FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.

Fulfilling the promise of opportunity

Financial Statements
(Together with Independent Auditors' Report)

For the Years Ended December 31, 2018 and 2017

MARKS PANETH

ACCOUNTANTS & ADVISORS

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

CONTENTS

Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
markspaneth.com

MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Federation of Protestant Welfare Agencies, Inc.

We have audited the accompanying financial statements of Federation of Protestant Welfare Agencies, Inc. ("FPWA"), which comprise the statements of financial position as of December 31, 2018 and 2017, and 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 audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Federation of Protestant Welfare Agencies, Inc. 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.

Emphasis of Matter

As discussed in Note 2Q to the financial statements, during the year ended December 31, 2018, FPWA adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities* Our opinion is not modified with respect to this matter.

Marks Paneth LLP

New York, NY
June 27, 2019

Morison KSi
Independent member

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents (Notes 2D and 12)	$ 1,680,273	$ 1,792,746
Accounts receivable (Notes 2L and 4)	221,966	236,289
Prepaid expense and other	105,518	61,078
Investments (Notes 2E, 2M, 2O, 5 and 10)	51,232,394	59,209,882
Property and equipment, net (Notes 2F and 6)	10,585,509	11,195,248
Beneficial interest in perpetual trusts and pooled life income fund (Notes 2I, 2J, 9 and 10)	13,049,474	14,837,444
TOTAL ASSETS	$ 76,875,134	$ 87,332,687
LIABILITIES		
Accounts payable and accrued expenses	$ 381,862	$ 361,284
Accrued salaries, vacation and benefits	152,680	168,992
Accrued postretirement benefits (Note 7)	1,629,700	1,821,400
Bond payable, net (Notes 2G and 8)	10,710,995	11,049,110
TOTAL LIABILITIES	12,875,237	13,400,786
NET ASSETS (Notes 2B and 9)		
Without donor restrictions:		
Operations	43,483,460	44,460,400
Designated for long term investments	1,429,595	8,063,603
Total without donor restrictions	44,913,055	52,524,003
With donor restrictions:		
Restricted for purpose and time	921,570	1,454,656
Perpetual in nature	18,165,272	19,953,242
Total with donor restrictions	19,086,842	21,407,898
TOTAL NET ASSETS	63,999,897	73,931,901
TOTAL LIABILITIES AND NET ASSETS	$ 76,875,134	$ 87,332,687

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	For the Year Ended December 31, 2018			For the Year Ended December 31, 2017		
OPERATING ACTIVITIES (Note 2K):	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017	Without Donor Restrictions	With Donor Restrictions
REVENUE, GRANTS, AND OTHER						
Contributions (Note 2C)	$ 514,306	$ 1,132,680	$ 1,646,986	$ 1,374,258	$ 542,934	$ 831,324
Special events (net of direct expenses of $77,382 and $14,840 for 2018 and 2017, respectively) (Note 2P)	(61,807)	-	(61,807)	37,010	12,010	25,000
Grants from government agencies	603,099	-	603,099	651,064	651,064	-
Investment activity - spending allocation (Notes 2E, 5 and 9)	3,155,000	-	3,155,000	3,160,000	3,160,000	-
Income from trusts	311,272	296,667	607,939	586,473	336,473	250,000
Service fees and membership dues	304,450	-	304,450	310,629	310,629	-
Miscellaneous	11,516	-	11,516	2,189	2,005	184
Net assets released from restrictions (Notes 2B and 9)	1,570,660	(1,570,660)	-	-	1,618,429	(1,618,429)
TOTAL REVENUE, GRANTS AND OTHER	6,408,496	(141,313)	6,267,183	6,121,623	6,633,544	(511,921)
EXPENSES (Note 2H):						
Program Services						
Member services	2,615,021	-	2,615,021	2,925,312	2,925,312	-
Policy, advocacy and research	2,641,018	-	2,641,018	2,084,224	2,084,224	-
	5,256,039	-	5,256,039	5,009,536	5,009,536	-
Supporting Services						
Management and general	1,108,010	-	1,108,010	1,134,879	1,134,879	-
Fundraising and development	845,181	-	845,181	765,855	765,855	-
	1,953,191	-	1,953,191	1,900,734	1,900,734	-
TOTAL EXPENSES	7,209,230	-	7,209,230	6,910,270	6,910,270	-
Change In Net Assets From Operations	(800,734)	(141,313)	(942,047)	(788,647)	(276,726)	(511,921)
NONOPERATING ACTIVITIES (Note 2K):						
Investment activity, net of fees (Notes 2E, 5 and 9)	(3,837,114)	(391,773)	(4,228,887)	8,883,172	8,088,770	794,402
Investment activity - spending allocation to operations (Notes 2E, 5 and 9)	(3,155,000)	-	(3,155,000)	(3,160,000)	(3,160,000)	-
Change in value of beneficial interest in perpetual trusts	-	(1,787,970)	(1,787,970)	1,697,037	-	1,697,037
Change in value of pooled life income fund	-	-	-	(3,511)	-	(3,511)
Postretirement related changes other than net periodic benefit cost (Note 7)	181,900	-	181,900	(98,400)	(98,400)	-
TOTAL NONOPERATING ACTIVITIES	(6,810,214)	(2,179,743)	(8,989,957)	7,318,298	4,830,370	2,487,928
CHANGE IN NET ASSETS	(7,610,948)	(2,321,056)	(9,932,004)	6,529,651	4,553,644	1,976,007
Net assets - beginning of year	52,524,003	21,407,898	73,931,901	67,402,250	47,970,359	19,431,891
NET ASSETS - END OF YEAR	$ 44,913,055	$ 19,086,842	$ 63,999,897	$ 73,931,901	$ 52,524,003	$ 21,407,898

The accompanying notes are an integral part of these financial statements.

