New York Foundation

Financial Statements

December 31, 2016 and 2015

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

To the Board of Trustees
New York Foundation

We have audited the accompanying financial statements of New York Foundation, which comprise the statement of financial position as of December 31, 2016 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 New York Foundation as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

PKF O'CONNOR DAVIES, LLP
665 Fifth Avenue, New York, NY 10022 I Tel: 212.867.8000 or 212.286.2600 I Fax: 212.286.4080 I www.pkfod.com

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Prior Period Financial Statements

The financial statements of New York Foundation as of, and for the year ended, December 31, 2015 were audited by other auditors whose report dated November 15, 2016 expressed an unmodified opinion on those financial statements.

Other Matters

Adjustments to Prior Period Financial Statements

As part of our audit of the December 31, 2016 financial statements, we also audited the adjustments described in Note 12 that were applied to restate the 2015 financial statements. The 2015 financial statements were audited by other auditors and we were not engaged to audit, review, or apply any procedures to the 2015 financial statements other than with respect to the adjustments and accordingly, we do not express an opinion or any other form of assurance on the 2015 financial statements as a whole. In our opinion such adjustments are appropriate and have been properly applied.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2016 schedule of program and operations and governance on page 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The 2015 schedule of program and operations and governance was audited by other auditors whose report stated their opinion that the information is fairly stated in all material respects in relation to the 2015 financial statements as whole.

PKF O'Connor Davies, LLP

July 31, 2017

New York Foundation

Statements of Financial Position

	December 31 2016	December 31 2015 (As Restated)
ASSETS		
Cash	$ 173,596	$ 943,211
Grants receivable	255,500	-
Cash pending investment	800,000	500,000
Investments	58,503,183	59,126,668
Other assets	94,434	104,047
Property and equipment, net	273,264	325,928
	$ 60,099,977	$ 60,999,854
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 32,365	$ 41,415
Grants payable	643,750	646,250
Federal excise tax payable	10,150	23,500
Deferred federal excise tax liability	225,700	229,400
Total Liabilities	911,965	940,565
Net Assets		
Unrestricted	30,225,959	30,649,584
Temporarily restricted	26,562,053	27,009,705
Permanently restricted	2,400,000	2,400,000
Total Net Assets	59,188,012	60,059,289
	$ 60,099,977	$ 60,999,854

See notes to financial statements

New York Foundation

Statements of Activities

	Year Ended December 31							
	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total (As Restated)
SUPPORT AND REVENUE								
Contributions	$ -	$ 1,923,500	$ -	$ 1,923,500	$ 380,959	$ 1,405,000	$ -	$ 1,785,959
Realized Investment Income								
Dividends and interest	412,540	412,540	-	825,080	336,350	336,350	-	672,700
Investment income from partnerships	129,163	129,162	-	258,325	110,492	110,491	-	220,983
Realized gain from investments	1,243,419	1,243,419	-	2,486,838	1,714,460	1,714,460	-	3,428,920
	1,785,122	1,785,121	-	3,570,243	2,161,302	2,161,301	-	4,322,603
Less direct investment expenses	96,395	96,393	-	192,788	101,043	101,042	-	202,085
Net Realized Investment Income	1,688,727	1,688,728	-	3,377,455	2,060,259	2,060,259	-	4,120,518
Net assets released from restrictions	3,980,968	(3,980,968)	-	-	2,829,724	(2,829,724)	-	-
Total Support and Revenue	5,669,695	(368,740)	-	5,300,955	5,270,942	635,535	-	5,906,477
EXPENSES								
Program grants	2,607,568	-	-	2,607,568	2,451,776	-	-	2,451,776
Collaborative initiatives	1,904,018	-	-	1,904,018	965,937	-	-	965,937
Program expenses	1,107,602	-	-	1,107,602	1,081,941	-	-	1,081,941
Operations and governance	333,770	-	-	333,770	322,146	-	-	322,146
Federal excise tax	65,150	-	-	65,150	80,721	-	-	80,721
Total Expenses	6,018,108	-	-	6,018,108	4,902,521	-	-	4,902,521
Change in Net Assets Before Other Changes	(348,413)	(368,740)	-	(717,153)	368,421	635,535	-	1,003,956
OTHER CHANGES								
Unrealized loss on investments	(78,912)	(78,912)	-	(157,824)	(2,260,155)	(2,260,157)	-	(4,520,312)
Benefit for deferred federal excise tax	3,700	-	-	3,700	95,800	-	-	95,800
Change in Net Assets	(423,625)	(447,652)	-	(871,277)	(1,795,934)	(1,624,622)	-	(3,420,556)
NET ASSETS								
Beginning of year	30,649,584	27,009,705	2,400,000	60,059,289	32,445,518	28,634,327	2,400,000	63,479,845
End of year	$ 30,225,959	$ 26,562,053	$ 2,400,000	$ 59,188,012	$ 30,649,584	$ 27,009,705	$ 2,400,000	$ 60,059,289

