VERA INSTITUTE OF JUSTICE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2016

VERA INSTITUTE OF JUSTICE, INC.

CONTENTS

INDEPENDENT AUDITORS' REPORT

To The Board of Trustees
Vera Institute of Justice, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Vera Institute of Justice, Inc., which comprise the statement of financial position at June 30, 2016, and the related statements of activities, functional expenses, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Vera Institute of Justice, Inc. at June 30, 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.

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
December 15, 2016

VERA INSTITUTE OF JUSTICE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS

Cash and cash equivalents	$ 12,807,888
Investments	4,843,677
Grants receivable, net	15,111,894
Contributions receivable, net	4,572,418
Other assets	487,867
Leasehold improvements and furniture and equipment, net	773,449
TOTAL ASSETS	$ 38,597,193

LIABILITIES AND NET ASSETS

LIABILITIES:	
Accounts payable and accrued expenses	$ 14,154,710
Accrued salaries and related benefits payable	896,015
Notes payable	1,265
Deferred rent	967,484
Advances from government agencies	3,277,134
TOTAL LIABILITIES	19,296,608
COMMITMENTS AND CONTINGENCIES	
NET ASSETS:	
Unrestricted:	
Undesignated	4,476,259
Board-designated	4,664,624
Total Unrestricted	9,140,883
Temporarily restricted	9,909,702
Permanent endowment	250,000
	10,159,702
TOTAL NET ASSETS	19,300,585
TOTAL LIABILITIES AND NET ASSETS	$ 38,597,193

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

VERA INSTITUTE OF JUSTICE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue and other support:				
Government grants	$ 59,778,399	$ -	$ -	$ 59,778,399
Contributions	1,395,165	6,607,115	-	8,002,280
Special events	956,996	-	-	956,996
Direct cost of special events	(92,851)	-	-	(92,851)
Miscellaneous revenue	583,275	-	-	583,275
Net assets released from restrictions	7,227,078	(7,227,078)	-	-
Total operating revenue and other support	69,848,062	(619,963)	-	69,228,099
Operating expenses:				
Program services	61,953,041	-	-	61,953,041
Supporting services:				
Management and general	4,975,298	-	-	4,975,298
Fundraising	571,207	-	-	571,207
Total operating expenses	67,499,546	-	-	67,499,546
Excess (deficiency) of operating revenue and other support over operating expenses	2,348,516	(619,963)	-	1,728,553
Investment loss	(214,829)	-	-	(214,829)
Change in net assets	2,133,687	(619,963)	-	1,513,724
Net assets, beginning of year	7,007,196	10,529,665	250,000	17,786,861
Net assets, end of year	$ 9,140,883	$ 9,909,702	$ 250,000	$ 19,300,585

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

VERA INSTITUTE OFJUSTICE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services				Supporting Services				
	Demonstration Projects	Centers and Programs	Planning and Research	Total	Management and General	Fundraising	Direct Cost of Special Event	Total	Total
Salaries and related expenses:									
Salaries	$ 2,165,710	$ 6,657,927	$ 528,376	$ 9,352,013	$ 2,726,377	$ 188,039	$ -	$ 2,914,416	$ 12,266,429
Fringe benefits	610,785	1,572,820	109,650	2,293,255	620,518	39,634	-	660,152	2,953,407
Total	2,776,495	8,230,747	638,026	11,645,268	3,346,895	227,673	-	3,574,568	15,219,836
Subcontractors and pass-through funding	415,000	44,495,571	4,841	44,915,412	-	-	-	-	44,915,412
Consultants	88,392	1,818,590	289,989	2,196,971	234,034	123,131	-	357,165	2,554,136
Professional fees	72,502	92,391	3,495	168,388	301,029	65,377	-	366,406	534,794
Occupancy	290,940	862,474	66,857	1,220,271	350,711	23,857	-	374,568	1,594,839
Equipment expense and rentals	63,052	61,516	4,167	128,735	136,521	-	-	136,521	265,256
Publications and printing	4,038	15,072	298	19,408	10,585	7,672	-	18,257	37,665
Office expenses	31,753	104,861	844	137,458	184,081	61,712	-	245,793	383,251
Telephone	23,025	65,077	3,157	91,259	58,275	857	-	59,132	150,391
Travel and subsistence	89,086	946,721	25,841	1,061,648	100,196	47,507	92,851	240,554	1,302,202
Insurance	30,696	10,725	-	41,421	87,957	-	-	87,957	129,378
Depreciation and amortization	47,770	141,610	10,977	200,357	57,583	3,917	-	61,500	261,857
Miscellaneous expense	14,253	109,015	3,177	126,445	107,431	9,504	-	116,935	243,380
Subtotal	3,947,002	56,954,370	1,051,669	61,953,041	4,975,298	571,207	92,851	5,639,356	67,592,397
Direct cost of special events	-	-	-	-	-	-	(92,851)	(92,851)	(92,851)
Total	$ 3,947,002	$ 56,954,370	$ 1,051,669	$ 61,953,041	$ 4,975,298	$ 571,207	$ -	$ 5,546,505	$ 67,499,546