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
STATEMENT OF FUNCTONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	For the Year Ended December 31, 2018						
	Program Services			Supporting Services			
	Member Services	Policy, Advocacy and Research	Total Program	Management and General	Fundraising	Total 2018	Total 2017
Salaries	$ 944,736	$ 1,190,838	$ 2,135,574	$ 575,477	$ 308,861	$ 3,019,912	$ 2,939,122
Payroll taxes and employee benefits (Note 7)	305,732	385,374	691,106	176,433	99,952	967,491	1,015,208
Total salaries and related costs	1,250,468	1,576,212	2,826,680	751,910	408,813	3,987,403	3,954,330
Professional fees	160,914	391,181	552,095	60,670	272,126	884,891	469,601
Program assistance	720,706	63,834	784,540	-	-	784,540	1,001,098
Office supplies	15,052	18,973	34,025	9,169	4,921	48,115	35,945
Postage	3,150	3,970	7,120	1,918	1,030	10,068	17,024
Occupancy	41,361	52,135	93,496	25,195	13,522	132,213	192,975
Expensed office equipment (Note 2F)	23,932	30,166	54,098	14,578	7,824	76,500	72,436
Telephone	4,829	6,087	10,916	2,941	1,579	15,436	16,085
Printing and publications	5,814	7,329	13,143	3,542	1,901	18,586	8,105
Travel, meetings and conferences	68,396	86,213	154,609	41,663	22,361	218,633	188,963
Membership dues	-	4,730	4,730	3,030	-	7,760	5,191
Insurance	25,856	32,591	58,447	15,750	8,453	82,650	75,896
Interest expense (Notes 2G and 8)	97,195	122,514	219,709	59,206	31,776	310,691	253,884
Depreciation (Notes 2F and 6)	192,596	242,767	435,363	117,321	62,965	615,649	613,019
Miscellaneous	4,752	2,316	7,068	1,117	7,910	16,095	5,718
TOTAL EXPENSES	$ 2,615,021	$ 2,641,018	$ 5,256,039	$ 1,108,010	$ 845,181	$ 7,209,230	$ 6,910,270

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
STATEMENT OF FUNCTONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services			Supporting Services		
	Member Services	Policy, Advocacy and Research	Total Program	Management and General	Fundraising	Total 2017
Salaries	$ 1,052,607	$ 980,341	$ 2,032,948	$ 598,238	$ 307,936	$ 2,939,122
Payroll taxes and employee benefits (Note 7)	363,762	338,789	702,551	206,240	106,417	1,015,208
Total salaries and related costs	1,416,369	1,319,130	2,735,499	804,478	414,353	3,954,330
Professional fees	114,621	128,131	242,752	29,000	197,849	469,601
Program assistance	854,090	147,008	1,001,098	-	-	1,001,098
Office supplies	12,873	11,989	24,862	7,317	3,766	35,945
Postage	6,097	5,678	11,775	3,465	1,784	17,024
Occupancy	69,111	64,367	133,478	39,279	20,218	192,975
Expensed office equipment (Note 2F)	25,942	24,161	50,103	14,744	7,589	72,436
Telephone	5,761	5,365	11,126	3,274	1,685	16,085
Printing and publications	2,903	2,703	5,606	1,650	849	8,105
Travel, meetings and conferences	76,019	58,692	134,711	35,816	18,436	188,963
Membership dues	-	1,725	1,725	3,466	-	5,191
Insurance	27,181	25,315	52,496	15,448	7,952	75,896
Interest expense (Notes 2G and 8)	90,925	84,682	175,607	51,677	26,600	253,884
Depreciation (Notes 2F and 6)	219,545	204,472	424,017	124,775	64,227	613,019
Miscellaneous	3,875	806	4,681	490	547	5,718
TOTAL EXPENSES	$ 2,925,312	$ 2,084,224	$ 5,009,536	$ 1,134,879	$ 765,855	$ 6,910,270

The accompanying notes are an integral part of these financial statements.

