

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.



**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED DECEMBER 31, 2020 AND 2019**

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED DECEMBER 31, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

Marks Paneth LLP

New York, NY
June 24, 2021

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019

| | 2020 | 2019 |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents (Notes 2C and 12) | \$ 2,264,618 | \$ 1,350,754 |
| Accounts receivable (Notes 2D and 4) | 132,619 | 490,539 |
| Prepaid expense and other | 107,121 | 100,867 |
| Investments (Notes 2G, 2M, 2O, 5 and 6) | 54,084,042 | 55,741,699 |
| Property and equipment, net (Notes 2H and 7) | 9,481,808 | 10,025,982 |
| Beneficial interest in perpetual trusts and pooled life income fund (Notes 2K, 2L, 6 and 10) | 16,372,574 | 15,127,060 |
| TOTAL ASSETS | \$ 82,442,782 | \$ 82,836,901 |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 160,049 | \$ 214,415 |
| Accrued salaries, vacation and benefits | 96,579 | 113,799 |
| Accrued postretirement benefits (Note 8) | 1,681,100 | 1,586,500 |
| Bond payable, net (Notes 2I and 9) | 10,029,765 | 10,372,880 |
| TOTAL LIABILITIES | 11,967,493 | 12,287,594 |
| NET ASSETS (Notes 2B and 10) | | |
| Without donor restrictions: | | |
| Operations | 42,424,083 | 42,611,453 |
| Designated for long term investments | 5,310,790 | 6,154,649 |
| Total without donor restrictions | 47,734,873 | 48,766,102 |
| With donor restrictions: | | |
| Restricted for purpose and time | 1,252,044 | 1,540,347 |
| Perpetual in nature | 21,488,372 | 20,242,858 |
| Total with donor restrictions | 22,740,416 | 21,783,205 |
| TOTAL NET ASSETS | 70,475,289 | 70,549,307 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 82,442,782 | \$ 82,836,901 |

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

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

| | For the Year Ended December 31, 2020 | | | For the Year Ended December 31, 2019 | | |
|---|--------------------------------------|----------------------------|----------------------|--------------------------------------|-------------------------------|----------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total 2020 | Total 2019 | Without Donor Restrictions | With Donor Restrictions |
| OPERATING ACTIVITIES (Note 2M): | | | | | | |
| REVENUE, GRANTS, AND OTHER | | | | | | |
| Contributions (Note 2E) | \$ 1,249,183 | \$ 747,500 | \$ 1,996,683 | \$ 1,472,821 | \$ 416,611 | \$ 1,056,210 |
| Special events (net of direct expenses of \$0 and \$19,169 for 2020 and 2019, respectively) | - | - | - | (4,916) | (4,916) | - |
| Grants from government agencies (Note 2F) | 440,222 | - | 440,222 | 731,120 | 731,120 | - |
| Paycheck Protection Program (Note 11) | 533,470 | - | 533,470 | - | - | - |
| Investment activity - spending allocation (Notes 2G, 5 and 10) | 2,850,000 | - | 2,850,000 | 3,125,000 | 3,125,000 | - |
| Income from trusts | 309,083 | 285,000 | 594,083 | 584,119 | 314,119 | 270,000 |
| Service fees and membership dues | 152,431 | - | 152,431 | 315,383 | 315,383 | - |
| Miscellaneous | - | - | - | 12,350 | 12,350 | - |
| Net assets released from restrictions (Notes 2B and 10) | 1,490,111 | (1,490,111) | - | - | 1,499,790 | (1,499,790) |
| TOTAL REVENUE, GRANTS AND OTHER | 7,024,500 | (457,611) | 6,566,889 | 6,235,877 | 6,409,457 | (173,580) |
| EXPENSES (Note 2J): | | | | | | |
| Program Services | | | | | | |
| Member services | 2,880,278 | - | 2,880,278 | 2,800,057 | 2,800,057 | - |
| Policy, advocacy and research | 2,217,146 | - | 2,217,146 | 2,457,214 | 2,457,214 | - |
| Total Program Services | 5,097,424 | - | 5,097,424 | 5,257,271 | 5,257,271 | - |
| Supporting Services | | | | | | |
| Management and general | 1,037,978 | - | 1,037,978 | 1,057,416 | 1,057,416 | - |
| Fundraising | 570,862 | - | 570,862 | 625,371 | 625,371 | - |
| Total Supporting Services | 1,608,840 | - | 1,608,840 | 1,682,787 | 1,682,787 | - |
| TOTAL EXPENSES | 6,706,264 | - | 6,706,264 | 6,940,058 | 6,940,058 | - |
| Change In Net Assets From Operations | 318,236 | (457,611) | (139,375) | (704,181) | (530,601) | (173,580) |
| NONOPERATING ACTIVITIES (Note 2M): | | | | | | |
| Investment activity, net of fees (Notes 2G, 5 and 10) | 1,648,035 | 169,308 | 1,817,343 | 8,284,305 | 7,491,948 | 792,357 |
| Investment activity - spending allocation to operations (Notes 2G, 5 and 10) | (2,850,000) | - | (2,850,000) | (3,125,000) | (3,125,000) | - |
| Change in value of beneficial interest in perpetual trusts | - | 1,245,514 | 1,245,514 | 2,077,586 | - | 2,077,586 |
| Net other components of net period pension costs (Note 8) | (46,400) | - | (46,400) | (63,500) | (63,500) | - |
| Net postretirement related changes other than net periodic benefit costs (Note 8) | (101,100) | - | (101,100) | 80,200 | 80,200 | - |
| TOTAL NONOPERATING ACTIVITIES | (1,349,465) | 1,414,822 | 65,357 | 7,253,591 | 4,383,648 | 2,869,943 |
| CHANGE IN NET ASSETS | (1,031,229) | 957,211 | (74,018) | 6,549,410 | 3,853,047 | 2,696,363 |
| Net assets - beginning of year | 48,766,102 | 21,783,205 | 70,549,307 | 63,999,897 | 44,913,055 | 19,086,842 |
| NET ASSETS - END OF YEAR | \$ 47,734,873 | \$ 22,740,416 | \$ 70,475,289 | \$ 70,549,307 | \$ 48,766,102 | \$ 21,783,205 |