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

VERA INSTITUTE OF JUSTICE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 1,513,724
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	261,857
Deferred rent	28,827
Net realized and unrealized losses on investments	344,645
Amortization of discount on pledge receivable	(1,610)
Changes in assets (increase) decrease:	
Grants receivable	(8,705,479)
Contributions receivable	1,424,986
Other assets	(34,764)
Changes in liabilities increase (decrease):	
Accounts payable and accrued expenses	9,446,358
Accrued salaries and related benefits payable	(51,577)
Advances from government agencies	1,608,455
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,835,422
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(5,507,615)
Proceeds from sale of investments	5,371,404
Purchase of leasehold improvements, furniture and equipment	(146,148)
NET CASH USED IN INVESTING ACTIVITIES	(282,359)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,553,063
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,254,825
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 12,807,888

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

Note 1 - Nature of Operations

Vera Institute of Justice, Inc. ("Vera") was organized under the Not-for-Profit Corporation Law of the State of New York and is qualified as a public charity under Section 501(c)(3) of the Internal Revenue Code (the "Code") and is therefore exempt from federal income taxation under Section 501(a) of the Code.

Vera is dedicated to making government policies fairer, more humane, and more effective for all people. Working in collaboration with government and local communities, Vera designs and implements innovative programs that expand the practice of justice and improve the quality of urban life. Vera operates demonstration projects in partnership with government, conducts original research, and provides technical assistance to public officials in New York and throughout the world. Vera's primary source of funding is government grants and contributions.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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. Actual results could differ from those estimates.

Cash and Cash Equivalents

Vera considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Vera places its temporary cash investments with high credit quality financial institutions.

Fair Value of Financial Instruments

Fair value is defined as 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. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Fair Value of Financial Instruments (cont'd.)

Level 3 - Valuations based on unobservable inputs when little or no market data is available. These valuations require significant judgment.

Refer to Note 5 - Fair Value Measurements for assets measured at fair value.

Investments

Investments are stated at the readily determinable fair value in accordance with the Not-for-Profit Entities topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). All interest, dividends and realized and unrealized gains and losses are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Grant Revenue, Receivables and Advances from Government Agencies

Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, Vera establishes advances from government funders.

Contributions and Contributions Receivable

Vera reports gifts of cash or other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statement of activities as net assets released from restrictions. Contributed securities are valued at the fair value of the asset on the date of the actual receipt of the gift.

Contributions, including unconditional promises to give, are recorded as revenue. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the pledges are to be received. Vera does not accrue interest on past due receivables.

Allowance for Doubtful Accounts

Vera determines whether an allowance for uncollectable accounts should be provided for grant and contributions receivable. Such estimates are based on management's assessment of the aged basis of its contributions and other sources, current economic conditions and historical information. Grant and contributions receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. At June 30, 2016, there is no allowance for doubtful accounts.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Leasehold Improvements and Furniture and Equipment

Leasehold improvements and furniture and equipment are stated at cost. The costs of additions and betterments are capitalized when they exceed $1,500 and have a useful life of over one year. Expenditures for repairs and maintenance are expensed in the period incurred. When items are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income. Depreciation of equipment is provided utilizing the straight-line method. Leasehold improvements are amortized over the term of the lease.

Net Assets

Unrestricted net assets include funds having no restrictions as to use or purpose imposed by donors. Board designated funds represent funds designated by the Board of Trustees as a special allocation for enhancing specific program activities. Temporarily restricted net assets are those net assets that are restricted by the donors for specific purposes. Permanently restricted net assets are those net assets whose principal may not be expended. The donors may or may not restrict the use of investment income.

Functional Reporting

The costs of providing Vera's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Operating Leases

Operating lease expense has been recorded on the straight-line basis over the life of the lease. Deferred rent has been recorded for the difference between the fixed payment and rent expense.