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (9,932,004)	$ 6,529,651
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized gain on investments	(1,722,034)	(1,073,360)
Unrealized loss (gain) on investments	6,352,693	(7,423,431)
Loss (gain) in value of beneficial interest in perpetual trusts	1,787,970	(1,697,037)
Loss in value of pooled life income fund	-	3,511
Benefits related changes other than periodic benefit costs	(181,900)	98,400
Interest expense on deferred financing costs	21,885	21,885
Bad debts	1,421	-
Depreciation	615,649	613,019
Subtotal	(3,056,320)	(2,927,362)
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Accounts receivable	12,902	(40,694)
Prepaid expenses and other	(44,440)	42,140
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	20,578	(86,743)
Accrued salaries, vacation and benefits	(16,312)	30,023
Accrued pension and postretirement benefits	(9,800)	(500)
Net Cash Used in Operating Activities	(3,093,392)	(2,983,136)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(5,910)	(23,568)
Purchase of long term investments	(3,312,705)	(6,182,677)
Proceeds from the sale of long term investments	9,991,991	9,139,795
Proceeds from the liquidation of pooled life income fund	-	30,832
Net purchase of short term investments	(3,332,457)	-
Net proceeds from the sale of short term investments	-	842,212
Net Cash Provided by Investing Activities	3,340,919	3,806,594
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of bond payable	(360,000)	(355,000)
Net Cash Used in Financing Activities	(360,000)	(355,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(112,473)	468,458
Cash and cash equivalents - beginning of the year	1,792,746	1,324,288
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,680,273	$ 1,792,746
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 310,691	$ 253,884

The accompanying notes are an integral part of these financial statements.

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Founded in 1922, Federation of Protestant Welfare Agencies, Inc. (“FPWA”) is one of New York’s premier human service membership organizations. FPWA’s program and service initiatives serve to support more than 170 member organizations and churches by providing management assistance and building capacity. FPWA’s policy, advocacy and research efforts also work to improve social and economic conditions for the most vulnerable, making it a champion of the underserved for more than 90 years. Together, FPWA and its member agencies work to meet the needs of more than 1.5 million of New Yorker’s most vulnerable annually. FPWA is supported primarily by contributions and investment income.

FPWA is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income taxes. The Internal Revenue Service has classified FPWA as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. As a not-for-profit organization, FPWA is also exempt from New York State and New York City income and sales taxes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FPWA’s financial statements have been prepared on the accrual basis. FPWA adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).

B. FPWA maintains its net assets under the following two classes:

- Without donor restrictions:

  Operations – represents resources available for support of FPWA’s operations over which the Board of Directors has discretionary control.

  Designated for long-term investments – represents accumulated earnings which have not been allocated to operations or are not otherwise restricted.

- With donor restrictions – represents assets resulting from contributions and other inflows of assets whose use by FPWA is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of FPWA pursuant to those stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. In addition, net assets with donor restrictions represents those resources subject to donor-imposed stipulations that they be maintained intact in perpetuity by FPWA. The earnings from these donor restricted endowment assets are also included in the net assets with donor restrictions class until they have been appropriated by the Board. When such appropriations occur, net assets with donor restrictions are reduced through an additional release from restrictions. The donors of certain of these assets specify the use of a portion of income earned on related investments.

C. Unconditional promises to give (pledges) that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

   Contributions, including cash and in-kind contributions, are recorded as revenue in the period in which they are received. Many volunteers, including members of the Board of Directors, have made significant contributions of time in furtherance of FPWA’s policies and programs. The value of this contributed time does not meet the criteria for recognition and, therefore, is not reflected in the statements of activities.

   Legacies are recognized as support when the wills have passed probate and the sum is certain.

D. FPWA considers highly liquid debt instruments purchased with a maturity of 90 days or less to be cash equivalents, except for cash and money market funds held in FPWA’s investment portfolio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Investments are stated at fair value. The investments of FPWA consist of separately managed accounts consistent with FPWA's asset allocation policy. Each account is managed by independent investment advisors. The net investment income earned on donor restricted funds (where earnings are not restricted by the donor) are reflected in FPWA's net assets with donor restrictions class under NYS law until appropriated by the Board. FPWA has a "total return" policy regarding the spending of net investment income for operations. The total return to be spent in 2018 and 2017 was equal to 5.25% and 4.75%, respectively, of the adjusted average fair market value of the pooled investment funds for the prior five years and is reported as operating revenues. In addition, the Board authorized an additional special allocation to fund its operations and offset special projects that occurred during the years ended December 31, 2018 and 2017, respectively. The balance of net investment income/loss is reported as nonoperating activities and consists of the following for the years ended December 31:

	2018	2017
Allocated to operations per spending formula	$ (2,905,000)	$ (2,940,000)
Special Board authorized allocations:		
To fund FPWA operations	(250,000)	-
To fund FPWA response to national level policies	-	(220,000)
Total allocations	(3,155,000)	(3,160,000)
Investment activity, net of fees	(4,228,887)	8,883,172
Allocations (more) less than earnings reported in nonoperating	$ (7,383,887)	$ 5,723,172

F. Property and equipment is stated at cost less accumulated depreciation. The carrying value of property and equipment does not purport to represent replacement or realizable values. FPWA capitalizes all property and equipment with a useful life of more than one year and a cost of $5,000 or more. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

G. Debt issuance costs are presented as a reduction of the carrying amount of the debt rather than as an asset (see Note 8). Amortization of the debt issuance costs is reported as interest expense in the accompanying statements of functional expenses.

H. The costs of providing FPWA's program and supporting services have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited as determined by management. The expenses that are allocated include salaries and payroll taxes and employee benefits, which are allocated based on estimates of time and effort. Other allocated expenses include occupancy, professional services, travel, meetings and conferences, office supplies, insurance, interest expense, expensed office equipment, telecommunications, membership dues, postage and depreciation which are allocated based on full-time employees per program.