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

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

For the Year Ended December 31, 2020

| | Program Services | | | Supporting Services | | Total 2020 | Total 2019 |
|--|---------------------|----------------------------------|---------------------|---------------------------|-------------------|---------------------|---------------------|
| | Member Services | Policy, Advocacy and Research | Total Program | Management and General | Fundraising | | |
| Salaries | \$ 1,026,385 | \$ 1,103,384 | \$ 2,129,769 | \$ 596,854 | \$ 260,783 | \$ 2,987,406 | \$ 2,985,935 |
| Payroll taxes and employee benefits (Note 8) | 350,551 | 376,850 | 727,401 | 150,949 | 89,068 | 967,418 | 915,586 |
| Total salaries and related costs | 1,376,936 | 1,480,234 | 2,857,170 | 747,803 | 349,851 | 3,954,824 | 3,901,521 |
| Professional fees | 228,958 | 232,731 | 461,689 | 28,547 | 109,788 | 600,024 | 691,209 |
| Program assistance | 836,633 | 30,000 | 866,633 | - | - | 866,633 | 799,210 |
| Office supplies | 16,054 | 17,259 | 33,313 | 9,336 | 4,079 | 46,728 | 47,822 |
| Postage | 720 | 774 | 1,494 | 419 | 183 | 2,096 | 6,647 |
| Occupancy | 65,377 | 70,282 | 135,659 | 38,018 | 16,611 | 190,288 | 171,489 |
| Expensed office equipment (Note 2H) | 32,282 | 34,704 | 66,986 | 18,772 | 8,202 | 93,960 | 67,735 |
| Telephone | 5,924 | 6,369 | 12,293 | 3,445 | 1,505 | 17,243 | 15,610 |
| Printing and publications | 8,949 | 9,620 | 18,569 | 5,204 | 2,274 | 26,047 | 25,485 |
| Travel, meetings and conferences | 16,932 | 18,202 | 35,134 | 9,846 | 4,302 | 49,282 | 193,366 |
| Membership dues | - | 3,438 | 3,438 | 4,900 | - | 8,338 | 2,434 |
| Insurance | 29,333 | 31,534 | 60,867 | 17,058 | 7,453 | 85,378 | 87,003 |
| Special events | - | - | - | - | - | - | 19,169 |
| Interest expense (Notes 2I and 9) | 75,218 | 80,861 | 156,079 | 43,740 | 19,111 | 218,930 | 306,809 |
| Depreciation (Notes 2H and 7) | 186,962 | 200,988 | 387,950 | 108,721 | 47,503 | 544,174 | 620,144 |
| Miscellaneous | - | 150 | 150 | 2,169 | - | 2,319 | 3,574 |
| Sub-total | 2,880,278 | 2,217,146 | 5,097,424 | 1,037,978 | 570,862 | 6,706,264 | 6,959,227 |
| Less: Special event direct expenses | - | - | - | - | - | - | (19,169) |
| TOTAL EXPENSES | \$ 2,880,278 | \$ 2,217,146 | \$ 5,097,424 | \$ 1,037,978 | \$ 570,862 | \$ 6,706,264 | \$ 6,940,058 |