See notes to financial statements

New York Foundation

Statements of Cash Flows

	Year Ended December 31	
	2016	2015
		(As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (871,277)	$ (3,420,556)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	52,664	52,664
Realized gain from investments	(2,486,838)	(3,428,920)
Unrealized loss on investments	157,824	4,520,312
	(3,700)	(95,800)
Investment income from partnerships	(258,325)	(220,983)
Change in operating assets and liabilities		
Grants receivable	(255,500)	-
Other assets	9,613	484
Accounts payable and accrued expenses	(9,050)	(10,907)
Grants payable	(2,500)	(62,960)
Federal excise tax payable	(13,350)	6,784
Net Cash from Operating Activities	(3,680,439)	(2,659,882)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments made in advance	(300,000)	(500,000)
Purchase of investments	(5,888,893)	(7,985,855)
Proceeds from sale of investments	9,099,717	11,859,081
Net Cash from Investing Activities	2,910,824	3,373,226
Net Change in Cash	(769,615)	713,344
CASH		
Beginning of year	943,211	229,867
End of year	$ 173,596	$ 943,211
SUPPLEMENTAL INFORMATION		
Federal excise taxes paid	$ 78,500	$ 44,000

See notes to financial statements

1. Organization

New York Foundation (the "Foundation"), a private foundation established in 1909, provides grants to support organizations in New York City that focus on community-initiated solutions to solve problems of urgent concern to residents of disadvantaged communities and neighborhoods. The Foundation is particularly interested in supporting community-based groups that have the potential to help constituents mobilize for adequate and equitable resources and organize a collective voice, as well as high-risk start-up groups. The Foundation does not restrict its grants to particular issue areas, although to comply with the terms of a restricted endowment, it reserves half of its grants for work that benefits youth and the elderly.

The Foundation offers programs that strengthen the capacity of organizations to sustain their work over time and to build the knowledge and skills they need to be influential and effective. Through its various digital and print communications, the Foundation also aims to amplify the value of nonprofits that build community and influence policy change. The Foundation also promotes an approach to grant making that emphasizes transparency, accessibility and respect for grantees as experts.

Program Grants

In 2016, the Foundation made 45 core grants and 4 one-year strategic opportunity fund grants to organizations that met its guidelines. These include grants to groups in all five boroughs, addressing a range of issues including immigration, housing, education, civil rights and criminal justice. Constituents served included neighborhood residents, parents and students, victims of discrimination, immigrants and economically disadvantaged people. Core grants typically range in size from $40,000 to $45,000 each, and are comprised of new grants, which generally are expected to be renewed for anywhere from 3 to 5 years, and renewal grants with respect to new grants from prior years. The Foundation also provided 40 small grants of varying sizes to grantees for capacity building, hosted 12 workshops in organizational development and provided the opportunity for 13 grantee organizations to hire summer interns.

Collaborative Initiatives

In 2016, the Foundation participated in two collaborative initiatives that enabled Foundation colleagues to leverage additional resources through pooled funding that is distributed collectively: The Fund of New Citizens, which supports immigrant-serving nonprofits in New York City, and the Change Capital Fund, which supports community-focused nonprofits seeking to expand economic opportunity in underserved communities. In addition, the Foundation acted as the fiscal conduit, handled grant management, and participated in collective grant-making for three collaborative initiatives: the Capacity Building Funders Collaborative, which seeks to build the skills of nonprofit leaders through workshops each year, the Neighborhoods First Fund, which supports community-based organizations in neighborhoods facing rezoning; and Engage New York, which connects funders across New York State to increase support for community and resident engagement.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to the absence or existence and nature of donor-imposed restrictions as follows:

Unrestricted - consist of resources available for the general support of the Foundation's operations and are not subject to donor-imposed restrictions. Unrestricted net assets may be used at the discretion of the Foundation's management and Board of Trustees.