I. FPWA is the beneficiary of perpetual trusts held by other entities, as trustees. The fair value of FPWA's beneficial interest in these trusts is estimated to be equal to the fair market value of that portion of the assets underlying the trusts attributable to FPWA's interest. The assets consist primarily of equities, fixed income and short-term investments.

J. FPWA has established a pooled life income fund held by another entity such as trustee. Each donor to the fund shall receive a proportionate share of the fund's income during the donor's lifetime. Upon each donor's death, the units in the fund attributable to that donor shall become the property of FPWA and shall be added to its net asset with restrictions class. Accordingly, FPWA maintains the balance in the net asset with restrictions class. FPWA's beneficial interest in the fund is recorded at the fair market value of the assets underlying the fund. The assets consist primarily of equities, fixed income and short-term investments. During the year ended December 31, 2017, the pooled life income fund balance amounting to $30,832, was added to FPWA's net asset with restrictions class as a result of the death of a donor.

K. FPWA's operating revenues and gains exclude legacies, net investment income in excess of the 5% spending policy, the gain or loss on beneficial interest in the perpetual trusts and pooled life income fund and pension and benefit related changes other than net periodic pension and benefit costs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. As of December 31, 2018 and 2017, FPWA determined that no allowance for doubtful accounts should be provided for receivables. Such estimate is based on management's estimates of the creditworthiness of its donors as well as current economic conditions and historical information.

M. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 10.

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

O. Effective for the year ended December 31, 2017, FPWA adopted the guidance issued by the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2015-07 *Disclosure for Investments in Certain Entities that Calculate Net Asset Value*.

   Under the amendment, investments in entities for which fair value is calculated using the net asset value (NAV) are no longer required to categorize within the fair value hierarchy those investments that use NAV as a practical expedient. FPWA has reflected the effects of this amendment as of December 31, 2018 and 2017.

P. The direct costs of special events include expenses for the benefit of the donor. For example, meals and facilities rental are considered direct costs of special events.

Q. Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities* was adopted for the year ended December 31, 2018. ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets, a statement of functional expenses, enhanced disclosure on liquid resources and expense allocation methodologies. These changes had no impact on the change in net assets for the year ended December 31, 2018. Net assets as of December 31, 2017 were reclassified to conform to the new presentation.

R. Certain line items in the December 31, 2017 financial statements have been reclassified to conform to the December 31, 2018 presentation.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR OPERATING EXPENDITURES

FPWA regularly monitors liquidity required to meet its operating needs and other obligations as they become due, while also striving to maximize the investment of its available funds. FPWA has various sources of liquidity at its disposal, including cash and cash equivalents, accounts receivable and marketable debt and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, FPWA considers all expenditures related to its ongoing program activities as well as service undertaken to support those activities to be general expenditures.

As of December 31, 2018, the following financial assets could readily be made available immediately from the statement of financial position date to meet general expenditures:

Cash and cash equivalents	$ 1,680,273
Accounts receivable	221,966
Investments	51,232,394
Total financial assets	53,134,633
Less: endowment investments	(6,059,140)
	$ 47,075,493

NOTE 4 – RECEIVABLES

Receivables are scheduled to be collected during the next year and consist of the following as of December 31:

	2018	2017
Pledges	$ 8,319	$ 26,210
Government grants	195,096	195,632
Other	18,551	14,447
	$ 221,966	$ 236,289

NOTE 5 – INVESTMENTS

Investments consist of the following as of December 31:

	2018	2017
Equity Securities		
U.S. Regulated Investment Company – Non U.S.	$ 10,296,080	$ 12,437,354
International Commingled Funds	6,469,781	5,526,484
Closed End International Equity Funds	-	3,403,901
U.S. Regulated Investment Company - Commodity	735,853	853,387
Mutual Funds	10,978,276	10,773,269
Total Equity Securities	28,479,990	32,994,395
Fixed Income		
U.S. Governments	-	4,658,790
U.S. Bonds ETF	279,473	291,778
Industrial	94,535	505,899
Total Fixed Income	374,008	5,456,467
Alternative Investments		
Limited Liability Corporations	13,460,334	14,719,845
Venture Capital Limited Partnerships	5,102,393	5,564,932
Total Alternative Investments	18,562,727	20,284,777
Cash and Cash Equivalents		
Cash and Money Market Funds	3,815,669	474,243
Total Cash and Cash Equivalents	3,815,669	474,243
Total Investments	$ 51,232,394	$ 59,209,882

The alternative investment portfolios are made up of fund of funds that invest primarily in limited partnerships and private investment companies. Investments in limited partnerships are valued at fair value, as determined by the General Partner. Such value generally represents the Partnership's proportionate share of the Partner's capital of the investment partnerships as reported by their general partners. Securities with no readily available market are initially valued at cost, with subsequent adjustments to values which reflect either the basis of meaningful third-party transactions in the private market or the fair value deemed appropriate by the general partners of the underlying investment partnership. In such instances, consideration is also given to the financial condition and operating results of the issuer, the amount that the investment partnerships can reasonably expect to realize upon the sale of the securities, and any other factors deemed relevant. Securities with readily available markets (listed on a securities exchange or traded in the over-the-counter market) are valued at quoted market prices, or at an appropriate discount from such price if marketability of the securities is limited.