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

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

For the Year Ended December 31, 2019

| | Program Services | | | Supporting Services | | Total 2019 |
|--|---------------------|----------------------------------|---------------------|---------------------------|-------------------|---------------------|
| | Member Services | Policy, Advocacy and Research | Total Program | Management and General | Fundraising | |
| Salaries | \$ 1,035,327 | \$ 1,106,235 | \$ 2,141,562 | \$ 575,649 | \$ 268,724 | \$ 2,985,935 |
| Payroll taxes and employee benefits (Note 8) | 326,654 | 349,026 | 675,680 | 155,121 | 84,785 | 915,586 |
| Total salaries and related costs | 1,361,981 | 1,455,261 | 2,817,242 | 730,770 | 353,509 | 3,901,521 |
| Professional fees | 174,801 | 357,047 | 531,848 | 26,473 | 132,888 | 691,209 |
| Program assistance | 726,710 | 72,500 | 799,210 | - | - | 799,210 |
| Office supplies | 16,582 | 17,717 | 34,299 | 9,219 | 4,304 | 47,822 |
| Postage | 2,305 | 2,463 | 4,768 | 1,281 | 598 | 6,647 |
| Occupancy | 59,461 | 63,534 | 122,995 | 33,061 | 15,433 | 171,489 |
| Expensed office equipment (Note 2H) | 23,489 | 25,089 | 48,578 | 13,060 | 6,097 | 67,735 |
| Telephone | 5,413 | 5,783 | 11,196 | 3,009 | 1,405 | 15,610 |
| Printing and publications | 8,836 | 9,442 | 18,278 | 4,913 | 2,294 | 25,485 |
| Travel, meetings and conferences | 67,047 | 71,639 | 138,686 | 37,278 | 17,402 | 193,366 |
| Membership dues | - | 313 | 313 | 2,121 | - | 2,434 |
| Insurance | 30,167 | 32,233 | 62,400 | 16,773 | 7,830 | 87,003 |
| Special events | - | - | - | - | 19,169 | 19,169 |
| Interest expense (Notes 2I and 9) | 106,381 | 113,667 | 220,048 | 59,149 | 27,612 | 306,809 |
| Depreciation (Notes 2H and 7) | 215,026 | 229,752 | 444,778 | 119,555 | 55,811 | 620,144 |
| Miscellaneous | 1,858 | 774 | 2,632 | 754 | 188 | 3,574 |
| Sub-total | 2,800,057 | 2,457,214 | 5,257,271 | 1,057,416 | 644,540 | 6,959,227 |
| Less: Special event direct expenses | - | - | - | - | (19,169) | (19,169) |
| TOTAL EXPENSES | \$ 2,800,057 | \$ 2,457,214 | \$ 5,257,271 | \$ 1,057,416 | \$ 625,371 | \$ 6,940,058 |

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, 2020 AND 2019

| | 2020 | 2019 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ (74,018) | \$ 6,549,410 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Realized loss (gain) on investments | 965,419 | (1,711,626) |
| Unrealized gain on investments | (2,563,432) | (6,387,269) |
| Gain in value of beneficial interest in perpetual trusts | (1,245,514) | (2,077,586) |
| Nonoperating postretirement changes | 147,500 | (16,700) |
| Interest expense of deferred financing costs | 21,885 | 21,885 |
| Depreciation | 544,174 | 620,144 |
| Subtotal | (2,203,986) | (3,001,742) |
| Changes in operating assets and liabilities: | | |
| (Increase) or decrease in assets: | | |
| Accounts receivable | 357,920 | (268,573) |
| Prepaid expense and other | (6,254) | 4,651 |
| Increase or (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | (54,366) | (167,447) |
| Accrued salaries, vacation and benefits | (17,220) | (38,881) |
| Accrued postretirement benefits | (52,900) | (26,500) |
| Net Cash Used in Operating Activities | (1,976,806) | (3,498,492) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | - | (60,617) |
| Purchase of long term investments | (39,442,168) | (12,029,675) |
| Proceeds from the sale of long term investments | 44,500,838 | 12,134,227 |
| Net (purchases) proceeds from the sale of short term investments | (1,803,000) | 3,485,038 |
| Net Cash Provided by Investing Activities | 3,255,670 | 3,528,973 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayment of bond payable | (365,000) | (360,000) |
| Net Cash Used in Financing Activities | (365,000) | (360,000) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 913,864 | (329,519) |
| Cash and cash equivalents - beginning of the year | 1,350,754 | 1,680,273 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 2,264,618 | \$ 1,350,754 |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid during the year for interest | \$ 197,045 | \$ 306,808 |

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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 Yorkers that are 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. *Basis of Accounting* - 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. *Financial Statement Presentation* - 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 represent 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. *Cash and Cash Equivalents* -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.

D. *Accounts Receivable* - Unconditional promises to give 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.

E. *Contributions* - Contributions, including cash and in-kind contributions, are accounted for under ASU 2018-08 and 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.

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Grants from Governmental Agencies - Government grants nonexchange transactions are accounted for under ASU 2018-08. Multi-year governmental contracts included under government grants are cancellable by the funder upon its sole discretion. Governmental grants are recognized as revenue when barriers within the contract are overcome, and there is no right of return.