Temporarily restricted – primarily reflect earning earnings from the endowment fund that are subject to donor-imposed stipulations. These also include contributions of cash or other assets that are received with donor stipulations that limit their use. Upon the stipulations being met, the net assets are released and transferred to unrestricted net assets.

Permanently restricted – are subject to donor-imposed stipulations that they be maintained permanently by the Foundation. The permanently restricted net assets of $2.4 million represent the value of a gift made in 1923 where the earnings of the fund are to be used in that part of the Foundation's work carried on for the benefit of the youth and elderly.

Cash

Cash includes cash balances held in bank accounts and excludes cash held in the investment portfolio.

Cash Pending Investment

The Foundation transfers cash to certain investment funds for subscription, which have effective subscription dates as of the first day of the following month. These amounts are reported as "Cash Pending Investment" on the statement of financial position.

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

Investments Valuation and Income Recognition

Investments are carried at fair value. The fair value of alternative investments has been estimated using the Net Asset Value ("NAV") as reported by the management of the respective alternative investment fund. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Securities are subject to various investment risks that can determine their value, such as market, economic, industry, company, credit, liquidity and inflation risks. Due to the levels and types of risk associated with certain securities and the uncertainties related to changes in the value of those securities, it is possible that changes in market or other conditions in the near term or other risk factors could materially affect the value of the investments reported in the financial statements.

Fair Value Measurements

The Foundation follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Pursuant to U.S. GAAP guidance, alternative investments, where fair value is measured using a NAV (or its equivalent) practical expedient, are not categorized within the fair value hierarchy.

Investments Risks and Uncertainties

Alternative investments consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, venture capital funds, hedge funds, private equity funds and common trust funds. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

Because of the inherent uncertainty of valuations, the estimated fair values of alternative investments may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

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

Property and Equipment

Property and equipment are stated at cost. Expenditures for property and equipment in excess of $1,000 are capitalized. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets or the shorter of the economic useful life of the improvement or the lease term. Useful lives are as follows:

Furniture and equipment	3 - 10 years
Leasehold improvements	15 years

When property and equipment are sold, retired or disposed of their cost and related accumulated depreciation and amortization are removed from the accounts and any gain or loss is reported in the statements of activities.

Contributions and Unconditional Promises to Give

Contributions and unconditional promises are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets. When donor restrictions expire (e.g., through passage of time) or are fulfilled (e.g., through a grant consistent with the purpose), temporarily restricted net assets are reclassified to unrestricted net assets and reported in statement of activities as net assets released from restrictions.

Grants

Program grants and collaborative initiatives funding are recorded when authorized by either the Board of Trustees of by officers of the Foundation within limits specified by the Board of Trustees. Collaborative initiative grants are expected to be paid within one year of receipt of the related funding.

Expenses

The Foundation allocates expenses, other than program grants and collaborative initiatives, between program expenses and operations and governance, on the other hand, based generally on estimates of staff time spent and space and other Foundation resources utilized on programmatic activities as compared to management of the Foundation.

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

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

Accounting for Uncertainty in Income Taxes

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not to not be sustained. Management has determined that the Foundation had no uncertain tax positions that would require financial statement recognition or disclosure. The Foundation is no longer subject to examinations by the applicable taxing jurisdictions for years prior to 2013.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is July 31, 2017.

3. Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit, and investments in its investment portfolio. The Foundation does not believe that a significant risk of loss due to the failure of a financial institution presently exists. The investment portfolio is diversified by type of investments and industry concentrations with the intention that no individual investment, investment advisor, investment manager or group of investments should represent a significant concentration of credit risk.

