

**THE NEW YORK SOCIETY
OF
SECURITY ANALYSTS, INC.
d/b/a
CFA SOCIETY NEW YORK**

**Financial Statements
for the years ended
August 31, 2019
and
August 31, 2018**

Independent Auditor's Report

To the Board of Directors of
The New York Society of Security Analysts, Inc.
d/b/a CFA Society New York

We have audited the accompanying financial statements of The New York Society of Security Analysts, Inc. d/b/a CFA Society New York which comprise the statements of financial position as of August 31, 2019 and August 31, 2018 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.

Auditor's 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 audits 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 The New York Society of Security Analysts, Inc. d/b/a CFA Society New York as of August 31, 2019 and August 31, 2018 and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Condon O'Meara McGinty & Donnelly LLP

January 10, 2020

THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.
d/b/a CFA SOCIETY NEW YORK

Statements of Financial Position

Assets	August 31	
	2019	2018
Current assets		
Cash and cash equivalents	\$ 7,706,714	\$ 6,523,592
Certificates of deposit	1,154,062	1,381,425
Accounts receivable	1,033,757	962,246
Prepaid expenses and other current assets	203,094	197,334
Total current assets	10,097,627	9,064,597
Restricted certificate of deposit	213,110	212,998
Furniture, fixtures, equipment and leasehold improvements, at cost, net of accumulated depreciation and amortization	1,659,564	1,853,608
Total assets	\$ 11,970,301	\$ 11,131,203
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 31,693	\$ 65,238
Accrued expenses	311,941	458,719
Unearned dues revenue	2,550,466	2,403,115
Unearned other revenue	831,802	803,178
Current portion of deferred lease incentive	115,873	115,873
Total current liabilities	3,841,775	3,846,123
Deferred lease incentive, net of current portion	1,012,260	1,128,133
Total liabilities	4,854,035	4,974,256
Net assets		
Without donor restrictions		
Operating fund	2,776,798	2,019,807
Board designated		
Building fund	3,358,568	3,208,659
Initiatives fund	529,441	529,441
Total without donor restrictions	6,664,807	5,757,907
With donor restrictions		
Scholarship fund – temporarily restricted	190,452	202,173
Value investing archive fund	96,867	96,867
Other	114,140	50,000
Scholarship fund – perpetually restricted	50,000	50,000
Total with donor restrictions	451,459	399,040
Total net assets	7,116,266	6,156,947
Total liabilities and net assets	\$ 11,970,301	\$ 11,131,203

See notes to financial statements.

THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.
d/b/a CFA SOCIETY NEW YORK

Statements of Activities

	For the Year Ended August 31			
	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Support and revenue				
Membership dues and fees	\$ 2,896,690	-	\$ 2,682,107	-
Education	1,366,708	-	1,185,951	-
Presentations	62,450	-	79,535	-
Seminars	563,116	-	501,157	-
Grants and contributions	300,000	95,190	100,000	50,121
Special activity dinners	138,725	-	122,400	-
In-kind contributions	506,565	-	730,851	-
Other operating revenue	1,127,368	-	968,027	-
Net assets released from restrictions – operating	16,718	(16,718)	643	(643)
Total support and revenue	<u>6,978,340</u>	<u>78,472</u>	<u>6,370,671</u>	<u>49,478</u>
				<u>6,420,149</u>
Expenses				
Program services				
Education	1,121,770	-	1,068,333	-
Presentations	33,358	-	14,098	-
Seminars	2,480,806	-	2,060,461	-
Membership	1,886,529	-	1,668,292	-
Books and publications	1,057	-	2,277	-
Total program services	<u>5,523,520</u>	<u>-</u>	<u>4,813,461</u>	<u>-</u>
Supporting activities				
Management and general	641,728	-	596,740	-
Total expenses	<u>6,165,248</u>	<u>-</u>	<u>5,410,201</u>	<u>-</u>
				<u>596,740</u>
				<u>5,410,201</u>
Increase in net assets before other additions (deduction)	813,092	78,472	960,470	49,478
Interest	43,311	4,807	43,634	3,065
Unrealized gain (loss) on investments	19,637	-	(16,240)	-
Net assets released from restrictions - capital	30,860	(30,860)	-	-
Increase in net assets	<u>906,900</u>	<u>52,419</u>	<u>987,864</u>	<u>52,543</u>
Net assets, beginning of year	<u>5,757,907</u>	<u>399,040</u>	<u>4,770,043</u>	<u>346,497</u>
Net assets, end of year	<u>\$ 6,664,807</u>	<u>\$ 451,459</u>	<u>\$ 5,757,907</u>	<u>\$ 399,040</u>
				<u>\$ 6,156,947</u>
				<u>\$ 6,156,947</u>

See notes to financial statements.

THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.
d/b/a CFA SOCIETY NEW YORK

Statement of Functional Expenses
For the Year Ended August 31, 2019
(with summarized comparative information for 2018)

	Program Services				Books and Publications	Total	Supporting Activities Management and General	2019 Total	2018 Total
	Education	Presentations	Seminars	Membership					
Staff payroll and benefits	\$ 263,281	\$ 22,084	\$ 1,184,125	\$ 873,061	\$ -	\$ 2,342,551	\$ 230,828	\$ 2,573,379	\$ 1,613,632
Temporary help	-	780	3,335	-	-	4,115	-	4,115	25,745
Professional fees	223,794	-	138,008	119,841	874	482,517	31,269	513,786	794,165
Scholarships	14,000	-	-	-	-	14,000	-	14,000	-
Books and publications	166,255	-	-	-	-	166,255	-	166,255	157,702
Printing and stationery	99	-	288	105	-	492	-	492	3,589
Office expenses	54,911	1,476	123,533	93,863	122	273,905	32,102	306,007	242,827
Data processing	22,423	-	64,520	54,080	-	141,023	10,090	151,113	172,581
Delivery and mail handling	54	-	1,359	-	61	1,474	-	1,474	1,491
Catering	35,757	5,518	136,679	11,204	-	189,158	58,637	247,795	230,996
Promotional activities	22,756	-	154,163	68,300	-	245,219	10,290	255,509	477,928
Occupancy	195,624	3,266	305,029	225,006	-	728,925	242,141	971,066	964,505
Rental expenses	71,871	-	-	259,740	-	331,611	-	331,611	193,793
Depreciation and amortization	45,265	-	131,136	109,900	-	286,301	20,436	306,737	298,736
Bank and credit card service charges	2,839	-	14,252	7,622	-	24,713	3,410	28,123	19,160
Meals and entertainment	-	-	212,267	31,170	-	243,437	-	243,437	173,797
Miscellaneous	2,841	234	12,112	32,637	-	47,824	2,525	50,349	39,554
Total expenses	\$ 1,121,770	\$ 33,358	\$ 2,480,806	\$ 1,886,529	\$ 1,057	\$ 5,523,520	\$ 641,728	\$ 6,165,248	\$ 5,410,201

See notes to financial statements.

THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.
d/b/a CFA SOCIETY NEW YORK

Statement of Functional Expenses
For the Year Ended August 31, 2018

	Program Services				Books and Publications	Total	Supporting Activities		Total
	Education	Presentations	Seminars	Membership			Management and General	General	
Staff payroll and benefits	\$ 144,625	-	\$ 724,691	\$ 626,079	-	\$ 1,495,395	\$ 118,237	\$ 1,613,632	
Temporary help	-	-	25,745	-	-	25,745	-	25,745	
Professional fees	303,171	-	234,701	222,156	2,275	762,303	31,862	794,165	
Scholarships	-	-	-	-	-	-	-	-	
Books and publications	157,650	-	-	52	-	157,702	-	157,702	
Printing and stationery	272	-	1,052	2,265	-	3,589	-	3,589	
Office expenses	45,261	1,851	87,511	71,104	-	205,727	37,100	242,827	
Data processing	19,049	-	93,368	51,767	-	164,184	8,397	172,581	
Delivery and mail handling	-	-	304	1,187	-	1,491	-	1,491	
Catering	35,737	6,100	114,958	16,107	-	172,902	58,094	230,996	
Promotional activities	98,605	-	162,038	185,113	-	445,756	32,172	477,928	
Occupancy	154,821	4,386	305,235	215,255	-	679,697	284,808	964,505	
Rental expenses	53,933	-	-	139,860	-	193,793	-	193,793	
Depreciation and amortization	51,233	-	127,476	101,528	-	280,237	18,499	298,736	
Bank and credit card service charges	1,399	1,761	8,172	1,271	2	12,605	6,555	19,160	
Meals and entertainment	36	-	164,958	8,803	-	173,797	-	173,797	
Miscellaneous	2,541	-	10,252	25,745	-	38,538	1,016	39,554	
Total expenses	\$ 1,068,333	\$ 14,098	\$ 2,060,461	\$ 1,668,292	\$ 2,277	\$ 4,813,461	\$ 596,740	\$ 5,410,201	

See notes to financial statements.

THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.
d/b/a CFA SOCIETY NEW YORK

Statements of Cash Flows

	For the Year Ended	
	August 31	
	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Increase in net assets	\$ 959,319	\$1,040,407
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	306,737	298,736
Unrealized (gain) loss on investments	(19,637)	16,240
(Increase) decrease in assets		
Accounts receivable	(71,511)	118,656
Prepaid expenses and other current assets	(5,760)	(16,176)
Increase (decrease) in current liabilities		
Accounts payable	(33,545)	7,273
Accrued expenses	(146,778)	12,895
Unearned dues revenue	147,351	83,768
Unearned other revenue	28,624	(16,259)
Change in deferred lease incentive	<u>(115,873)</u>	<u>(115,873)</u>
Net cash provided by operating activities	<u>1,048,927</u>	<u>1,429,667</u>
Cash flows from investing activities		
Purchases of certificates of deposit	(112)	(700)
Proceeds from sale and maturities of certificates of deposit	247,000	992,000
Purchases of furniture, fixtures, equipment and leasehold improvements	<u>(112,693)</u>	<u>(383,866)</u>
Net cash provided by investing activities	<u>134,195</u>	<u>607,434</u>
Net increase in cash and cash equivalents	1,183,122	2,037,101
Cash and cash equivalents, beginning of year	<u>6,523,592</u>	<u>4,486,491</u>
Cash and cash equivalents, end of year	<u>\$7,706,714</u>	<u>\$6,523,592</u>

See notes to financial statements.

**THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.
d/b/a CFA SOCIETY NEW YORK**

**Notes to Financial Statements
August 31, 2019 and August 31, 2018**

Note 1 – Nature of organization

The New York Society of Security Analysts, Inc. d/b/a CFA Society New York (the “Society”) is a not-for-profit, educational organization whose mission is to serve investment industry professionals and the investing public. The Society is committed to the promotion of best practices and the highest professional and ethical standards in the investment industry. The Society also strives to assist its members and other financial professionals in their investment industry career development. The Society generates revenue from three primary sources: (1) membership dues; (2) educational seminars (the largest seminar producer of income is Chartered Financial Analysts classes); and (3) meetings and events whereby corporations pay a sponsorship fee.

Corporate reorganization

On December 17, 2018, the Society’s Board of Directors passed a resolution to form a new nonprofit corporation to be named the CFA Society New York, Inc. (CFASNY) with purposes consistent with Section 501(c)(6) of the Internal Revenue Code and reorganize the Society so that it is an educational foundation affiliated with CFASNY. The reorganization of the Society will include a change of name to the Graham Center, Inc. (“Corporation”) and changes to the purposes of the Society, as outlined in the resolution. The Board of Directors of the Corporation will be the initial Board of Directors of CFASNY. CFASNY will be the sole member of the Corporation.

On March 18, 2019, the Corporation applied to the Attorney General of the State of New York (“Attorney General”) for the approval to transfer all assets relating to credentialing support and membership benefit programs to CFASNY. The programs to be transferred represent approximately 95% of the Corporation’s assets. The Corporation will also transfer its lease obligation to CFASNY. As of January 10, 2020, the date of this report, the Corporation is currently waiting for a final response from the Attorney General regarding its application.

Note 2 – Summary of significant accounting policies

Net assets

Without donor restrictions

Operating Fund

Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Society are considered without donor restrictions.

**THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.
d/b/a CFA SOCIETY NEW YORK**

**Notes to Financial Statements (continued)
August 31, 2019 and August 31, 2018**

Note 2 – Summary of significant accounting policies (continued)

Net assets (continued)

Without donor restrictions (continued)

Building Fund

The Society maintains a building fund to provide for the eventual replacement or improvement of the Society's facility. Any interest earned or unrealized gain or loss on the assets is credited to or deducted from the building fund balance.

