less: Custody and administrative fees	(192,637)	(34,399)	-	(227,036)
Loss on investments, net	(2,304,444)	(309,150)	(78,231)	(2,691,825)
Less: Investment returns designated for current operations (spending rate and special funding)	(7,093,962)	-	-	(7,093,962)
Investment returns not designated for current operations	\$ (9,398,406)	\$ (309,150)	\$ (78,231)	\$ (9,785,787)

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.

## The New York Academy of Medicine

### Notes to Financial Statements December 31, 2016 and 2015

#### 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:

	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 fund	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	49,648,997	-	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>

  

	2015			
	Amounts within Fair Value Hierarchy		Investments Valued Using	Total
	Level 1	Level 3	NAV (*)	
Domestic and international equity securities	\$ 31,378,237	\$ -	\$ 7,003,115	\$ 38,381,352
Fixed-income mutual fund	4,494,516	-	2,051,137	6,545,653
Flexible capital and hedge funds	958,188	-	12,810,811	13,768,999
Real asset funds (limited partnerships)	5,602,290	-	916,456	6,518,746
Private equity securities	-	-	2,347,937	2,347,937
Total Investments at Fair Value	42,433,231	-	25,129,456	67,562,687
Beneficial interest in perpetual trust	-	199,215	-	199,215
Total Assets at Fair Value	<u>\$ 42,433,231</u>	<u>\$ 199,215</u>	<u>\$ 25,129,456</u>	67,761,902
Investment cash and cash equivalents, at cost				1,605,548
Total Investments				<u>\$ 69,367,450</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 \$8,839 and \$10,435 for the years ended December 31, 2016 and 2015, respectively.

## The New York Academy of Medicine

Notes to Financial Statements  
December 31, 2016 and 2015

### 5. Fair Value Measurements *(continued)*

Information regarding alternative investments measured at fair value using the practical expedient at December 31, 2016 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed-income mutual fund (see "a" below)	\$ 2,127,152	\$ -	Monthly	10 day notice
Flexible capital and hedge funds (see "b" below)	11,276,775	-	Monthly - Annually	45-60 days
Real asset funds (limited partnerships) (see "c" below)	738,574	169,637	N/A*	N/A*
Private equity securities (see "d" below)	1,616,059	824,280	N/A*	N/A*
	<u>\$ 15,758,560</u>	<u>\$ 993,917</u>		

\* These investments are illiquid investments.

- a. This category includes an investment with the objective of achieving favorable income-oriented returns from a globally diversified portfolio of primarily debt or debt-like securities and the preservation and enhancement of principal.
- b. 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. Approximately 3% of these investment are illiquid positions remaining from previous hedge fund investments. Proceeds will be paid out over the coming months and years. Two investments in this category have a redemption frequency of quarterly with 45 days and 60 days notice period. Another investment can be redeemed annually with 45 days of notice. The remaining investment can be redeemed monthly, quarterly or annually with varying redemption fees based on time of redemption and also has a 10% gate.
- c. 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.
- d. 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, 2016 and 2015

### 6. Contributions and Grants Receivable

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

	2016	2015
2016	\$ -	\$ 1,542,297
2017	1,631,958	501,445
2018	39,274	-
	1,671,232	2,043,742
Less discount to present value	(956)	(9,866)
Present value of contributions receivable	\$ 1,670,276	\$ 2,033,876

A present value discount using rates of 1.24% to 1.27% 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:

	2016	2015
Land and land improvements	\$ 284,261	\$ 284,261
Building and building improvements	13,619,544	14,757,420
Library books and publications	3,542,208	3,810,959
Furniture and equipment	855,556	1,448,136
Construction-in-process	30,688	32,000
	18,332,257	20,332,776
Less accumulated depreciation and amortization	(8,434,891)	(9,677,996)
	\$ 9,897,366	\$ 10,654,780

During 2016 and 2015, approximately \$2,158,000 and \$321,000, respectively, of fully depreciated library books and subscriptions, building improvements, and furniture and equipment were removed from the property and equipment balances.

### 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, 2016 and 2015 was determined by its trustee. The Academy receives a quarterly distribution of income from the trust.

