FEDERATION OF PROTESTANT WELFARE AGENCIES

Financial Statements
(Together with Independent Auditors' Report)

For the Years Ended December 31, 2015 and 2014

MARKS PANETH

ACCOUNTANTS & ADVISORS

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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MARKS PANETH
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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 the Federation of Protestant Welfare Agencies, Inc. ("FPWA"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Federation of Protestant Welfare Agencies, Inc. as of December 31, 2015 and 2014, 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 16, 2016

FEDERATION OF PROTESTANT WELFARE AGENCIES, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents (Notes 2D and 12)	$ 1,573,430	$ 901,649
Accounts receivable (Notes 2L and 3)	779,483	293,208
Escrow receivable (Note 5)	-	4,000,000
Bond proceeds receivable (Note 7)	-	3,482,068
Prepaid expense and other	29,438	116,958
Investments (Notes 2E, 2M, 4 and 9)	54,728,778	58,234,500
Deferred financing costs, net (Note 2G)	634,660	656,545
Property and equipment, net (Notes 2F and 5)	12,296,981	9,579,139
Beneficial interest in perpetual trusts and pooled life income fund (Notes 2I, 2J, 8 and 9)	13,196,009	14,282,700
TOTAL ASSETS	$ 83,238,779	$ 91,546,767
LIABILITIES		
Accounts payable and accrued expenses	$ 989,992	$ 920,234
Accrued postretirement benefits (Note 6)	2,114,000	2,405,500
Bond payable (Notes 5 and 7)	12,345,000	12,345,000
TOTAL LIABILITIES	15,448,992	15,670,734
NET ASSETS (Note 2B)		
Unrestricted:		
Available for current operations	36,878,506	40,955,367
Designated for long term investments (Note 10)	10,482,626	9,333,409
Net investment in property and equipment	586,641	5,372,752
Total unrestricted	47,947,773	55,661,528
Temporarily restricted (Note 8)	1,568,113	853,913
Permanently restricted (Notes 8 and 10)	18,273,901	19,360,592
TOTAL NET ASSETS	67,789,787	75,876,033
TOTAL LIABILITIES AND NET ASSETS	$ 83,238,779	$ 91,546,767