Initiatives Fund

The Society's Board of Directors established a fund which shall be segregated and only be utilized for initiatives, to be pre-approved by the Board.

With donor restrictions

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Society or the passage of time are considered with donor restrictions. As the restrictions are satisfied, 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. Net assets with donor restrictions also contain net assets with donor imposed restrictions that they be maintained in perpetuity, but permit the Society to use all or part of the investment return on these assets for either specified or unspecified purposes.

Cash equivalents

The Society considers highly liquid investments with original maturities of 90 days or less to be cash equivalents. Included in cash equivalents are money market funds.

Certificates of deposit

The Society reports certificates of deposit at fair value in the statements of financial position. The certificates of deposit have maturities ranging from one to five years from the date of purchase and are valued using a cost-based measure, which is the original cost plus accrued interest. Unrealized gains and losses are reflected in the statements of activities as increases or decreases in net assets without donor restrictions.

Allowance for doubtful accounts

As of August 31, 2019 and August 31, 2018, the Society deems all receivables to be collectable and accordingly, has not established an allowance for doubtful accounts. Such estimates are based on management's experience, the aging of the receivables, subsequent receipts and current economic conditions.

**THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.
d/b/a CFA SOCIETY NEW YORK**

**Notes to Financial Statements (continued)
August 31, 2019 and August 31, 2018**

Note 2 – Summary of significant accounting policies (continued)

Furniture, fixtures, equipment and leasehold improvements

The Society capitalizes expenditures for property and equipment above \$1,000. Furniture, fixtures and equipment are depreciated on the straight-line method over the estimated useful lives of the assets which range from three to seven years. Leasehold improvements are amortized over the life of the lease or their estimated useful lives, whichever is shorter.

Membership dues

Membership dues are recognized as revenue in the applicable membership period. It is the Society's policy to record the remainder of the anticipated members' annual dues as accounts receivable and unearned dues revenue as of August 31st each year.

Functional expenses

The cost of providing the various program services and supporting activities has been summarized on a functional basis. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Expenses attributable to more than one functional category are allocated based on square footage.

In-kind contributions

Organizations are required to recognize contributions of services if they create or enhance non-financial assets, or require specialized skills, are provided by individuals possessing those skills and typically would have been purchased if not provided in-kind. During the 2019 and 2018 fiscal years, the Society received in-kind contributions of \$506,565 and \$730,851, respectively, for advertising, consulting, legal fees and other operating support.

Board members and other individuals volunteer their time and perform a variety of tasks that assist the Society in carrying out its operations. These services do not meet the criteria to be recorded and have not been included in these financial statements.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from these estimates.

THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.
d/b/a CFA SOCIETY NEW YORK

Notes to Financial Statements (continued)
August 31, 2019 and August 31, 2018

Note 2 – Summary of significant accounting policies (continued)

Concentrations of credit risk

The Society's financial instruments that are potentially exposed to concentrations of credit risk consist of cash, cash equivalents, certificates of deposit and accounts receivable. The Society places its cash, cash equivalents and certificates of deposit with what it believes to be quality financial institutions. At times, the balances in the Society's cash and certain cash equivalents accounts may be in excess of FDIC insurance limits. However, the Society has not experienced any losses in such accounts to date. Accounts receivable consists primarily of amounts due from a number of individuals and corporations for membership dues and Society conferences. The Society routinely assesses the financial strength of its cash, cash equivalents, certificates of deposit and the collectability of its accounts receivable. As a consequence, the Society's management believes that concentrations of credit risk are limited.

Subsequent events

The Society has evaluated events and transactions for potential recognition or disclosure through January 10, 2020, which is the date the financial statements were available to be issued.

Recent accounting pronouncement

Not-for-Profit Financial Statement Presentation

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. In 2019 the Organization adopted the provisions of this guidance which include presentation of two classes of net assets rather than the previously required three: net assets without donor restrictions, previously reported as unrestricted net assets, and net assets with donor restrictions, previously reported as temporarily restricted and permanently restricted net assets, in 2018. The guidance also requires enhanced disclosures for Board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification in one location. The Society applied the changes retrospectively to 2018.