As of December 31, 2020 and 2019, FPWA received conditional grants from government agencies in the aggregate amount of \$445,681 and \$260,627, respectively, that have not been recorded in the accompanying financial statements, as they have not been earned. These grants and contracts require FPWA to provide certain services in 2020 regarding food services and census outreach. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants. FPWA has not been remitted any funds in advance.

G. Investments - 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 2020 and 2019 was equal to 5.00% and 5.25%, 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 that occurred during the year ended December 31, 2019. The balance of net investment income/loss is reported as nonoperating activities and consists of the following for the years ended December 31:

| | 2020 | 2019 |
|--|----------------|----------------|
| Allocated to operations per spending formula | \$ (2,850,000) | \$ (3,125,000) |
| Special Board authorized allocations: | | |
| To fund FPWA operations | - | - |
| Total allocations | (2,850,000) | (3,125,000) |
| Investment activity, net of fees | 1,817,343 | 8,284,305 |
| Allocations (more) less than earnings reported in nonoperating | \$ (1,032,657) | \$ 5,159,305 |

H. Property and Equipment - 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.

I. Debt Issuance Costs - Debt issuance costs are presented as a reduction of the carrying amount of the debt rather than as an asset (see Note 9). Amortization of the debt issuance costs is reported as interest expense in the accompanying statements of functional expenses.

J. Functional Allocation of Expenses - 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.

K. Beneficial Interest in Perpetual Trusts - 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.

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- L. *Beneficial Interest in Pooled Life Income Fund*** - FPWA has established a pooled life income fund held by another entity such as a 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.
- M. *Operating Revenue*** - 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.
- N. *Allowance for Uncollectable Receivables*** - As of December 31, 2020 and 2019, 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.
- O. *Fair Value Measurements*** - 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 6.
- P. *Use of Estimates*** - 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.
- Q. *Service Fees and Membership Dues*** - FPWA receives revenue from membership dues, rent from its conference center, workshops, and Group Purchasing Services (GPS) rebates which are accounted for under ASU 2014-09. Revenue is reported at the amount that reflects the consideration to which FPWA expects to be entitled in exchange for providing the contracted services. Generally, FPWA bills after the services are performed or has completed its portion of the contract. Receivables are due in full when billed and revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by FPWA in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided. This method depicts the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. All performance obligations relate to contracts with a duration of less than one year, therefore, there are no performance obligations or contract balances that are unsatisfied as of December 31, 2020. Program service fees consist of revenues for the following for the years ended December 31:

| | 2020 | 2019 |
|------------------------|------------|------------|
| Conference Center Rent | \$ 38,065 | \$ 147,778 |
| Dues from Members | 81,650 | 109,700 |
| Other | 32,716 | 57,905 |
| | \$ 152,431 | \$ 315,383 |

- R. *Reclassification*** - Certain line items in the December 31, 2019 financial statements have been reclassified to conform to the December 31, 2020 presentation.

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL 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.

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

| | <u>2020</u> | <u>2019</u> |
|-----------------------------|----------------------|----------------------|
| Cash and cash equivalents | \$ 2,264,618 | \$ 1,350,754 |
| Accounts receivable | 132,619 | 490,539 |
| Investments | <u>54,084,042</u> | <u>55,741,699</u> |
| Total financial assets | 56,481,279 | 57,582,992 |
| Less: endowment investments | <u>(10,185,788)</u> | <u>(11,218,445)</u> |
| | <u>\$ 46,295,491</u> | <u>\$ 46,364,547</u> |

NOTE 4 – RECEIVABLES

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

| | <u>2020</u> | <u>2019</u> |
|-------------------|-------------------|-------------------|
| Pledges | \$ 58,785 | \$ 7,450 |
| Government grants | 68,418 | 472,469 |
| Other | <u>5,416</u> | <u>10,620</u> |
| | <u>\$ 132,619</u> | <u>\$ 490,539</u> |

NOTE 5 – INVESTMENTS

Investments consist of the following as of December 31:

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| Equity Securities | | |
| U.S. Regulated Investment Company – Non U.S. | \$ 7,524,630 | \$ 10,833,798 |
| U.S. Regulated Investment Company | 14,847,217 | - |
| International Commingled Funds | - | 7,850,437 |
| U.S. Regulated Investment Company – Commodity | - | 826,099 |
| Mutual Funds | <u>-</u> | <u>9,658,534</u> |
| Total Equity Securities | <u>22,371,847</u> | <u>29,168,868</u> |
| Fixed Income | | |
| U.S. Bonds ETF | 7,088,496 | 3,465,459 |
| Corporate Bonds | <u>8,736,885</u> | <u>-</u> |
| Total Fixed Income | <u>15,825,381</u> | <u>3,465,459</u> |
| Alternative Investments | | |
| Limited Liability Corporations | 10,741,410 | 16,152,730 |
| Venture Capital Limited Partnerships | <u>3,892,061</u> | <u>6,636,064</u> |
| Total Alternative Investments | <u>14,633,471</u> | <u>22,788,794</u> |
| Cash and Cash Equivalents | | |
| Cash and Money Market Funds | <u>1,253,343</u> | <u>318,578</u> |
| Total Cash and Cash Equivalents | <u>1,253,343</u> | <u>318,578</u> |
| Total Investments | <u>\$ 54,084,042</u> | <u>\$ 55,741,699</u> |

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 5 – INVESTMENTS (Continued)

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.