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, 2015 AND 2014

	For the Year Ended December 31, 2015				For the Year Ended December 31, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015	Total 2014	Unrestricted	Temporarily Restricted	Permanently Restricted
OPERATING REVENUE, GRANTS, AND OTHER (Note 2K)								
Contributions (Note 2C)	$ 211,349	$ 1,488,109	$ -	$ 1,699,458	$ 1,686,658	$ 266,831	$ 1,419,827	$ -
Grants from government agencies	1,718,502	-	-	1,718,502	371,088	371,088	-	-
Special events (net of direct expenses of $70,235 and $64,811 in 2015 and 2014, respectively)	50,065	-	-	50,065	119,141	119,141	-	-
Investment activity - spending allocation (Notes 2E, 4 and 10)	3,414,551	472,416	-	3,886,967	2,556,354	2,485,900	70,454	-
Income from trusts	415,229	352,000	-	767,229	562,041	387,041	175,000	-
Service fees and membership dues	242,075	-	-	242,075	281,117	281,117	-	-
Contributed goods (Note 2C)	137,426	-	-	137,426	344,353	344,353	-	-
Rent and other (net of rental expenses of $68,953 and $344,178 in 2015 and 2014, respectively)	33,094	577	-	33,671	82,966	82,279	687	-
(Loss)/gain on disposal/sale of property and equipment (Notes 2O and 5)	(8,248)	-	-	(8,248)	45,056,594	45,056,594	-	-
Net assets released from restrictions (Notes 2B and 8)	1,598,902	(1,598,902)	-	-	-	1,654,786	(1,654,786)	-
TOTAL OPERATING REVENUE, GRANTS AND OTHER	7,812,945	714,200	-	8,527,145	51,060,312	51,049,130	11,182	-
EXPENSES:								
Program Services								
Member services	4,032,977	-	-	4,032,977	3,211,604	3,211,604	-	-
Policy, advocacy and research	2,787,633	-	-	2,787,633	1,040,656	1,040,656	-	-
	6,820,610	-	-	6,820,610	4,252,260	4,252,260	-	-
Supporting Services								
Management and general	1,343,783	-	-	1,343,783	1,131,305	1,131,305	-	-
Fund raising and development	878,837	-	-	878,837	692,911	692,911	-	-
	2,222,620	-	-	2,222,620	1,824,216	1,824,216	-	-
TOTAL OPERATING EXPENSES	9,043,230	-	-	9,043,230	6,076,476	6,076,476	-	-
Change In Net Assets From Operations	(1,230,285)	714,200	-	(516,085)	44,983,836	44,972,654	11,182	-
NONOPERATING ACTIVITIES (Note 2K)								
Legacies (Note 2C)	-	-	-	-	413,789	413,789	-	-
Investment activity, net of fees (Notes 2E and 4)	(3,003,703)	-	-	(3,003,703)	538,578	538,578	-	-
Investment activity - spending allocation contra (Notes 2E, 4 and 10)	(3,886,967)	-	-	(3,886,967)	(2,556,354)	(2,556,354)	-	-
Change in value of beneficial interest in perpetual trusts	-	-	(1,083,865)	(1,083,865)	(201,926)	-	-	(201,926)
Change in value of pooled life income fund	-	-	(2,826)	(2,826)	(1,327)	-	-	(1,327)
Bond retirement expense	-	-	-	-	(14,001)	(14,001)	-	-
Postretirement related changes other than net periodic benefit cost (Note 6)	407,200	-	-	407,200	(246,000)	(246,000)	-	-
TOTAL NONOPERATING ACTIVITIES	(6,483,470)	-	(1,086,691)	(7,570,161)	(2,067,241)	(1,863,988)	-	(203,253)
CHANGE IN TOTAL NET ASSETS	(7,713,755)	714,200	(1,086,691)	(8,086,246)	42,916,595	43,108,666	11,182	(203,253)
Net assets- beginning of year	55,661,528	853,913	19,360,592	75,876,033	32,959,438	12,552,862	842,731	19,563,845
NET ASSETS - END OF YEAR	$ 47,947,773	$ 1,568,113	$ 18,273,901	$ 67,789,787	$ 75,876,033	$ 55,661,528	$ 853,913	$ 19,360,592

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, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (8,086,246)	$ 42,916,595
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized gain on investments	(1,061,695)	(1,948,449)
Unrealized loss on investments	4,129,203	1,459,654
Loss in value of beneficial interest in perpetual trusts	1,083,865	201,926
Loss in value of pooled life income fund	2,826	1,327
Loss/(gain) on disposal/sale of property and equipment	8,248	(45,056,594)
Benefits related changes other than periodic benefit costs	(407,200)	246,000
Amortization of deferred financing costs	21,885	24,809
Depreciation	307,535	245,147
Subtotal	(4,001,579)	(1,909,585)
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Receivables	(486,275)	(218,450)
Prepaid expenses and other	87,520	18,805
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	69,758	521,419
Accrued pension and postretirement benefits	115,700	45,200
Net Cash Used in Operating Activities	(4,214,876)	(1,542,611)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(3,033,625)	(9,578,444)
Proceeds from sale of building	4,000,000	44,235,576
Purchase of long term investments	(35,513,733)	(13,590,627)
Proceeds from the sale of long term investments	3,297,907	9,761,006
Net Proceeds from the sale (purchase) of short term investments	32,654,040	(34,515,848)
Net Cash Provided by (Used in) Investing Activities	1,404,589	(3,688,337)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of bond payable	-	(2,755,000)
Proceeds from bond purchase	3,482,068	8,862,932
Deferred financing costs	-	(656,545)
Net Cash Provided by Financing Activities	3,482,068	5,451,387
NET INCREASE IN CASH AND CASH EQUIVALENTS	671,781	220,439
Cash and cash equivalents - beginning of the year	901,649	681,210
CASH AND CASH EQUIVALENTS- END OF YEAR	$ 1,573,430	$ 901,649
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 104,187	$ 36,580

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

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVIITIES

Founded in 1922, the Federation of Protestant Welfare Agencies ("FPWA") is one of New York's premier human service membership organizations. FPWA's program and service initiatives serve to support more than 200 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 three classes:

- Unrestricted – 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.