Measure of Operations

Changes in net assets from operations include all revenues and expenses for the period except for investment income or loss.

Accounting for Uncertainty in Income Taxes

Vera has adopted the provisions pertaining to uncertain tax provisions of FASB ASC Topic 740, *Income Taxes*, and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Vera is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Vera believes it is no longer subject to income tax examinations prior to 2013.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

New Accounting Pronouncements

ASU No. 2016-14

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Non-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Non-for-Profit Entities*. This ASU is a result of the recommendations developed by FASB's Not-for-Profit Advisory Committee and FASB's ongoing review of Generally Accepted Accounting Principles (GAAP) standards to improve existing standards to meet the evolving needs of a dynamic financial reporting environment.

The ASU provides for changes in financial statement presentation that effect classification of net assets, presentation of expenses, investment returns and presentation of operating cash flows. It also calls for enhanced disclosures of board designated funds, underwater endowment funds, methods used to allocate costs among functions, and liquidity and availability of resources. The ASU affects all not-for-profit organizations including charities, foundations, colleges and universities, health care providers, religious organizations, trade associations, and cultural institutions, among others.

The amendments of ASU No. 2016-14 are effective for annual financial statements issued for periods beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application is permitted.

ASU No. 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU is the result of a joint project of the FASB and the International Accounting Standards Board ("IASB") to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The guidance in this ASU affects any entity that enters into a lease (as that term is defined in this ASU), with some specified scope exemptions. The guidance in this ASU will supersede Topic 840, *Leases*.

The ASU provides that lessees should recognize lease assets and lease liabilities on the balance sheet for leases previously classified as operating leases that exceed 12 months, including leases existing prior to the effective date of this ASU. It also calls for enhanced leasing arrangement disclosures.

For nonpublic entities, the amendments of ASU No. 2016-02 are effective for annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early application is permitted for all entities.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

New Accounting Pronouncements (cont'd.)

ASU No. 2014-09

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU is the result of a joint project of the FASB and the IASB to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and IFRS. The guidance in this ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards.

The ASU provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should apply the following five-step process to recognize revenue:

Step 1: Identify the contract with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

For nonpublic entities, the amendments of ASU No. 2014-09 are effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early application is permitted under certain circumstances.

Vera has not yet determined if these ASUs will have a material effect on its financial statements.

Note 3 - Concentration of Credit Risk

Vera maintains cash balances in several financial institutions which are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to $250,000 per institution. From time to time, Vera's balances may exceed these limits.

Note 4 - Investment Income (Loss)

For the year ended June 30, 2016, investment income (loss) consists of:

Dividend and interest income	$ 179,966
Investment advisory expense	(50,150)
Realized and unrealized losses on investments	(344,645)
	(214,829)
Endowment appropriations	-
Investment loss in excess of endowment appropriations	$ (214,829)

Note 5 - Fair Value Measurements

Vera measures its marketable securities at fair value. Fair value is an exit price, representing the amount that would be received on the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants. As a basis for considering such assumptions, a three-tier fair value hierarchy is used which prioritizes the inputs in the valuation methodologies in measuring fair value.

The methodology for measuring fair value specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs) or reflect Vera's own assumptions of market participant valuation (unobservable inputs).

The following table presents Vera's assets that are measured on a recurring basis at June 30, 2016:

	Level 1	Level 2	Level 3	Total
Equity and fixed income mutual funds:				
Large-cap	$ 2,024,285	$ -	$ -	$ 2,024,285
International equity	616,294	-	-	616,294
Emerging markets	136,815	-	-	136,815
Directional hedge-long/short equity	71,215	-	-	71,215
Interest rate sensitive fixed income	280,864	-	-	280,864
Multi-sector bonds	1,411,902	-	-	1,411,902
Alternative assets:				
Multi-strategy hedge mutual funds	142,595	-	-	142,595
Managed futures	97,769	-	-	97,769
Fund of funds	-	-	61,938	61,938
Total	$ 4,781,739	$ -	$ 61,938	$ 4,843,677

Note 5 - Fair Value Measurements (cont'd.)

The following table sets forth a summary of changes in Vera's Level 3 investments for the year ended June 30, 2016:

	Balance July 1, 2015	Purchases	Settlements	Total Losses	Balance June 30, 2016
Alternative investments:					
Fund of funds	$ 150,886	$ -	$ (80,270)	$ (8,678)	$ 61,938
Total	$ 150,886	$ -	$ (80,270)	$ (8,678)	$ 61,938

The following is a description of the valuation methodologies used for investments at fair value. There have been no changes in the methodologies used at June 30, 2016.