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:

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Interest and dividends | \$ 415,372 | \$ 436,618 |
| Realized (loss) gain on investment transactions | (965,419) | 1,711,626 |
| Unrealized gain on investments | <u>2,563,432</u> | <u>6,387,269</u> |
| | 2,013,385 | 8,535,513 |
| Investment advisory and custodial fees | <u>(196,042)</u> | <u>(251,208)</u> |
| | <u>\$ 1,817,343</u> | <u>\$ 8,284,305</u> |
| Allocated to operations per spending formula | \$ 2,850,000 | \$ 3,125,000 |
| Allocated to nonoperating activities | <u>(1,032,657)</u> | <u>5,159,305</u> |
| | <u>\$ 1,817,343</u> | <u>\$ 8,284,305</u> |

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 6 – 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 FPWA 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, 2020 and 2019.

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.

Corporate Bonds:

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.

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value as of December 31, 2020 are classified in the table in one of the three levels as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total 2020</u> |
|---|----------------------|----------------------|----------------------|-----------------------------|
| Assets Carried at Fair Value: | | | | |
| Equity Securities | | | | |
| U.S. Regulated Investment Company – Non U.S. | \$ 4,281,151 | \$ 3,243,479 | \$ - | \$ 7,524,630 |
| U.S. Regulated Investment Company | <u>12,524,111</u> | <u>2,323,106</u> | - | <u>14,847,217</u> |
| Total Equity Securities | <u>16,805,262</u> | <u>5,566,585</u> | - | <u>22,371,847</u> |
| Fixed Income | | | | |
| U.S. Bonds ETF | 7,088,496 | - | - | 7,088,496 |
| Corporate Bonds | <u>3,640,293</u> | <u>5,096,592</u> | - | <u>8,736,885</u> |
| Total Fixed Income | <u>10,728,789</u> | <u>5,096,592</u> | - | <u>15,825,381</u> |
| Cash and Money Market Funds | | | | |
| Bank Deposit | <u>1,253,343</u> | - | - | <u>1,253,343</u> |
| Total Cash and Money Market Funds | <u>1,253,343</u> | - | - | <u>1,253,343</u> |
| Beneficial Interest in Perpetual Trusts and Pooled Life Income Fund | | | | |
| | - | - | <u>16,372,574</u> | <u>16,372,574</u> |
| Subtotal | <u>\$ 28,787,394</u> | <u>\$ 10,663,177</u> | <u>\$ 16,372,574</u> | <u>55,823,145</u> |
| Alternative Investments – NAV as a practical expedient: | | | | |
| Limited Liability Corporations | | | | 10,741,410 |
| Venture Capital Limited Partnerships | | | | <u>3,892,061</u> |
| | | | | <u>14,633,471</u> |
| Total Assets Carried at Fair Value | | | | <u>\$ 70,456,616</u> |

Financial assets carried at fair value as of December 31, 2019 are classified in the table in one of the three levels as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total 2019</u> |
|---|----------------------|---------------------|----------------------|-----------------------------|
| Assets Carried at Fair Value: | | | | |
| Equity Securities | | | | |
| U.S. Regulated Investment Company – Non U.S. | \$ 10,833,798 | \$ - | \$ - | \$ 10,833,798 |
| International Commingled Funds | - | 7,850,437 | - | 7,850,437 |
| U.S. Regulated Investment Company – Commodity Mutual Funds | 826,099 | - | - | 826,099 |
| Total Equity Securities | <u>21,318,431</u> | <u>7,850,437</u> | - | <u>29,168,868</u> |
| Fixed Income | | | | |
| U.S. Bonds ETF | <u>3,465,459</u> | - | - | <u>3,465,459</u> |
| Total Fixed Income | <u>3,465,459</u> | - | - | <u>3,465,459</u> |
| Cash and Money Market Funds | | | | |
| Bank Deposit | <u>318,578</u> | - | - | <u>318,578</u> |
| Total Cash and Money Market Funds | <u>318,578</u> | - | - | <u>318,578</u> |
| Beneficial Interest in Perpetual Trusts and Pooled Life Income Fund | | | | |
| | - | - | <u>15,127,060</u> | <u>15,127,060</u> |
| Subtotal | <u>\$ 25,102,468</u> | <u>\$ 7,850,437</u> | <u>\$ 15,127,060</u> | <u>48,079,965</u> |
| Alternative Investments – NAV as a practical expedient: | | | | |
| Limited Liability Corporations | | | | 16,152,730 |
| Venture Capital Limited Partnerships | | | | <u>6,636,064</u> |
| | | | | <u>22,788,794</u> |
| Total Assets Carried at Fair Value | | | | <u>\$ 70,868,759</u> |