- Temporarily restricted – 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), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. In addition, temporarily restricted net assets includes earnings from the permanently restricted endowment assets that have not been appropriated by the Board. When such appropriations occur, temporarily restricted net assets are reduced through an additional release from restrictions.

- Permanently restricted – represent those resources subject to donor imposed stipulations that they be maintained intact in perpetuity by FPWA. 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. Contributed goods which do qualify for recognition have been included as revenue and expense in the accompanying statements of activities, and amounted to $137,426 and $344,353 for the years ended December 31, 2015 and 2014, respectively.

   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 endowment funds is reflected in the temporarily restricted class of net assets. FPWA has a "total return" policy regarding the spending of net investment income for operations. The total return to be spent in 2015 and 2014 was equal to 5% 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, there were other Board authorizations to help defray expenses in operations called "special allocations". These special allocations are consistent with prior years. The balance of net investment income/loss is reported as nonoperating activities and consists of the following for the years ended December 31, 2015 and 2014:

	2015	2014
Allocated to operations per spending formula (5%)	$ (3,311,967)	$ (1,063,856)
Special Board authorized allocations:		
To fund FPWA's projected operating deficits	-	(1,218,302)
To fund additional occupancy costs for 281 Park Ave.	(575,000)	-
To fund FPWA's projected 403(b) Thrift Plan expense	-	(274,196)
Total allocations	(3,886,967)	(2,556,354)
Investment activity, net of fees	(3,003,703)	538,578
Allocations in excess of earnings reported in nonoperating	$ (6,890,670)	$ (2,017,776)

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. The costs incurred in connection with the issuance of the bonds (see Note 7) are deferred and amortized over the term of the bonds. This method does not materially differ from the interest method.

H. The costs of providing FPWA's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited as determined by management.

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 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 permanently restricted net asset class. Accordingly, FPWA maintains the balance in the permanently restricted net asset 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.

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.

L. As of December 31, 2015 and 2014, 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 9.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Certain line items in the December 31, 2014 financial statements have been reclassified to conform to the December 31, 2015 presentation.

NOTE 3 – RECEIVABLES

Receivables are scheduled to be collected during the next year and consist of the following as of December 31, 2015 and 2014:

	2015	2014
Pledges	$ 7,105	$ 15,438
Government grants	757,091	136,649
Grant from Research Foundation of CUNY	-	120,965
Other	15,287	20,156
	$ 779,483	$ 293,208

NOTE 4 – INVESTMENTS

Investments consist of the following as of December 31, 2015 and 2014:

	2015	2014
Equity Securities		
U.S. Regulated Investment Company – Non U.S.	$ 6,013,571	$ 769,195
International Commingled Funds	4,696,727	5,242,798
Closed End International Equity Funds	3,681,013	-
U.S. Regulated Investment Company - Commodity	978,764	292,442
Mutual Funds	11,190,117	3,285,068
Closed End Funds	277,334	1,043,128
U.S. Regulated Investment Company	2,895,390	1,671,895
Total Equity Securities	29,732,916	12,304,526
Fixed Income		
U.S. Governments	6,470,695	1,715,311
Industrial	703,349	764,843
Total Fixed Income	7,174,044	2,480,154
Alternative Investments		
Limited Liability Corporations	9,227,913	2,949,127
Venture Capital Limited Partnerships	5,618,366	4,875,264
Total Alternative Investments	14,846,279	7,824,391
Cash and Money Market Funds		
Mutual Funds	2,975,539	35,625,429
Total Cash and Money Market Funds	2,975,539	35,625,429
Total Investments	$ 54,728,778	$ 58,234,500

NOTE 4 – 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, 2015 and 2014:

	2015	2014
Interest and dividends	$ 341,956	$ 250,604
Realized gain on investment transactions	1,061,695	1,948,449
Unrealized loss on investments	(4,129,203)	(1,459,654)
	(2,725,552)	739,399
Investment advisory and custodial fees	(278,151)	(200,821)
	$ (3,003,703)	$ 538,578
Allocated to operations per spending formula	$ 3,886,967	$ 2,556,354
Allocated to nonoperating activities	(6,890,670)	(2,017,776)
	$ (3,003,703)	$ 538,578