Investments in mutual funds are valued using market prices on active markets. Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Level 3 investments in fund of funds are determined by net asset value which is based on the value of the underlying assets owned by the fund, minus its liabilities and then divided by the number of shares outstanding. The net asset value was obtained from audited financial statements and other reports received from the investment advisor.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Vera believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Net Asset Value Per Share

Vera's disclosures include fair value, number of funds, unfunded commitments, redemption terms, redemption restrictions and if the restrictions were not in place at year-end for those assets whose fair value is estimated using the net asset value ("NAV") per share at June 30, 2016. The following table presents Vera's investments with a reported NAV at June 30, 2016:

Fund Name	NAV in Fund	Number of Funds	Redemption Terms/Restrictions	Redemption Restrictions in Place at Year-End
Hatteras Multi-Strategy TEI Fund, L.P.	$ 61,938	1	1-year lock-up period quarterly withdrawal, with 65 days notice	Yes

There were no unfunded commitments at June 30, 2016.

Note 5 - Fair Value Measurements (cont'd.)

The Hatteras Multi-Strategy TEI Fund, L.P. seeks to provide capital appreciation consistent with the return characteristic of larger endowments through investments in six asset classes: Opportunity Equity, Enhanced Fixed Income, Absolute Return, Real Estate, Private Equity, and Energy and Natural Resources.

Note 6 - Contributions Receivable

At June 30, 2016, contributions receivable, net consist of the following:

Receivable in less than one year	$ 4,238,302
Receivable in one to five years	335,726
Total	4,574,028
Less: Discount to net present value	1,610
Net contributions receivable	$ 4,572,418

Contributions receivable due in one to five years are discounted at 2.50% for 2016.

Note 7 - Leasehold Improvements and Furniture and Equipment

Leasehold improvements and furniture and equipment consist of the following:

	Estimated Useful Lives	
Leasehold improvements	10 years	$ 1,410,856
Computer equipment	3-5 years	599,258
Furniture and fixtures	3-7 years	59,443
Office equipment	3-5 years	170,953
		2,240,510
Less: Accumulated depreciation and amortization		1,467,061
		$ 773,449

Note 8 - Endowments

Vera's endowment includes a permanent donor-restricted fund and a fund designated by the Board of Trustees to function as their endowments. Vera's endowments are established for a variety of purposes and consist of equities, mutual funds, alternative investments, and cash. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 8 - Endowments (cont'd.)

Vera classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Vera in a manner consistent with the standard of prudence prescribed by applicable laws and regulations. Vera considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of Vera and donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of Vera, (7) Vera's investment policies, and (8) where appropriate, alternatives to spending from the donor-restricted endowment funds and the possible effects of those alternatives on Vera.

Endowment Investment and Spending Policies

The Endowment Fund (the "Fund") was established in fiscal year 1987 as an unrestricted board designated fund to function as and to achieve the same general purposes as an endowment. The Fund was to be held in a "segregated restricted investment fund." Policy guidelines established by Vera's Board of Trustees incorporate this requirement and provide that the Fund was to be known as the "Endowment Fund."

The Fund continues to be accounted for in a separate, segregated fund and the Finance and Investment Committee of Vera's Board of Trustees continues to exercise investment decisions and establishes and maintains investment guidelines and strategies.

Vera's investment and spending policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Investment risk is measured in terms of the total Endowment Fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. During 2016, the Board of Trustees voted to not make any appropriations this year.

Note 8 - Endowments (cont'd.)

Endowment net asset composition by type of fund at June 30, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (17,232)	$ -	$ 250,000	$ 232,768
Board-designated endowment funds	4,664,624	-	-	4,664,624
Total	$ 4,647,392	$ -	$ 250,000	$ 4,897,392

Changes in endowment net assets for the year ended June 30, 2016 are as follows:

	Unrestricted			
	Undesignated	Board Designated	Permanently Restricted	Total
Endowment net assets, June 30, 2015	$ -	$ 4,862,221	$ 250,000	$ 5,112,221
Dividend and interest income	-	179,966	-	179,966
Net realized and unrealized losses	(17,232)	(327,413)	-	(344,645)
Investment fees	-	(50,150)	-	(50,150)
Endowment net assets, June 30, 2016	$ (17,232)	$ 4,664,624	$ 250,000	$ 4,897,392

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or New York Prudent Management of Institutional Funds Act requires Vera to retain as a fund of perpetual duration. In accordance with U.S. GAAP, there were no deficiencies at June 30, 2016.