NOTE 5 – INVESTMENTS (Continued)

The private investment companies in which the alternative investments are invested often sell short securities they have borrowed in anticipation that the prices of such securities will decline. If the price declines occur, then these securities can be purchased profitably at lower prices in order to permit their return to the appropriate lenders. If the prices rise, a loss will be incurred. Short selling is a high-risk investment strategy because the potential for gain is limited while the risk of loss is theoretically unlimited.

The private investment companies in which the alternative investments are invested generally limit redemptions to monthly, quarterly, semiannually or annually, at net asset value and require advanced written notice, restricting the alternative investments' ability to respond quickly to changes in market conditions. The management agreements of the private investment companies provide for compensation to the managers in the form of fees ranging from 1.0% to 2.0% annually of net assets and performance incentive fees ranging from 16.5% to 20.0% of net profits earned.

The investments in private investment companies are valued at fair value using the net asset valuations provided by the underlying private investment companies, unless management determines another valuation is more appropriate. Substantially all the underlying assets of the limited partnership and private investment companies consist of cash and cash equivalents, readily marketable securities, and other investments stated at fair value.

Investments are subject to market volatility that could change their carrying value in the near term.

Investment activity consists of the following for the years ended December 31:

	2018	2017
Interest and dividends	$ 612,039	$ 664,780
Realized gain on investment transactions	1,722,034	1,073,360
Unrealized (loss) gain on investments	(6,352,693)	7,423,431
	(4,018,620)	9,161,571
Investment advisory and custodial fees	(210,267)	(278,399)
	$ (4,228,887)	$ 8,883,172
Allocated to operations per spending formula	$ 3,155,000	$ 3,160,000
Allocated to nonoperating activities	(7,383,887)	5,723,172
	$ (4,228,887)	$ 8,883,172

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	2018	2017	Estimated Useful Lives
Building and improvements	$ 11,016,675	$ 11,016,675	30-33 Years
Furniture and equipment	1,713,942	1,708,032	3-10 Years
Total cost	12,730,617	12,724,707	
Accumulated depreciation	(2,145,108)	(1,529,459)	
Net book value	$ 10,585,509	$ 11,195,248	

Depreciation expense amounted to $615,649 and $613,019 for the years ended December 31, 2018 and 2017, respectively.

NOTE 7 − PENSION AND POSTRETIREMENT MEDICAL BENEFIT PLANS

FPWA has a defined contribution 403(b) Thrift Plan (the "Plan") for eligible employees. The pension expense for this Plan for the years ended December 31, 2018 and 2017 amounted to $256,427 and $275,327, respectively, which is 100% of the first 3% plus 50% of the next 3% of compensation deferred by participating employees in addition to annual discretionary contributions based on years of service and age as determined by the Board of Directors.

In addition, FPWA has a noncontributory unfunded postretirement medical benefit plan ("Postretirement") which covers substantially all employees and their spouses. Each participant will be eligible to receive benefits if they retire from FPWA at age 65 with at least five years of service or age 55 with at least ten years of service. Coverage for both the retiree and the spouse continues for their lifetimes. Employees who retired on or after February 1, 1993 are not eligible for Medicare Part B premium reimbursement. All new retirees who are eligible to be covered by the postretirement plan will not be allowed to elect a Medigap plan with prescription drug coverage and FPWA will not reimburse Medicare Part D premiums. Effective December 31, 2010, the postretirement plan was frozen. FPWA uses December 31 as its measurement date for its postretirement medical benefit plan.

The funded status of the postretirement medical plan consists of the following as of December 31:

	2018	2017
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 1,821,400	$ 1,723,500
Service cost	45,000	55,300
Interest cost	62,300	67,300
Actuarial (gain) loss	(213,600)	55,600
Benefits paid	(85,400)	(80,300)
Benefits obligation at end of year	1,629,700	1,821,400
Unfunded status	$ (1,629,700)	$ (1,821,400)

The net periodic benefit obligations and the components of the benefit cost for the years ended December 31 consists of the following:

	2018	2017
Service cost	$ 45,000	$ 55,300
Interest cost	62,300	67,300
Recognized actuarial gain	(34,800)	(45,900)
Amortization of prior service cost	3,100	3,100
Net benefits cost	$ 75,600	$ 79,800

FPWA has no minimum funding requirement for the years ending December 31, 2018 and 2017.