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2015 and 2014:

	2015	2014	Estimated Useful Lives
Building and Improvements	$ 10,920,052	$ 8,552,463	30-33 Years
Construction in progress	-	1,048,428	
Furniture and equipment	1,684,464	791,779	3-10 Years
Total cost	12,604,516	10,362,670	
Accumulated depreciation	(307,535)	(783,531)	
Net book value	$ 12,296,981	$ 9,579,139	

Depreciation expense amounted to $307,535 and $245,147 for the years ended December 31, 2015 and 2014, respectively. During the year ended December 31, 2015, FPWA wrote off fixed assets amounting to $791,779 resulting in a loss of $8,248.

In December 2014, FPWA sold their building, located at 281 Park Ave South, New York, for $50 million. The net book value of the building was approximately $3.2 million. The sale price was reduced by approximately $1.7 million representing related expenses which resulted in a gain on the sale of approximately $45.1 million which is recorded as an operating activity in FPWA's financial statements. A portion of the sale proceeds was used to pay off the outstanding balance of the New York City Industrial Development Agency ("IDA") bonds payable amount of $2,755,000 as further described in Note 7. In addition, as part of the purchase agreement for FPWA's new location, the seller agreed to hold back, in escrow, $4,000,000 from the purchase price pending the final bond sinking fund payment due on the older IDA bonds on December 30, 2014 and the release of all mortgage liens encumbering the property. As of December 31, 2014, the $4,000,000 was outstanding from the seller and is included in FPWA's financial statements as an escrow receivable. In February 2015, FPWA received this amount after satisfying the seller that the outstanding IDA bond had been settled. In addition, the sale contained a lease back agreement in which FPWA leased their space at 281 Park Ave South, for $125,000 per month, from the time of the sale through May 2015 which is when FPWA moved to their new office location.

NOTE 6 − 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, 2015 and 2014 amounted to $306,500 and $287,834, 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 15 years of service. Coverage for both the retiree and the spouse continues for their lifetimes, so long as required participant contributions are made. 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. FPWA uses December 31 as its measurement date for its postretirement medical benefit plan.

NOTE 6 − PENSION AND POSTRETIREMENT MEDICAL BENEFIT PLANS (Continued)

The funded status of the postretirement medical plan as of December 31, 2015 and 2014 follows:

	2015	2014
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 2,405,500	$ 2,114,300
Service cost	113,500	75,100
Interest cost	94,300	89,300
Actuarial (gain) loss	(404,100)	220,100
Benefits paid	(95,200)	(93,300)
Benefits obligation at end of year	2,114,000	2,405,500
Unfunded status	$ (2,114,000)	$ (2,405,500)

The net periodic benefit obligations and the components of the benefit cost for the years ended December 31, 2015 and 2014 follows:

	2015	2014
Service cost	$ 113,500	$ 75,100
Interest cost	94,300	89,300
Recognized actuarial gain	-	(29,000)
Amortization of prior service cost	3,100	3,100
Net benefits cost	$ 210,900	$ 138,500

FPWA has no minimum funding requirement for the years ending December 31, 2015 and 2014.

The amounts recognized in the change in unrestricted net assets for the years ended December 31, 2015 and 2014 consist of the following:

	2015	2014
Net actuarial (gain) loss	$ (404,100)	$ 220,100
Recognized actuarial gain	-	29,000
Prior service cost	(3,100)	(3,100)
Changes other than periodic costs	$ (407,200)	$ 246,000

The amounts expected to be recognized in net benefit costs during 2016 are as follows:

	Postretirement Medical
Prior service cost recognition	$ 3,100

The weighted average assumptions used as of December 31, 2015 and 2014 are as follows:

	2015	2014
Discount rate	4.25%	4.00%
Expected return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A

NOTE 6 − PENSION AND POSTRETIREMENT MEDICAL BENEFIT PLANS (Continued)

The health care cost trend rate assumption used in the postretirement calculation for 2014 was 7.5% and decreases to the ultimate trend rate of 4.75% by 2020. The trend rate has been adjusted to 7.0% for 2015 and decreases to the ultimate trend rate of 4.75% by 2020. As of December 31, 2015, 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 $372,800 as of December 31, 2015, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended by $55,700. Decreasing the assumed health care cost trend rates by 1% would decrease the accumulated postretirement benefit obligations by $293,700 as of December 31, 2015, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended by $41,100.