## The New York Academy of Medicine

Notes to Financial Statements  
December 31, 2016 and 2015

### 9. Temporarily Restricted Net Assets

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

	<u>2016</u>	<u>2015</u>
Lectures and Awards Programs	\$ 15,651,354	\$ 16,730,929
Library	2,966,567	2,813,605
Health Policy and Planning Programs	2,293,653	675,380
Center for Cognitive Studies in Medicine	72,193	55,473
Population Health Programs	26,754	53,353
Center for Health Innovation	120,061	40,337
Center for Evaluation and Applied Research	485,889	-
Other Programs	477,600	516,502
	<u>\$ 22,094,071</u>	<u>\$ 20,885,579</u>

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

	<u>2016</u>	<u>2015</u>
Lectures and Awards Programs	\$ 1,815,193	\$ 1,623,827
Library	537,009	634,331
Health Policy and Planning Programs	1,227,031	1,656,149
Center for Cognitive Studies in Medicine	371,496	426,449
Population Health Programs	416,739	184,753
Center for Health Innovation	339,249	608,962
Center for Evaluation and Applied Research	500,941	869,174
Other Programs	258,668	205,763
	<u>\$ 5,466,326</u>	<u>\$ 6,209,408</u>

### 10. Permanently Restricted Net Assets

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

	<u>2016</u>	<u>2015</u>
Lectures and Awards Program	\$ 5,630,690	\$ 5,628,190
Library	5,677,288	5,688,185
Support of General Operations	644,563	646,620
	<u>\$ 11,952,541</u>	<u>\$ 11,962,995</u>

## The New York Academy of Medicine

Notes to Financial Statements  
December 31, 2016 and 2015

### 11. Endowment

The endowment consists of 43 individual donor-restricted funds, amounting to \$11,952,541, 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

#### ***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.

## The New York Academy of Medicine

Notes to Financial Statements  
December 31, 2016 and 2015

### 11. Endowment (*continued*)

#### *Interpretation of Relevant Law (continued)*

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

	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
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	2015		
	Temporarily Restricted	Permanently Restricted	Total
Endowment funds, beginning of year	\$ 11,131,055	\$ 11,726,850	\$ 22,857,905
Contributions	-	318,311	318,311
Income distribution from perpetual trust	9,215	-	9,215
Investment return	(309,150)	(78,231)	(387,381)
Change in the value of perpetual trust	-	(10,435)	(10,435)
Appropriation of endowment assets for expenditures	(537,724)	-	(537,724)
Endowment funds, end of year	10,293,396	11,956,495	22,249,891
Contributions receivable	-	6,500	6,500
Total endowment net assets, end of year	\$ 10,293,396	\$ 11,962,995	\$ 22,256,391

Comprised of the following:

Donor-restricted endowment funds	\$ 10,293,396	\$ 11,962,995	\$ 22,256,391
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## The New York Academy of Medicine

Notes to Financial Statements  
December 31, 2016 and 2015

### 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 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, 2016 and 2015, there were no funds with deficiencies.

### 12. Employee Benefit Plan

#### *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 2016 and 2015) of an employee's annual compensation is contributed by the Academy, up to a maximum of \$7,950 for 2016 and 2015. The accumulated funds are 100% vested with the participants. The pension expense for 2016 and 2015 was \$193,471 and \$201,213, respectively.

#### *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 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. During 2015, there were six employees participating in the this plan, of which two employees' contributions were funded by the Academy for a total of approximately \$36,000.

## The New York Academy of Medicine

Notes to Financial Statements  
December 31, 2016 and 2015

### 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 2019. During 2016 and 2015, rental income from this agreement totaled \$240,681 and \$148,789, respectively. The Academy also leased 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
2017	\$ 344,664
2018	352,904
2019	361,350
2020	<u>162,344</u>
	<u>\$1,221,262</u>

Total rental income was \$255,737 and \$163,854 in 2016 and 2015, respectively.

Annual lease expense was approximately \$11,290 and \$24,000 in 2016 and 2015, respectively.

After a strategic plan review, the Board of Trustees approved strategic investments in the amount of \$4,500,000, to be invested at \$1,500,000 a year for three years, beginning in 2014. These investments are to support three initiatives aimed at achieving the programmatic and financial goals outlined in the strategic plan. These funds support (i) engaging a new Executive Vice President and a new Senior Vice President for Research, and (ii) the Age Friendly NYC program.

The Academy has an employment agreement with its President through June 2017.

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.

## **The New York Academy of Medicine**

Notes to Financial Statements  
December 31, 2016 and 2015

### **14. Related Party Transactions**

During 2016 and 2015, the Academy received donations of \$245,588 and \$219,970, respectively, from members of the Board of Trustees.

A Director of a program unit at the Academy is related to a member of the Board of Trustees.

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