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

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:

| | <u>2020</u> | <u>2019</u> |
|----------------------------|----------------------|----------------------|
| Balance, beginning of year | \$ 15,127,060 | \$ 13,049,474 |
| Unrealized gain | <u>1,245,514</u> | <u>2,077,586</u> |
| Balance, end of year | <u>\$ 16,372,574</u> | <u>\$ 15,127,060</u> |

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, 2020:

| <u>Investment Objective</u> | <u>Fair Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency</u> | <u>Redemption Notice Period</u> |
|---|----------------------|-----------------------------|-----------------------------|---------------------------------|
| Limited Liability Corporations | \$ 10,741,410 | \$ - | Various | 60-90 days |
| Venture Capital Limited Partnerships | 3,892,061 | - | Various | Various |
| Beneficial Interest in Perpetual Trusts and Pooled Life Income Fund | <u>16,372,574</u> | <u>-</u> | Various | n/a |
| | <u>\$ 31,006,045</u> | <u>\$ -</u> | | |

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, 2019:

| <u>Investment Objective</u> | <u>Fair Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency</u> | <u>Redemption Notice Period</u> |
|---|----------------------|-----------------------------|-----------------------------|---------------------------------|
| Limited Liability Corporations | \$ 16,152,730 | \$ - | Various | 60-90 days |
| Venture Capital Limited Partnerships | 6,636,064 | - | Various | Various |
| Beneficial Interest in Perpetual Trusts and Pooled Life Income Fund | <u>15,127,060</u> | <u>-</u> | Various | n/a |
| | <u>\$ 37,915,854</u> | <u>\$ -</u> | | |

NOTE 7 – PROPERTY AND EQUIPMENT

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

| | <u>2020</u> | <u>2019</u> | <u>Estimated Useful Lives</u> |
|---------------------------|---------------------|----------------------|-------------------------------|
| Building and improvements | \$ 11,022,675 | \$ 11,022,675 | 30-33 Years |
| Furniture and equipment | <u>1,768,559</u> | <u>1,768,559</u> | 3-10 Years |
| Total cost | 12,791,234 | 12,791,234 | |
| Accumulated depreciation | <u>(3,309,426)</u> | <u>(2,765,252)</u> | |
| Net book value | <u>\$ 9,481,808</u> | <u>\$ 10,025,982</u> | |

Depreciation expense amounted to \$544,174 and \$620,144 for the years ended December 31, 2020 and 2019, respectively.

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 8 – 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, 2020 and 2019 amounted to \$225,844 and \$274,483, 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:

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------|-----------------------|
| Change in benefit obligation: | | |
| Benefit obligation at beginning of year | \$ 1,586,500 | \$ 1,629,700 |
| Service cost | 29,000 | 33,500 |
| Interest cost | 46,400 | 63,500 |
| Actuarial loss (gain) | 96,300 | (58,200) |
| Benefits paid | <u>(77,100)</u> | <u>(82,000)</u> |
| Benefits obligation at end of year | <u>1,681,100</u> | <u>1,586,500</u> |
| Unfunded status | <u>\$ (1,681,100)</u> | <u>\$ (1,586,500)</u> |

The components of net periodic pension cost including the service cost included in payroll taxes and benefits for the pension plan for the years ended December 31 are as follows:

| | <u>2020</u> | <u>2019</u> |
|------------------------|------------------|------------------|
| Service cost | \$ 29,000 | \$ 33,500 |
| Employer contributions | 77,100 | 82,000 |
| Benefits paid | <u>(77,100)</u> | <u>(82,000)</u> |
| Total | <u>\$ 29,000</u> | <u>\$ 33,500</u> |

Pension related changes other than net periodic pension costs and other components of net periodic pension costs recognized in the change in net assets without donor restrictions were as follows for the years ended December 31 are as follows:

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|--------------------|
| Net actuarial (loss) gain | \$ (152,300) | \$ 38,700 |
| Recognized actuarial gain | 61,300 | 56,800 |
| Amortization of prior service cost | <u>(10,100)</u> | <u>(15,300)</u> |
| Net pension related changes other than net periodic pension costs | <u>\$ (101,000)</u> | <u>\$ 80,200</u> |
| Interest cost | \$ (46,400) | \$ (63,500) |
| Net pension related changes other than net periodic pension costs | <u>\$ (46,400)</u> | <u>\$ (63,500)</u> |

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 8 – PENSION AND POSTRETIREMENT MEDICAL BENEFIT PLANS (Continued)