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
2016	$ 87,100
2017	88,300
2018	89,200
2019	93,200
2020	92,700
5 years thereafter	480,400
	$ 930,900

NOTE 7 − BOND PAYABLE

In 2001, the New York City Industrial Development Agency ("IDA") issued $5.1 million of Adjustable Rate Demand Civic Facility Refunding and Improvement Revenue Bonds (2001 Federation of Protestant Welfare Agencies, Inc. Project) (the "Bonds"), the proceeds of which were used to finance a portion of the cost of the renovation of FPWA's headquarters at 281 Park Avenue South in New York City, as well as the retirement of its outstanding Civic Facility Revenue Bonds dated December 1, 1991. The construction was completed in 2002.

The proceeds were made available to FPWA under the provisions of a lease agreement pursuant to which FPWA leased the building to IDA and IDA leased the facility back to FPWA. The scheduled lease payments to be made by FPWA to the IDA are intended to be sufficient to pay sinking-fund installments of principal and interest on the Bonds.

In connection with this renovation project, construction costs and a liability equivalent to the principal amount of the Bonds outstanding are reflected in the accompanying statements of financial position. The Bonds bear interest at a variable rate, determined weekly, not to exceed 10% per annum. In 2014, FPWA paid off the balance of the Bonds as part of the sale of the 281 Park Avenue building as described in Note 5.

NOTE 7 − BOND PAYABLE (Continued)

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 new headquarters at 40 Broad Street in New York City. As of December 31, 2014, FPWA had a receivable for the remaining proceeds of the New Bonds issuance amounting to $3,482,068 which was used for the construction project which was completed in May 2015. The receivable, acquisition, construction costs and a liability equivalent to the principal amount of the New Bonds outstanding are reflected in the accompanying statements of financial position. The New Bonds bear interest at a variable rate determined weekly, not to exceed 10% per annum. The rate as of December 31, 2015 and 2014 amounted to .05% and .11%, respectively, and the total interest expense for the years ended December 31, 2015 and 2014 amounted to $124,235 and $47,858, 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 requirements to maintain a minimum liquidity ratio. FPWA is in compliance with these covenants.

Future payments of principal to Build NYC in satisfaction of the sinking-fund requirements are as follows:

2016	$ 350,000
2017	355,000
2018	360,000
2019	360,000
2020	365,000
Thereafter	10,555,000
	$ 12,345,000

NOTE 8 – NET ASSETS

Temporarily restricted net assets are available for the following as of December 31, 2015 and 2014:

	2015	2014
Unappropriated earnings from permanently restricted	$ 454,413	$ 235,892
Elderly programs	299,816	74,436
Other programs	813,884	543,585
	$ 1,568,113	$ 853,913

NOTE 8 – NET ASSETS (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 the permanently restricted net assets in the endowment fund. Such appropriation each year represents 5% of the adjusted average fair market value of the permanently restricted endowment fund investments for the prior five years. Details to the amounts released from restrictions for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
Purpose restrictions accomplished:		
Direct assistance	$ 826,110	$ 766,787
Elderly programs	209,120	170,952
Other programs	309,777	463,152
Subtotal	1,345,007	1,400,891
Appropriations of earnings	253,895	253,895
	$ 1,598,902	$ 1,654,786

Permanently restricted net assets as of December 31, 2015 and 2014 are restricted to:

	2015	2014
Beneficial interest in perpetual trusts	$ 13,153,706	$ 14,237,571
Beneficial interest in pooled life income fund	42,303	45,129
Subtotal	13,196,009	14,282,700
Investment in perpetuity, the income from which is expendable to support FPWA's operations, if appropriated	5,077,892	5,077,892
	$ 18,273,901	$ 19,360,592

NOTE 9 – 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, 2015 and 2014.