The amounts recognized in the change in net assets without donor restrictions for the years ended December 31 consist of the following:

	2018	2017
Net actuarial (gain) loss	$ (213,600)	$ 55,600
Recognized actuarial gain	34,800	45,900
Prior service cost	(3,100)	(3,100)
Changes other than periodic costs	$ (181,900)	$ 98,400

NOTE 7 − PENSION AND POSTRETIREMENT MEDICAL BENEFIT PLANS (Continued)

The amounts expected to be recognized in net benefit costs during 2019 are as follows:

	Postretirement Medical
Prior service cost recognition	$ 15,300

The weighted average assumptions used as of December 31 are as follows:

	2018	2017
Discount rate	4.00%	3.50%
Expected return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A

The health care cost trend rate assumption used in the postretirement calculation for 2017 was 6.0% and decreases to the ultimate trend rate of 4.75% by 2020. The trend rate has been adjusted to 3.71% for 2018 and increases to the ultimate trend rate of 4.75% by 2029. As of December 31, 2018, the trend rate has not been adjusted further. The health care cost trend rate assumption has an effect on the amounts reported for the plan. To illustrate, increasing the assumed health care cost trend rates by 1% would increase the accumulated postretirement benefit obligations by $243,500 as of December 31, 2018, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended by $25,900. Decreasing the assumed health care cost trend rates by 1% would decrease the accumulated postretirement benefit obligations by $197,800 as of December 31, 2018, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended by $19,300.

The Medicare Prescription Drug Improvement and Modernization Act of 2003 (“MMA”) introduced a new prescription drug benefit under Medicare that went into effect in 2006. MMA also includes a federal subsidy payable to plan sponsors equal to 28% of certain prescription drug benefits payable to Medicare-eligible retirees effective in 2006. The subsidy is available to an employer that sponsors a retiree medical plan that includes a prescription drug benefit that is at least as valuable (i.e. actuarially equivalent to) the new Medicare coverage. The subsidy is not subject to federal income tax. FPWA is not eligible for this subsidy.

Due to MMA and FPWA’s decision not to cover Medicare Part D premiums, there was a decrease in the postretirement plan’s benefit obligation of $222,300, which has been set up as a negative prior service cost base in 2005.

The following schedule of benefit payments, which reflects expected future services, as appropriate, are expected to be paid in each of the next five years and in the aggregate for the five years thereafter:

	Postretirement Medical
2019	$ 82,000
2020	78,400
2021	76,900
2022	75,900
2023	75,300
Thereafter	417,700
	$ 806,200

NOTE 8 − BOND PAYABLE

In November 2014, Build NYC Resource Corporation ("Build NYC") issued $12.345 million of Adjustable Rate Revenue Bonds (Federation of Protestant Welfare Agencies, Inc. Project), Series 2014 (the "New Bonds"), the proceeds of which were used to finance the acquisition and renovation of FPWA's headquarters at 40 Broad Street in New York City which is the underlying collateral. The New Bonds bear interest at a variable rate determined weekly, not to exceed 10% per annum. The rate was 1.81% as of December 31, 2018 and 2017 although in general the rate was higher during 2018 than it was during 2017. The total interest expense for the years ended December 31, 2018 and 2017 amounted to $310,691 and $253,884, respectively.

The proceeds were made available to FPWA under the provisions of a loan agreement. The scheduled loan payments to be made by FPWA to Build NYC are intended to be sufficient to pay sinking-fund installments of principal and interest on the New Bonds.

The New Bonds, which mature in 2045, are subject to mandatory redemption by Build NYC at a price equal to the principal amount thereof, together with accrued interest to the date of redemption, from the Sinking Fund, on the dates and in the principal amounts set forth in the schedule below. In addition, the New Bonds are subject to optional redemption at the redemption prices set forth in the bond indenture.

The loan contains various covenants, among which is the requirement to maintain a minimum liquidity ratio. FPWA is in compliance with these covenants.

The bond payable consists of the following as of December 31:

	2018	2017
Principal amount	$ 11,280,000	$ 11,640,000
Less unamortized debt issuance costs	(569,005)	(590,890)
	$ 10,710,995	$ 11,049,110

Future payments of principal of the bond follow:

2019	$ 360,000
2020	365,000
2021	370,000
2022	375,000
2023	380,000
Thereafter	9,430,000
	$ 11,280,000

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31:

	2018	2017
Perpetual in Nature:		
Beneficial interest in perpetual trusts	$ 13,049,474	$ 14,837,444
Investment in perpetuity, the income from which is expendable to support FPWA's operations, if appropriated	5,115,798	5,115,798
	18,165,272	19,953,242
Restricted for Purpose and Time:		
Unappropriated endowment earnings	-	551,672
Restricted for elderly programs	399,042	332,611
Restricted for other programs	522,528	570,373
	921,570	1,454,656
Total Net Assets With Donor Restrictions	$ 19,086,842	$ 21,407,898

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets released from restrictions consist of two components. The first component reflects the satisfaction of donor purpose restrictions or the passage of time. The second component reflects the Board appropriation of earnings from net assets with restrictions in the endowment fund. For the years ended December 31, 2018 and 2017, such appropriation each year represents up to 7% and 5%, respectively, of the adjusted average fair market value of the restricted endowment fund investments for the prior five years. To the extent that the 7% and 5% rates of appropriations exceed available funds, FPWA reduces the appropriations through a transfer, effectively reducing the percentages. This occurred in 2018.