The following is a summary of the net asset reclassifications as a result of the adoption of the ASU as of August 31, 2017:

<u>Net asset classifications</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
Unrestricted	\$ 4,770,043	\$ -	\$ 4,770,043
Temporarily restricted	-	296,497	296,497
Permanently restricted	-	50,000	50,000
Total	<u>\$ 4,770,043</u>	<u>\$ 346,497</u>	<u>\$ 5,116,540</u>

THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.
d/b/a CFA SOCIETY NEW YORK

Notes to Financial Statements (continued)
August 31, 2019 and August 31, 2018

Note 3 – Liquidity and availability of financial assets

The Society's cash flows are subject to seasonal fluctuations due to the timing of collection of membership dues and fees, education fees, seminar fees and other revenue items.

As of August 31, 2019, financial assets available within one year of the statement of financial position date for general expenditures were as follows:

Cash and cash equivalents	\$ 7,706,714
Certificates of deposit	1,367,172
Accounts receivable	<u>1,033,757</u>
Sub-total	10,107,643
Less: Restricted certificate of deposit	(213,110)
Board designated net assets	(3,888,009)
Net assets with perpetual donor restrictions	<u>(50,000)</u>
Total	<u>\$ 5,956,524</u>

The Society has available \$3,888,009 in Board designated net assets that can be used for general expenditures if approved by the Board.

Note 4 – Cash, cash equivalents and certificates of deposit

Cash, cash equivalents and certificates of deposit are composed of the following as of August 31, 2019 and August 31, 2018:

	2019						
	Operating Fund	Initiatives Fund	Building Fund	Scholarship Fund	Value Investing Archive Fund	With Temporary Donor Restrictions	Total
Cash on hand	\$ 596	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 596
Checking	4,534,333	-	-	-	-	50,000	4,584,333
Money market accounts	46,477	529,441	2,198,490	243,037	96,867	-	3,114,312
Payroll account	7,473	-	-	-	-	-	7,473
Certificates of deposit	<u>213,110</u>	<u>-</u>	<u>1,154,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,367,172</u>
Total	<u>\$ 4,801,989</u>	<u>\$ 529,441</u>	<u>\$ 3,352,552</u>	<u>\$ 243,037</u>	<u>\$ 96,867</u>	<u>\$ 50,000</u>	<u>\$ 9,073,886</u>

THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.
d/b/a CFA SOCIETY NEW YORK

Notes to Financial Statements (continued)
August 31, 2019 and August 31, 2018

Note 4 – Cash, cash equivalents and certificates of deposit (continued)

	2018						
	Operating Fund	Initiatives Fund	Building Fund	Scholarship Fund	Value Investing Archive Fund	With Temporary Donor Restrictions	Total
Cash on hand	\$ 22	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22
Checking	3,755,943	-	-	-	-	50,000	3,805,943
Money market accounts	38,196	529,441	1,799,728	252,449	96,867	-	2,716,681
Payroll account	946	-	-	-	-	-	946
Certificates of deposit	<u>212,998</u>	<u>-</u>	<u>1,381,425</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,594,423</u>
Total	<u>\$ 4,008,105</u>	<u>\$ 529,441</u>	<u>\$ 3,181,153</u>	<u>\$ 252,449</u>	<u>\$ 96,867</u>	<u>\$ 50,000</u>	<u>\$ 8,118,015</u>

Note 5 – Furniture, fixtures, equipment and leasehold improvements

The following is a summary of the furniture, fixtures, equipment and leasehold improvements as of August 31, 2019 and August 31, 2018:

	2019	2018
Furniture, fixtures and equipment	\$ 402,466	\$ 294,382
Leasehold improvements	3,314,891	3,314,891
Other	<u>19,148</u>	<u>14,539</u>
Sub-total	3,736,505	3,623,812
Less: accumulated depreciation and amortization	<u>2,076,941</u>	<u>1,770,204</u>
Total furniture, fixtures, equipment and leasehold improvements	<u>\$ 1,659,564</u>	<u>\$ 1,853,608</u>

In the 2018 fiscal year, the Society wrote off fully depreciated assets of \$63,544.

**THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.
d/b/a CFA SOCIETY NEW YORK**

**Notes to Financial Statements (continued)
August 31, 2019 and August 31, 2018**

Note 6 – Commitments

Education services agreement

During December 2016, the Society entered into a collaborative agreement with a company to administer educational services to CFA candidates within the New York Area. As outlined in the agreement, the Society and the company have agreed to share certain revenues and expenses relating to those education services. The agreement requires an annual guaranteed minimum payment is made to the Society and includes annual increases. The initial term of the agreement expires on December 31, 2023 and will be automatically renewed for successive seven year terms unless termination of the agreement is given by either party prior to or after the end of the initial term. Termination is subject to certain fees as outlined in the agreement.

Office lease agreement

During August 2009, the Society entered into an agreement to lease office and conference space, commencing August 2009 for a term of 16 years through July 2025 with an option to renew for an additional 5-year period. The lease requires monthly lease payments commencing in August 2010 of \$68,524 plus utilities and a proportionate share of certain operating expenses of the landlord as defined in the lease agreement. Rent expense totaled \$971,066 and \$1,041,667 for the 2019 and 2018 fiscal years, respectively.

The future minimum lease payments would be as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 929,358
2021	993,600
2022	993,600
2023	993,600
2024	993,600
2025	910,800
Total	<u>\$ 5,814,558</u>

As part of the lease agreement, the Society received free rent. The Society amortizes rent expense each year equally over the term of the lease. The difference between rent expense recorded in this manner and the actual cash paid per the lease agreement is included in the deferred lease incentive. The Society also received a build-out allowance under the terms of its lease agreement. The Society has included the build-out allowance in the deferred lease incentive and is amortizing the amount equally over the term of the lease.

In connection with the lease agreement, the Society delivered to the landlord a letter of credit in the original amount of \$204,732 as security for the lease agreement. In connection with the letter of credit, the Society established a separate certificate of deposit account as required by the lease. At August 31, 2019 and August 31, 2018, the value of such certificate of deposit, including interest earned, was \$213,110 and \$212,998, respectively.

THE NEW YORK SOCIETY OF SECURITY ANALYSTS, INC.
d/b/a CFA SOCIETY NEW YORK

Notes to Financial Statements (continued)
August 31, 2019 and August 31, 2018

Note 6 – Commitments (continued)

Office sublease agreement

During April 2015, the Society entered into an agreement to sublease a portion of its office space, commencing May 1, 2015 for a term of 5 years through April 30, 2020. In connection with the sublease, the Society obtained a \$30,800 deposit, which is included in accounts payable on the statements of financial position.

The future minimum annual lease payments required under the agreement as of August 31, 2019 are \$67,996 for the 2020 fiscal year.

Note 7 – Net assets with donor restrictions

In 1996, the Society established the Heloise S. Ham Educational Scholarship Fund (the “Fund”) from a pledge received from the family of Heloise S. Ham to endow a scholarship program. The original pledge of \$50,000 has been recorded as net assets with perpetual donor restrictions. On an ongoing basis, the Fund is funded by contributions from the family of Heloise S. Ham, income from the Fund assets and contributions from Society members. Scholarships are available to undergraduate students who are enrolled full-time in a college or university in the greater New York area and who have completed at least their sophomore year by the time the program begins in the summer. The students must also demonstrate academic excellence and have an interest in the securities profession. In accordance with a Board of Director’s resolution, the Fund’s selection parameters will focus its program on under-represented populations, as outlined in the resolution. Because these funds can only be used for scholarship purposes, the assets of the Fund, other than the original pledge, are considered to be with temporary donor restrictions.

During the 2019 and 2018 fiscal years, the Society did not receive any additional funds towards maintenance of an archive to benefit value-investing research. The following is a summary of the activity of the net assets with donor restrictions as of and for the years ended August 31, 2019 and August 31, 2018:

	<u>2019</u>			
	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance, End of Year</u>
<u>Temporary restrictions</u>				
Heloise S. Ham Educational Scholarship Fund	\$ 202,173	\$ 4,997	\$ (16,718)	\$ 190,452
Value investing archive	96,867	-	-	96,867
Other	50,000	95,000	(30,860)	114,140
<u>Perpetually restricted</u>				
Heloise S. Ham Educational Scholarship Fund	50,000	-	-	50,000
Total	<u>\$ 399,040</u>	<u>\$ 99,997</u>	<u>\$ (47,578)</u>	<u>\$ 451,459</u>

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Notes to Financial Statements (continued)
August 31, 2019 and August 31, 2018