Equities and U.S. Bond Exchange Traded Funds:

Equities and U.S. Bond Exchange Traded Funds are valued at the closing price reported on the active market on which the individual securities are traded.

NOTE 9 – FAIR VALUE MEASUREMENTS (Continued)

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..

Hedge Funds:

Hedge funds are valued at fair value provided by the fund.

Limited Liability Corporations:

Limited Liability Corporations are valued at fair value provided by the limited liability corporation.

Venture Capital Limited Partnerships:

Venture capital limited partnerships are valued at fair value provided by the partnership.

Financial assets carried at fair value at December 31, 2015 are classified in the table in one of the three levels as follows:

	Level 1	Level 2	Level 3	Total 2015
Assets Carried at Fair Value:				
Investments:				
Equity Securities				
U.S. Regulated Investment Company – Non U.S.	$ 6,013,571	$ -	$ -	$ 6,013,571
International Commingled Funds	-	4,696,727	-	4,696,727
U.S.Regulated Investment Company - Commodity	978,764	-	-	978,764
Mutual Funds	11,190,117	-	-	11,190,117
Closed End Funds	3,958,347	-	-	3,958,347
U.S. Regulated Investments Company	2,895,390	-	-	2,895,390
Total Equity Securities	25,036,189	4,696,727	-	29,732,916
Fixed Income				
U.S. Governments	5,649,015	821,680	-	6,470,695
Industrial	-	703,349	-	703,349
Total Fixed Income	5,649,015	1,525,029	-	7,174,044
Alternative investments				
Limited Liability Corporations	-	-	9,227,913	9,227,913
Venture Capital Limited Partnerships	-	-	5,618,366	5,618,366
	-	-	14,846,279	14,846,279
Cash and Money Market Funds				
Mutual Funds	2,975,539	-	-	2,975,539
Total Cash and Money Market Funds	2,975,539	-	-	2,975,539
Total investments	33,660,743	6,221,756	14,846,279	54,728,778
Beneficial interest in perpetual trusts and pooled life income fund	-	-	13,196,009	13,196,009
Total Assets Carried at Fair Value	$ 33,660,743	$ 6,221,756	$ 28,042,288	$ 67,924,787

NOTE 9 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value at December 31, 2014 are classified in the table in one of the three levels as follows:

	Level 1	Level 3	Total 2014
Assets Carried at Fair Value:			
Investments:			
Equity Securities			
U.S. Regulated Investment Company – Non U.S.	$ 769,195	$ -	$ 769,195
International Commingled Funds	5,242,798	-	5,242,798
U.S. Regulated Investment Company - Commodity	292,442	-	292,442
Mutual Funds	3,285,068	-	3,285,068
Closed End Funds	1,043,128	-	1,043,128
U.S. Regulated Investments Company	1,671,895	-	1,671,895
Total Equity Securities	12,304,526	-	12,304,526
Fixed Income			
U.S. Governments	1,715,311	-	1,715,311
Industrial	764,843	-	764,843
Total Fixed Income	2,480,154	-	2,480,154
Alternative investments			
Hedge Funds	-	2,949,127	6,059,491
Venture Capital Limited Partnerships	-	4,875,264	4,875,264
	-	7,824,391	7,824,391
Cash and Money Market Funds			
Mutual Funds	35,625,429	-	35,625,429
Total Cash and Money Market Funds	35,625,429	-	35,625,429
Total investments	50,410,109	7,824,391	58,234,500
Beneficial interest in perpetual trusts and pooled life income fund	-	14,282,700	14,282,700
Total Assets Carried at Fair Value	$ 50,410,109	$ 22,107,091	$ 72,517,200

The changes in alternative investments measured at fair value for which FPWA has used Level 3 inputs to determine fair value at December 31, 2015 and 2014 are as follows:

	2015	2014
Balance, beginning of year	$ 22,107,091	$ 24,316,736
(Sales) purchases, net	6,421,907	(2,865,795)
Realized gain	348,124	704,249
Unrealized loss	(417,417)	(48,099)
Balance, end of year	$ 28,042,288	$ 22,107,091