Note 9 - Notes Payable

Vera entered into a revolving line of credit agreement with a financial institution, which provides for borrowings up to $2,500,000. This line of credit is secured by a blanket first lien on substantially all the assets of Vera and is subject to restrictive covenants. Interest is charged at the greater of the bank's prime rate (3.50% as of June 30, 2016) less 0.75%, or two hundred basis points in excess of a rate of interest determined by the bank in accordance with its customary procedures less 0.75%. There was no interest expense incurred for the year ended June 30, 2016. Vera had no outstanding balance due under the line of credit at June 30, 2016.

In January 2014, Vera entered into a revolving note agreement with an anonymous donor for borrowings of up to $250,000, which is secured by outstanding commission fees related to the Guardianship Project and is subject to restrictive covenants. The borrowings are interest free for up to eight years, after which they become subject to interest equal to the lesser of 18% or the maximum allowed by law. At June 30, 2016, the outstanding balance was $1,265.

Note 10 - Temporarily Restricted Net Assets

At June 30, 2016, temporarily restricted net assets are available for the following purposes:

Demonstration projects	$	2,529,484
Centers and programs		6,543,526
Planning and research		417,567
Fundraising		419,125
	$	9,909,702

Temporarily restricted net assets were released from restrictions for the year ended June 30, 2016 by incurring expenses satisfying the following:

Demonstration projects	$	1,388,312
Centers and programs		5,186,046
Planning and research		242,575
Fundraising		410,145
	$	7,227,078

Note 11 - Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable for general purposes.

Note 12 - Employee Benefit Plans

Vera maintains a defined contribution group pension plan whereby contributions are made in an amount equal to 5% of annual compensation for all eligible employees. Employees are eligible to participate in the plan if they have completed one year of service and contribute at least 3% of their annual salary to the Vera Tax Sheltered Annuity Plan ("Annuity Plan"). The Annuity Plan is a defined contribution tax sheltered annuity plan that allows employees to defer a portion of their salaries for tax purposes through payroll deductions. Contributions to the pension plan for the year ended June 30, 2016 amounted to $367,155.

Note 13 - Operating Leases

Vera currently has various cancellable and noncancellable property lease agreements in connection with its programs which expire at various dates through October 2017. The property leases are subject to real estate tax escalations. Vera also has a lease for office space located in New York, NY, which expires on July 31, 2021. Rental expense for Vera under all operating leases for the year ended June 30, 2016 was $1,321,267. The minimum annual future rental commitments are as follows:

Years Ending June 30:		
2017	$	1,299,725
2018		1,199,857
2019		1,145,187
2020		1,181,951
2021		1,220,597
Thereafter		151,551
	$	6,198,868

Note 14 - Donated Facilities

Included in contribution income and occupancy expense for the year ended June 30, 2016 is contributed in-kind rent and related expenses totaling $77,500. The amount is calculated based on fair value.

Note 15 - Funds Held on Behalf of Others

Through the Guardianship Project, Vera acts as the court appointed guardian for designated individuals. The Guardianship Project provides guardianship services for older adults and people with disabilities in New York City who have been determined by a judge to be unable to care for themselves. Vera's administration of these assets is limited as dictated in the Order and Judgment, which limits the scope of Vera's authority to handle financial tasks. At times during the year, cash balances for The Guardianship Project, which are in the designated individual's and Vera's name, may exceed the limits of FDIC insurance coverage. These amounts are not included in the accompanying financial statements.

The approximate value of the assets at June 30, 2016 is as follows:

Cash	$	5,000,000
Securities		4,000,000
Real property		18,000,000
	$	27,000,000

Note 16 - Esperanza NY, Inc.

Vera guarantees up to $250,000 of a $500,000 unsecured, revolving term note that Esperanza NY, Inc., an unrelated entity, entered into with a financial institution. The line of credit agreement expires on April 5, 2017. Interest is charged at 0.5% above the prime rate, limited to 4%. No amount was outstanding at June 30, 2016.

Note 17 - Subsequent Events

Vera has evaluated all events or transactions that occurred after June 30, 2016 through the date of these financial statements, which is the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.