4. Investments

The following are the classes and major categories of investments measured at fair value on a recurring basis, grouped by the fair value hierarchy, as of December 31:

	2016		
	Amounts within Fair Value Level 1	Investments Valued Using NAV (*)	Total
Short-term money market funds	$ 577,062	$ -	$ 577,062
Domestic equity funds	19,973,399	-	19,973,399
Fixed income funds	4,286,722	2,152,617	6,439,339
International equity funds	4,051,747	5,777,021	9,828,768
Real asset funds	1,948,035	-	1,948,035
Distressed debt funds	-	4,181,566	4,181,566
Fund of funds	-	4,211,295	4,211,295
Multi-strategy funds	-	11,343,719	11,343,719
	$ 30,836,965	$ 27,666,218	$ 58,503,183

	2015		
	Amounts within Fair Value Level 1	Investments Valued Using NAV (*)	Total
Short-term money market funds	$ 433,712	$ -	$ 433,712
Domestic equity funds	16,752,495	-	16,752,495
Fixed income funds	4,963,668	1,936,380	6,900,048
Global equity funds	802,528	-	802,528
International equity funds	6,018,102	5,394,144	11,412,246
Real asset funds	1,747,020	-	1,747,020
Distressed debt funds	-	4,116,402	4,116,402
Fund of funds	-	5,953,938	5,953,938
Multi-strategy funds	-	11,008,279	11,008,279
	$ 30,717,525	$ 28,409,143	$ 59,126,668

(*) As discussed in Note 2, investments that are measured using a NAV (or its equivalent) practical expedient are not classified within the fair value hierarchy.

4. Investments *(continued)*

Information regarding alternative investments measured at fair value using a NAV (or its equivalent) practical expedient at December 31, 2016, together with a summary of certain provisions affecting their liquidity, is as follows:

	Fair Value	Redemption Frequency	Redemption Notice Period
Distressed debt funds (a)	$ 4,181,566	Semi-annually	120 days
Fixed income fund (b)	2,152,617	Monthly	90 days
Fund of funds (c)	4,211,295	Quarterly	45 days
International equity fund (d)	5,777,021	Monthly	10 days
Multi-strategy funds (e)	11,343,719	Quarterly - annually	60-90 days
	$ 27,666,218		

There were no unfunded commitments at December 31, 2016.

(a) Distressed debt funds include three investments, one organized under the International Business Companies Act of the Commonwealth of the Bahamas and two as Cayman Islands Exempted Companies, who primarily seek capital appreciation and, from time to time, current income, through the development and management of a diversified portfolio of distressed investments. One investment is a special purpose vehicle which has an economic interest in another distressed debt fund in which the Foundation has a separate investment.

(b) Fixed income fund includes one investment in a Delaware Limited Partnership whose objective is to invest primarily in senior bank loans and other senior debt instruments of borrowers that are organized or have a substantial portion of their assets or business in the United States or Canada.

(c) Fund of funds includes one investment in a Bermuda Exempted Company that primarily seeks capital appreciation through investing in certain private investment funds.

(d) International equity fund includes one investment in a Delaware Statutory Trust that primarily seeks to earn long-term returns through investing in international equities.

(e) Multi-strategy funds include three investments, one organized as a British Virgin Islands Company, one organized as a Delaware Limited Partnership, and one organized as a Cayman Islands Exempted Company, who invest using a multi-strategy approach. A multi-strategy approach may include, but is not limited to, merger arbitrage, capital structure arbitrage, convertible/derivative arbitrage, long/short equity, credit, structured credit and special investments.

5. Property and Equipment

Property and equipment consisted of the following at December 31:

	2016	2015
Furniture and equipment	$ 166,903	$ 176,964
Leasehold improvements	583,778	583,778
	750,681	760,742
Less accumulated depreciation and amortization	477,417	434,814
	$ 273,264	$ 325,928

Depreciation and amortization expense amounted to $52,664 for each of the years ended December 31, 2016 and 2015. During the year ended December 31, 2016, the Foundation disposed of fully depreciated assets amounting to $10,061. No assets were disposed of during the year ended December 31, 2015.

6. Taxes

The Foundation qualifies as a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code ("IRC") and, accordingly, is not subject to Federal income tax. However, the Foundation is classified as a private foundation and as such, is subject to an excise tax of 2% on net investment income which includes realized gains, as defined in the IRC. Upon meeting specified distribution requirements, the Foundation may qualify for a reduction of the tax to a rate of 1%. Deferred federal excise taxes arise from differences between the cost and fair value of investments and is calculated on the 2% tax rate since the 1% tax rate is not determinable until the year in which gains are realized. The Foundation was taxed at the 2% rate in 2016 and 2015.