NOTE 9 – FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth additional disclosures of FPWA's alternative investments whose fair value is determined by using Level 3 inputs as of December 31, 2015:

Investment Objective	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited Liability Corporations	$ 9,227,913	$ -	Various	60-90 days
Venture Capital Limited Partnerships	5,618,366	-	Various	Various
Beneficial interest in perpetual trusts and pooled life income fund	13,196,009	-	Various	n/a
	$ 28,042,288	$ -		

The following table sets forth additional disclosures of FPWA's alternative investments whose fair value is determined by using Level 3 inputs as of December 31, 2014:

Investment Objective	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited Liability Corporations	$ 2,949,127	$ -	Various	60-90 days
Venture Capital Limited Partnerships	3,771,292	-	Various	Various
Beneficial interest in perpetual trusts and pooled life income fund	14,282,700	-	Various	n/a
	$ 22,107,091	$ -		

NOTE 10 – ENDOWMENT NET ASSETS

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 unrestricted by the donor are reflected as temporarily restricted 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, 2015 and 2014, 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 10 — ENDOWMENT NET ASSETS (Continued)

Changes in endowment net assets (other than beneficial interest in perpetual trusts) for the year ended December 31, 2015 are as follows:

	Unrestricted				
	Unrestricted	Board Designated	Unappropriated Temporarily Restricted	Permanently Restricted	Total 2015
Investment activity:					
Interest and dividends	$ -	$ 311,213	$ 30,743	$ -	$ 341,956
Investment fees	-	(253,144)	(25,007)	-	(278,151)
Realized gain	-	966,245	95,450	-	1,061,695
Unrealized loss	-	(3,757,974)	(371,229)	-	(4,129,203)
Total investment activity	-	(2,733,660)	(270,043)	-	(3,003,703)
Amount appropriated for expenditure	3,886,967	(3,633,072)	(253,895)	-	-
Subtotal	3,886,967	(6,366,732)	(523,938)	-	(3,003,703)
Releases	(3,886,967)	-	-	-	(3,886,967)
Change in endowment net assets	-	(6,366,732)	(523,938)	-	(6,890,670)
Endowment net assets, beginning of year	-	9,333,409	235,892	5,077,892	14,647,193
Endowment net assets, end of year	$ -	$ 2,966,677	$ (288,046)	$ 5,077,892	$ 7,756,523

Endowment net assets of $7,756,523 are included in the investments account in the accompanying statements of financial position.

Changes in endowment net assets (other than beneficial interest in perpetual trusts) for the year ended December 31, 2014 are as follows:

	Unrestricted				
	Unrestricted	Board Designated	Unappropriated Temporarily Restricted	Permanently Restricted	Total 2014
Investment activity:					
Interest and dividends	$ -	$ 217,821	$ 32,783	$ -	$ 250,604
Investment fees	-	(174,551)	(26,270)	-	(200,821)
Realized gain	-	1,693,563	254,886	-	1,948,449
Unrealized loss	-	(1,268,709)	(190,945)	-	(1,459,654)
Total investment activity	-	468,124	70,454	-	538,578
Amount appropriated for expenditure	2,556,354	(2,302,459)	(253,895)	-	-
Subtotal	2,556,354	(1,834,335)	(183,441)	-	538,578
Releases	(2,556,354)	-	-	-	(2,556,354)
Change in endowment net assets	-	(1,834,335)	(183,441)	-	(2,017,776)
Endowment net assets, beginning of year	-	11,167,744	419,333	5,077,892	16,664,969
Endowment net assets, end of year	$ -	$ 9,333,409	$ 235,892	$ 5,077,892	$ 14,647,193

Endowment net assets of $14,647,193 are included in the investments account in the accompanying statements of financial position.

NOTE 11 – INCOME TAXES

FPWA believes it has no uncertain tax positions as of December 31, 2015 and 2014 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 banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits ($250,000 per depositor) by approximately $1,139,000 and $584,000 as of December 31, 2015 and 2014, 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 statements of the financial position through June 16, 2016, the date the financial statements were issued.