Amounts recognized as changes in net assets without donor restrictions not yet classified as components of net periodic benefit costs are as follows for December 31:

| | <u>2020</u> | <u>2019</u> |
|--------------------|-------------------|-------------------|
| Net actuarial gain | \$ 730,000 | \$ 887,600 |
| Prior service cost | <u>-</u> | <u>(10,100)</u> |
| Gain | <u>\$ 730,000</u> | <u>\$ 877,500</u> |

The weighted-average assumptions used to determine the benefit obligation and net periodic benefit cost for the pension plan are as follows as of and for the years ended December 31:

| | <u>2020</u> | <u>2019</u> |
|---|-------------|-------------|
| Discount rate of benefit obligation | 2.25% | 3.00% |
| Discount rate of net periodic benefit costs | 3.00% | 4.00% |
| Rate of compensation increase | N/A | N/A |
| Expected return on Plan assets | N/A | N/A |
| Mortality table | Pri. H-2012 | Pri. H-2012 |
| Health care cost trend rate – initial | 4.14% | 3.89% |
| Health care cost trend rate – ultimate | 4.75% | 4.75% |

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:

| | |
|------------|-------------------|
| 2021 | \$ 67,700 |
| 2022 | 66,000 |
| 2023 | 64,700 |
| 2024 | 68,400 |
| 2025 | 67,800 |
| Thereafter | <u>357,600</u> |
| | <u>\$ 692,200</u> |

FPWA has no minimum funding requirement for the years ended December 31, 2020 and 2019. Contributions to the Plan of \$67,700 are expected to be made during the upcoming year. These contributions are equal to the expected premiums to be paid during 2021 for current retirees and beneficiaries covered by the Plan.

NOTE 9 – 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 0.26% and 1.37% as of December 31, 2020 and 2019, respectively. The total interest expense for the years ended December 31, 2020 and 2019 amounted to \$218,930 and \$306,809, 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.

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NOTE 9 – BOND PAYABLE (Continued)

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:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------------|----------------------|----------------------|
| Principal amount | \$ 10,555,000 | \$ 10,920,000 |
| Less unamortized debt issuance costs | <u>(525,235)</u> | <u>(547,120)</u> |
| | <u>\$ 10,029,765</u> | <u>\$ 10,372,880</u> |

Future payments of principal of the bond follows:

| | |
|------------|----------------------|
| 2021 | \$ 370,000 |
| 2022 | 375,000 |
| 2023 | 380,000 |
| 2024 | 385,000 |
| 2025 | 390,000 |
| Thereafter | <u>8,655,000</u> |
| | <u>\$ 10,555,000</u> |

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

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

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| Perpetual in Nature: | | |
| Beneficial interest in perpetual trusts | \$ 16,372,574 | \$ 15,127,060 |
| Investment in perpetuity, the income from which is expendable to support FPWA's operations, if appropriated | <u>5,115,798</u> | <u>5,115,798</u> |
| | <u>21,488,372</u> | <u>20,242,858</u> |
| Restricted for Purpose and Time: | | |
| Unappropriated endowment earnings | 245,453 | 434,251 |
| Restricted for elderly programs | 558,638 | 463,617 |
| Restricted for other programs | <u>447,953</u> | <u>642,479</u> |
| | <u>1,252,044</u> | <u>1,540,347</u> |
| Total Net Assets with Donor Restrictions | <u>\$ 22,740,416</u> | <u>\$ 21,783,205</u> |

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, 2020 and 2019, such appropriation each year represents up to 7% of the adjusted average fair market value of the restricted endowment fund investments for the prior five years. To the extent that the 7% rates of appropriations exceed available funds, FPWA reduces the appropriations through a transfer, effectively reducing the percentages.

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

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|---------------------|---------------------|
| Purpose restrictions accomplished: | | |
| Direct assistance | \$ 245,213 | \$ 479,051 |
| Elderly programs | 189,979 | 205,425 |
| Other programs | <u>696,813</u> | <u>457,208</u> |
| Subtotal | 1,132,005 | 1,141,684 |
| Board appropriations of earnings | <u>358,106</u> | <u>358,106</u> |
| Net assets released from restrictions | <u>\$ 1,490,111</u> | <u>\$ 1,499,790</u> |

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
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NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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 2G. 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 net assets without donor restrictions. 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 in perpetuity. As of December 31, 2020 and 2019, 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.