The Foundation is required to make minimum distributions (expenditures related to its mission) equal to approximately 5% of the average fair value of its assets, in accordance with a formula based on undistributed income as determined under IRC Section 4942(c). The Foundation has met the minimum distribution requirements for 2016 and 2015.

7. Pension Plan

The Foundation has a defined contribution retirement plan covering all employees after one year of employment. The Foundation makes discretionary contributions to the plan. Employees may make voluntary contributions at their discretion up to the allowable maximum contribution as determined by IRS regulations. The Foundation's contributions to such plan for the years ended December 31, 2016 and 2015 amounted to $74,454 and $72,762, respectively.

8. Commitments

In January 2008, the Foundation entered into an operating lease agreement for its office facilities located in New York, New York, which expires in June 2018. Rent expense for the years ended December 31, 2016 and 2015 amounted to $309,216 and $300,957, respectively.

As of December 31, 2016, the future minimum annual rental commitment under this lease is as follows:

2017	$ 317,384
2018	160,683
	$ 478,067

9. Contributions

During the years ended December 31, 2016 and 2015, the Foundation recorded contributions of $1,923,500 and $1,785,959, respectively, which included $0 and $380,959 of distributions from an estate in 2016 and 2015, respectively. The remaining contributions of $1,923,500 and $1,405,000 for 2016 and 2015 were restricted for various collaborative initiatives.

10. Temporarily Restricted Net Assets

As of December 31, temporarily restricted net assets were comprised of donor-imposed restrictions as follows:

	2016	2015
Collaborative Initiatives		
Engage New York Fund	$ 66,965	$ 65,496
Neighborhoods First Fund	448,192	395,139
Community Development Innovation Fund	-	7,000
Salomon Endowment	26,046,896	26,542,070
	$ 26,562,053	$ 27,009,705

10. Temporarily Restricted Net Assets *(continued)*

During the years ended December 31, net assets released from restrictions consisted of the following:

	2016	2015
Collaborative Initiatives		
Engage New York Fund	$ 41,031	$ 21,535
Neighborhoods First Fund	1,196,947	604,861
Community Development Innovation Fund	602,000	293,000
New York Capacity Building Fund	36,000	20,000
Salomon Endowment	2,104,990	1,890,328
	$ 3,980,968	$ 2,829,724

11. Endowment

The Foundation was established with a gift of $1 million from Alfred M. Heinsheimer. The first philanthropic gift was augmented by two additional gifts: one of $2.4 million from Lionel J. Salomon restricted broadly to the benefit of the youth and elderly; and the second a $6 million bequest from the estate of Alfred M. Heinsheimer. All earnings on the Salomon funds are classified as temporarily restricted until appropriated by the Board of Trustees for expenditure. Funds contributed by the Heinshimers were unrestricted.

The Foundation has interpreted the Salomon gift and applicable provisions of the Not-for-Profit Corporation Law of New York as not excluding the Foundation from appropriating the realized and unrealized appreciation and income of the Salomon gift for expenditure under the spending constraints established by the donor.

The New York Prudent Management of Institutional Funds Act (“NYPMIFA”) specifies standards of funds management for those charged with governance of institutional or endowment funds. Among its various provisions, it requires that those responsible for managing institutional funds adopt a written investment policy; requires diversification of investments; and provides institutions with a process by which donor restrictions can be lifted. NYPMIFA allows an institution to determine the appropriate level of endowment expenditures, subject to donor imposed restrictions expressed in the gift instrument and observance of a prudent person investor standard.

11. Endowment *(continued)*

Changes in endowment restricted net assets for the years ended December 31, are as follows:

	2016	
	Temporarily Restricted	Permanently Restricted
Balance at beginning of year	$ 26,542,070	$ 2,400,000
Net investment income	445,309	-
Realized and unrealized gains on investments	1,164,507	-
Appropriated for expenditure	(2,104,990)	-
Balance at end of year	$ 26,046,896	$ 2,400,000

	2015	
	Temporarily Restricted	Permanently Restricted
Balance at beginning of year	$ 28,632,296	$ 2,400,000
Net investment income	345,800	-
Realized and unrealized loss on investments	(545,697)	-
Appropriated for expenditure	(1,890,329)	-
Balance at end of year	$ 26,542,070	$ 2,400,000

The Foundation has adopted investment and spending policies for endowment assets that attempt to benefit the Foundation by providing a predictable stream of funding to programs supported by its endowment while generally seeking to maintain the endowment assets.