Note 7 – Net assets with donor restrictions (continued)

	2018			
	Balance, Beginning of Year	Additions	Net Assets Released from Restrictions	Balance, End of Year
<u>Temporary restrictions</u>				
Heloise S. Ham Educational Scholarship Fund	\$ 199,630	\$ 3,186	\$ (643)	\$ 202,173
Value investing archive	96,867	-	-	96,867
Other	-	50,000	-	50,000
<u>Perpetually restricted</u>				
Heloise S. Ham Educational Scholarship Fund	50,000	-	-	50,000
Total	<u>\$ 346,497</u>	<u>\$ 53,186</u>	<u>\$ (643)</u>	<u>\$ 399,040</u>

Note 8 – Net assets released from restrictions

Net assets were released from donor restrictions by incurring expenses that satisfied the restricted purposes specified by donors as follows for the years ended August 31, 2019 and August 31, 2018:

	<u>2019</u>	<u>2018</u>
Purpose restriction accomplished:		
Operating		
Scholarships	\$ 14,000	\$ -
Legal fees	2,497	395
Bank service charges	221	248
Sub-total	<u>16,718</u>	<u>643</u>
Non-operating		
Audio visual equipment	30,860	-
Total	<u>\$ 47,578</u>	<u>\$ 643</u>

Note 9 – 401(k) plan

The Society maintains a 401(k) Profit Sharing Plan (the “Plan”) covering all eligible employees. The Society makes a 3% Safe Harbor employer contribution to the Plan. Any employer discretionary contributions in excess of the Safe Harbor contribution are determined annually by the Society’s Board of Directors. The Safe Harbor contributions are 100% vested and any additional discretionary contributions vest to the Plan participants at 20% per year over five years, beginning in year two. In addition, effective January 2, 2019, the Society is making a matching contribution of up to 3% of an employees’ eligible compensation. The Society did not make any discretionary contributions to the Plan during the 2018 fiscal year.

The total retirement plan expense amounted to \$78,927 and \$37,753 for years ended August 31, 2019 and August 31, 2018, respectively.

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Notes to Financial Statements (continued)
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Note 10 – Tax status

The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). In addition, the Society has been determined by the Internal Revenue Service to be a publicly supported organization, and not a private foundation, within the meaning of Section 509(a)(2) of the Code. Certain of the Society’s room rentals and catering revenue are subject to unrelated business income tax, less any applicable expenses.

Note 11 – Net assets without donor restrictions

The following is a summary of the activity of the operating and board designated – Building Fund and Initiatives Fund for the years ended August 31, 2019 and August 31, 2018:

	<u>Operating Fund</u>	<u>Board-Designated</u>		<u>Total</u>
		<u>Building Fund</u>	<u>Initiatives Fund</u>	
Balance, at August 31, 2017	<u>\$ 1,053,384</u>	<u>\$ 3,187,218</u>	<u>\$ 529,441</u>	<u>\$ 4,770,043</u>
Revenue				
Investment return, net	(320)	27,714	-	27,394
Other	<u>6,370,671</u>	<u>-</u>	<u>-</u>	<u>6,370,671</u>
Total revenue	6,370,351	27,714	-	6,398,065
Less: expenses	<u>(5,403,928)</u>	<u>(6,273)</u>	<u>-</u>	<u>(5,410,201)</u>
Increase in net assets	<u>966,423</u>	<u>21,441</u>	<u>-</u>	<u>987,864</u>
Balance, at August 31, 2018	<u>2,019,807</u>	<u>3,208,659</u>	<u>529,441</u>	<u>5,757,907</u>
Revenue				
Investment return, net	28,029	34,919	-	62,948
Other	<u>6,894,060</u>	<u>115,140</u>	<u>-</u>	<u>7,009,200</u>
Total revenue	6,922,089	150,059	-	7,072,148
Less: expenses	<u>(6,165,098)</u>	<u>(150)</u>	<u>-</u>	<u>(6,165,248)</u>
Increase in net assets	<u>756,991</u>	<u>149,909</u>	<u>-</u>	<u>906,900</u>
Balance, at August 31, 2019	<u>\$ 2,776,798</u>	<u>\$ 3,358,568</u>	<u>\$ 529,441</u>	<u>\$ 6,664,807</u>