Details to the amounts released from restrictions for the years ended December 31 are as follows:

	2018	2017
Purpose restrictions accomplished:		
Direct assistance	$ 519,530	$ 683,685
Elderly programs	230,236	228,608
Other programs	462,788	451,888
Subtotal	1,212,554	1,364,181
Board appropriations of earnings	358,106	254,248
	$ 1,570,660	$ 1,618,429

FPWA adheres to New York State's Prudent Management of Institutional Funds Act ("NYPMIFA"). FPWA recognizes that NYPMIFA permits the Board of Directors to appropriate for expenditure all earnings of endowment funds (both realized and unrealized) with a presumption of prudence to a ceiling of 7% annually based on a quarterly rolling five- year average of the fair value of the endowment funds. Any unappropriated earnings that would otherwise be considered not restricted by the donor are reflected as net assets with donor restrictions until appropriated.

The Board of Directors of FPWA has interpreted the state law as allowing FPWA to appropriate for expenditure or accumulate so much of an endowment fund as FPWA 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 Directors. See Note 2B for how FPWA maintains its net assets.

FPWA's endowment investment policy is to invest primarily in equities and fixed income based on an asset allocation to satisfy its overall endowment financial and investment objectives such as to preserve the principal, protect against inflation, receive stable returns and achieve long-term growth. FPWA 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). Annual spending from the endowment fund is described in Note 2E. Unless authorized by the Board of Directors, the appropriations from the endowment should not deplete the historical dollar value of the endowment fund.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires FPWA to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature, if they occurred, are reported in unrestricted net assets. The deficiencies may result from unfavorable market fluctuations that occurred in the economy as a whole that may have affected the donor restricted endowment fund where the fair market value of the donor restricted endowment fund fell below the amount that is required to be retained permanently. As of December 31, 2018 and 2017, there were no such deficiencies. In addition, FPWA's beneficial interest in perpetual trusts and pooled life income fund are not displayed in the forthcoming chart since those funds are held by third parties and the Board of Directors has no discretion over those funds.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Changes in endowment net assets (other than beneficial interest in perpetual trusts) for the year ended December 31, 2018 are as follows:

	Without donor restrictions		With donor restrictions		
	Board Designated	Operating	Endowment Earnings	Endowment Corpus	Total 2018
Investment activity:					
Interest and dividends	$ 555,339	$ -	$ 56,700	$ -	$ 612,039
Investment fees	(190,787)	-	(19,480)	-	(210,267)
Realized gain	1,562,501	-	159,533	-	1,722,034
Unrealized loss	(5,764,167)	-	(588,526)	-	(6,352,693)
Total investment activity	(3,837,114)	-	(391,773)	-	(4,228,887)
Board appropriations (7%)	(2,796,894)	3,155,000	(358,106)	-	-
Transfer (to limit the 7% available funds)	-	(198,207)	198,207	-	-
Subtotal	(6,634,008)	2,956,793	(551,672)	-	(4,228,887)
Releases	-	(3,155,000)	-	-	(3,155,000)
Change in endowment net assets	(6,634,008)	(198,207)	(551,672)	-	(7,383,887)
Endowment net assets, beginning of year	8,063,603	(288,046)	551,672	5,115,798	13,443,027
Endowment net assets, end of year	$ 1,429,595	$ (486,253)	$ -	$ 5,115,798	$ 6,059,140

Endowment net assets of $6,059,140 are included in the investments account in the accompanying statements of financial position. Net assets with donor restrictions in the table above, when added to the perpetual trusts amounted to $18,165,272.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Changes in endowment net assets (other than beneficial interest in perpetual trusts) for the year ended December 31, 2017 are as follows:

	Without donor restrictions		With donor restrictions		
	Board Designated	Operating	Endowment Earnings	Endowment Corpus	Total 2017
Investment activity:					
Interest and dividends	$ 605,330	$ -	$ 59,450	$ -	$ 664,780
Investment fees	(253,502)	-	(24,897)	-	(278,399)
Realized gain	977,372	-	95,988	-	1,073,360
Unrealized gain	6,759,570	-	663,861	-	7,423,431
Total investment activity	8,088,770	-	794,402	-	8,883,172
Board appropriations (5%)	(2,905,752)	3,160,000	(254,248)	-	-
Subtotal	5,183,018	3,160,000	540,154	-	8,883,172
Transfer - pooled life income fund	-	-	-	30,832	30,832
Releases	-	(3,160,000)	-	-	(3,160,000)
Change in endowment net assets	5,183,018	-	540,154	30,832	5,754,004
Endowment net assets, beginning of year	2,880,585	(288,046)	11,518	5,084,966	7,689,023
Endowment net assets, end of year	$ 8,063,603	$ (288,046)	$ 551,672	$ 5,115,798	$ 13,443,027

Endowment net assets of $13,443,027 are included in the investments account in the accompanying statements of financial position. Net assets with donor restrictions in the table above, when added to the perpetual trusts amounted to $19,953,242.

NOTE 10 – FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the assets or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

NOTE 10 – FAIR VALUE MEASUREMENTS (Continued)

Equities:

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

Mutual Funds:

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by FPWA are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by FPWA are deemed to be actively traded.

U.S. Government Bonds:

U.S. government securities are valued using pricing models maximizing the use of observable inputs for similar securities.

Industrial Fixed Income:

Investments are valued at the closing price reported in the active market in which the bond is traded.