Endowment net asset changes (other than perpetual beneficial interests) include the following as of December 31, 2020:

| | <u>Without donor restrictions</u> | | <u>With donor restrictions</u> | | |
|---|-----------------------------------|---------------------|--------------------------------|-----------------------------|-----------------------|
| | <u>Board Designated</u> | <u>Operating</u> | <u>Endowment Earnings</u> | <u>Endowment Corpus</u> | <u>Total 2020</u> |
| Investment activity: | | | | | |
| Interest and dividends | \$ 376,675 | \$ - | \$ 38,697 | \$ - | \$ 415,372 |
| Investment fees | (177,778) | - | (18,264) | - | (196,042) |
| Realized loss | (875,479) | - | (89,940) | - | (965,419) |
| Unrealized gain | <u>2,324,617</u> | <u>-</u> | <u>238,815</u> | <u>-</u> | <u>2,563,432</u> |
| Total investment activity | 1,648,035 | - | 169,308 | - | 1,817,343 |
| Board appropriations (7%) | <u>(2,491,894)</u> | <u>2,850,000</u> | <u>(358,106)</u> | <u>-</u> | <u>-</u> |
| Subtotal | (843,859) | 2,850,000 | (188,798) | - | 1,817,343 |
| Releases | <u>-</u> | <u>(2,850,000)</u> | <u>-</u> | <u>-</u> | <u>(2,850,000)</u> |
| Change in endowment net assets | (843,859) | - | (188,798) | - | (1,032,657) |
| Endowment net assets, beginning of year | <u>6,154,649</u> | <u>(486,253)</u> | <u>434,251</u> | <u>5,115,798</u> | <u>11,218,445</u> |
| Endowment net assets, end of year | <u>\$ 5,310,790</u> | <u>\$ (486,253)</u> | <u>\$ 245,453</u> | <u>\$ 5,115,798</u> | <u>\$ 10,185,788</u> |

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
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NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Endowment net assets of \$10,185,788 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 \$21,488,372.

Endowment net asset changes (other than perpetual beneficial interests) include the following as of December 31, 2019:

| | <u>Without donor restrictions</u> | | <u>With donor restrictions</u> | | <u>Total 2019</u> |
|--|-----------------------------------|---------------------|--------------------------------|-----------------------------|-----------------------|
| | <u>Board Designated</u> | <u>Operating</u> | <u>Endowment Earnings</u> | <u>Endowment Corpus</u> | |
| Investment activity: | | | | | |
| Interest and dividends | \$ 394,857 | \$ - | \$ 41,761 | \$ - | \$ 436,618 |
| Investment fees | (227,181) | - | (24,027) | - | (251,208) |
| Realized gain | 1,547,917 | - | 163,709 | - | 1,711,626 |
| Unrealized gain | <u>5,776,355</u> | <u>-</u> | <u>610,914</u> | <u>-</u> | <u>6,387,269</u> |
| Total investment activity | 7,491,948 | - | 792,357 | - | 8,284,305 |
| Board appropriations (7%) | <u>(2,766,894)</u> | <u>3,125,000</u> | <u>(358,106)</u> | <u>-</u> | <u>-</u> |
| Subtotal | 4,725,054 | 3,125,000 | 434,251 | - | 8,284,305 |
| Releases | <u>-</u> | <u>(3,125,000)</u> | <u>-</u> | <u>-</u> | <u>(3,125,000)</u> |
| Change in endowment net assets | 4,725,054 | - | 434,251 | - | 5,159,305 |
| Endowment net assets, beginning of year | <u>1,429,595</u> | <u>(486,253)</u> | <u>-</u> | <u>5,115,798</u> | <u>6,059,140</u> |
| Endowment net assets, end of year | <u>\$ 6,154,649</u> | <u>\$ (486,253)</u> | <u>\$ 434,251</u> | <u>\$ 5,115,798</u> | <u>\$ 11,218,445</u> |

Endowment net assets of \$11,218,445 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 \$20,242,858.

NOTE 11 – CONTINGENCIES

A. The COVID-19 pandemic remains an evolving situation. The extent of the impact of COVID-19 on FPWA's business and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, FPWA is currently unable to fully determine the extent of COVID-19's impact on its business in future periods. FPWA's performance in future periods will be heavily influenced by the timing, length, and intensity of the economic recoveries in the United States. FPWA continues to monitor evolving economic and general business conditions and the actual and potential impacts on its financial position and results of operations.

On March 27, 2020, in response to the pandemic, the federal government passed the Coronavirus Aid, Relief, and Economic Stability Act ("CARES Act"). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program ("PPP"). Participating in the PPP enables the business to obtain a loan from the Small Business Administration sector of the government.

FPWA applied for this loan through an authorized lender and received \$533,470 in April 2020. In accounting for the terms of the PPP loan, FPWA is guided by Accounting Standards Codification ("ASC") 958-608 *Gain Contingency*. For the year ended December 31, 2020, FPWA has incurred sufficient qualifying expenses and has met other conditions for forgiveness and accordingly recorded grant income of \$533,470 in the accompanying statements of activities.

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
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NOTE 11 – CONTINGENCIES (Continued)

B. FPWA believes it has no uncertain tax positions as of December 31, 2020 and 2019 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 \$2,012,000 and \$849,000 as of December 31, 2020 and 2019, 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 24, 2021, the date the financial statements were issued.