Investment Policy

Under the investment policy, the endowment assets are invested in a diversified manner, leaning more heavily towards equity based investments, while assuming a moderate level of investment risk. The Foundation seeks to have its endowment funds, over time, provide an average real rate of return of at least 5% per year over the period of a market cycle, but recognizes the reality that actual rates of return are likely to vary materially on a year-to-year basis such that the Foundation's target rate may or may not be achieved in any given year or period.

11. Endowment *(continued)*

Spending Policy

Under the spending policy, the Foundation has adopted guidelines for annual grant and other expenditures based on 6.5% of the trailing three year average of Foundation assets, calculated on a quarterly basis through September 30 of the year preceding the year for which the calculation is being made. The 6.5% is intended both as a target and a maximum level, with 6.0% set as a minimum level. The spending policy also includes a guideline of funding at least 12 new core grants each year." In 2016 and 2015, the guidelines have been broken out to approximately 4% for grant distributions, 2% for program expenses and .5% for operations and governance (excluding investment management and custodial expenses).

In establishing the current guidelines, the Foundation considered the historical and anticipated returns on its endowment and other factors now specified by NYPMIFA, and also took into account its ability to adjust the Foundation's actual spending or guidelines in any given period to reflect changed conditions. It is recognized that endowment earnings may be less than the Foundation's actual spending or guidelines in any given year, and that the real value of the portfolio may decrease over time. The Board of Trustees has acknowledged this and is willing to maintain its current spending guidelines.

12. Prior Period Adjustments – Restatement of 2015 Financial Statements

In 2016 the Foundation restated its financial statements as of, and for the year ended, December 31, 2015, in order to recognize deferred federal excise tax liability. This resulted in the restatement of net assets at January 1, 2015 and restated deferred federal excise benefit. The adjustments from the restatement were:

	Previously Reported	Prior Period Adjustment	Restated Amount
2015 Statement of Activities			
Benefit for deferred federal excise tax	$ -	$ 95,800	$ 95,800
Change in net assets	(3,516,356)	95,800	(3,420,556)
Net Assets - Unrestricted (Beginning of Year)	32,608,118	(162,600)	32,445,518
Net Assets - Temporarily restricted (Beginning of Year)	28,796,927	(162,600)	28,634,327
2015 Statement of Financial Position			
Deferred federal excise tax liability	$ -	$ 229,400	$ 229,400
Net Assets - Unrestricted	30,696,284	(46,700)	30,649,584
Net Assets - Temporarily restricted	27,192,405	(182,700)	27,009,705

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New York Foundation

Supplementary Information

December 31, 2016 and 2015

New York Foundation

Schedules of Program and Operations and Governance

	Year Ended December 31					
	2016			2015		
	Program Expenses	Operations and Governance	Total	Program Expenses	Operations and Governance	Total
Salaries and benefits	$ 721,411	$ 80,157	$ 801,568	$ 690,896	$ 76,766	$ 767,662
Program staff expenses	39,693	-	39,693	39,902	-	39,902
Communications	32,425	-	32,425	38,216	-	38,216
Occupancy	314,073	34,897	348,970	312,927	34,770	347,697
Office expenses	-	29,459	29,459	-	29,321	29,321
Office equipment	-	8,221	8,221	-	7,625	7,625
Trustee expenses	-	26,228	26,228	-	15,683	15,683
Professional fees	-	54,024	54,024	-	71,972	71,972
Technology	-	42,944	42,944	-	27,372	27,372
Depreciation and amortization	-	52,664	52,664	-	52,664	52,664
Miscellaneous	-	5,176	5,176	-	5,973	5,973
	$ 1,107,602	$ 333,770	$ 1,441,372	$ 1,081,941	$ 322,146	$ 1,404,087

See independent auditors' report