Limited Liability Corporations:

Limited Liability Corporations are valued using NAV provided by the underlying investment managers as a practical expedient.

Venture Capital Limited Partnerships:

Venture capital limited partnerships are valued using NAV provided by the underlying investment managers as a practical expedient.

Financial assets carried at fair value as of December 31, 2018 are classified in the table in one of the three levels as follows:

	Level 1	Level 2	Level 3	Total 2018
Assets Carried at Fair Value:				
Equity Securities				
U.S. Regulated Investment Company – Non U.S.	$ 10,296,080	$ -	$ -	$ 10,296,080
International Commingled Funds	-	6,469,781	-	6,469,781
U.S. Regulated Investment Company – Commodity	735,853	-	-	735,853
Mutual Funds	10,978,276	-	-	10,978,276
Total Equity Securities	22,010,209	6,469,781	-	28,479,990
Fixed Income				
U.S. Bonds ETF	279,473	-	-	279,473
Industrial	-	94,535	-	94,535
Total Fixed Income	279,473	94,535	-	374,008
Cash and Money Market Funds				
Bank deposit	3,815,669	-	-	3,815,669
Total Cash and Money Market Funds	3,815,669	-	-	3,815,669
Beneficial Interest in Perpetual Trusts	-	-	13,049,474	13,049,474
Subtotal	$ 26,105,351	$ 6,546,316	$ 13,049,474	45,719,141
Alternative Investments – NAV as a practical expedient:				
Limited Liability Corporations				13,460,334
Venture Capital Limited Partnerships				5,102,393
				18,562,727
Total Assets Carried at Fair Value				$ 64,281,868

NOTE 10 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value as of December 31, 2017 are classified in the table in one of the three levels as follows:

	Level 1	Level 2	Level 3	Total 2017
Assets Carried at Fair Value:				
Equity Securities				
U.S. Regulated Investment Company – Non U.S.	$ 12,437,354	$ -	$ -	$ 12,437,354
International Commingled Funds	-	5,526,484	-	5,526,484
U.S. Regulated Investment Company – Commodity	853,387	-	-	853,387
Mutual Funds	10,773,269	-	-	10,773,269
Closed End International Equity Funds	3,403,901	-	-	3,403,901
Total Equity Securities	27,467,911	5,526,484	-	32,994,395
Fixed Income				
U.S. Governments	4,658,790	-	-	4,658,790
U.S. Bonds ETF	291,778	-	-	291,778
Industrial	-	505,899	-	505,899
Total Fixed Income	4,950,568	505,899	-	5,456,467
Cash and Money Market Funds				
Bank Deposit	474,243	-	-	474,243
Total Cash and Money Market Funds	474,243	-	-	474,243
Beneficial Interest in Perpetual Trusts and Pooled Life Income Fund	-	-	14,837,444	14,837,444
Subtotal	$ 32,892,722	$ 6,032,383	$ 14,837,444	53,762,549
Alternative Investments – NAV as a practical expedient:				
Limited Liability Corporations				14,719,845
Venture Capital Limited Partnerships				5,564,932
				20,284,777
Total Assets Carried at Fair Value				$ 74,047,326

The changes in assets measured at fair value for which FPWA has used Level 3 inputs to determine fair value at December 31 are as follows:

	2018	2017
Balance, beginning of year	$ 14,837,444	$ 13,174,750
Sales, net	-	(679,372)
Realized gain	-	645,028
Unrealized gain (loss)	(1,787,970)	1,697,038
Balance, end of year	$ 13,049,474	$ 14,837,444

NOTE 10 – FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth additional disclosures of FPWA's investments whose fair value is determined by using Level 3 inputs and whose fair value is measured using the net asset value (NAVs) per share practical expedient as of December 31, 2018:

Investment Objective	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited Liability Corporations	$ 13,460,334	$ -	Various	60-90 days
Venture Capital Limited Partnerships	5,102,393	-	Various	Various
Beneficial Interest in Perpetual Trusts	13,049,474	-	Various	n/a
	$ 31,612,201	$ -		

The following table sets forth additional disclosures of FPWA's investments whose fair value is determined by using Level 3 inputs and whose fair value is measured using the net asset value (NAVs) per share practical expedient as of December 31, 2017:

Investment Objective	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited Liability Corporations	$ 14,719,845	$ -	Various	60-90 days
Venture Capital Limited Partnerships	5,564,932	-	Various	Various
Beneficial Interest in Perpetual Trusts and Pooled Life Income Fund	14,837,444	-	Various	n/a
	$ 35,122,221	$ -		

NOTE 11 – INCOME TAXES

FPWA believes it has no uncertain tax positions as of December 31, 2018 and 2017 in accordance with Accounting Standards Codification ("ASC") 740, *Income Taxes*, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 12 - CONCENTRATIONS

Cash and cash equivalents that potentially subject FPWA to a concentration of credit risk include cash accounts with two banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits ($250,000 per depositor) by approximately $1,213,000 and $1,330,000 as of December 31, 2018 and 2017, respectively. Such excess includes outstanding checks.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated for potential recognition and disclosure, events subsequent to the date of the statement of the financial position through June 27, 2019, the date the financial statements were issued.