

NEW YORK FOUNDATION FOR THE ARTS, INC.

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

JUNE 30, 2008 AND 2007

NEW YORK FOUNDATION FOR THE ARTS, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
New York Foundation for the Arts, Inc.

We have audited the accompanying statements of financial position of New York Foundation for the Arts, Inc. (a not-for-profit corporation) as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New York Foundation for the Arts, Inc. as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lutz + Carr, LLP

New York, New York
March 27, 2009

NEW YORK FOUNDATION FOR THE ARTS, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash and cash equivalents (Notes 1b and 3)	\$1,691,206	\$2,703,524
Unconditional promises to give (Notes 1d and 5)	441,375	330,900
Prepaid expenses and other current assets	42,506	66,513
Property and equipment, at cost, less accumulated depreciation (Notes 1e and 6)	66,223	100,362
Investments (Notes 1c and 4)	5,132,501	1,872,996
Security deposits	-	12,396
	<u> </u>	<u> </u>
Total Assets	<u>\$7,373,811</u>	<u>\$5,086,691</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and other current liabilities	\$ 70,702	\$ 81,486
Encumbered funds (Note 1f)	244,538	271,713
Due to Sponsored Emerging Organizations (Note 7)	314,840	354,584
Total Liabilities	<u>630,080</u>	<u>707,783</u>
Commitments and Contingencies (Notes 8 and 9)		
Net Assets		
Unrestricted		
Board designated endowment (Notes 2a-1 and 2a-2)	562,036	202,036
Other unrestricted	(12,031)	4,080
Total Unrestricted	<u>550,005</u>	<u>206,116</u>
Temporarily restricted (Note 2b)	<u>5,106,638</u>	<u>3,335,704</u>
Permanently restricted		
Geris Ashur Award Fund (Note 2c-1)	177,088	177,088
Concordia Foundation Career Advancement Award Fund (Note 2c-2)	160,000	160,000
The Buddy Fellowship Fund (Note 2c-3)	250,000	250,000
The Artists' Fellowship Program (Note 2c-4)	250,000	-
Cash reserve (Note 2c-5)	250,000	250,000
Total Permanently Restricted	<u>1,087,088</u>	<u>837,088</u>
Total Net Assets	<u>6,743,731</u>	<u>4,378,908</u>
	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u>\$7,373,811</u>	<u>\$5,086,691</u>

See notes to financial statements.

NEW YORK FOUNDATION FOR THE ARTS, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Changes in Unrestricted Net Assets		
Revenue and Other Support		
Grants and contributions	\$7,171,346	\$7,246,045
Fundraising benefits	115,393	109,625
Less: Direct fundraising costs	(26,335)	(29,435)
Administrative fees	466,039	528,940
Program service fees	357,244	311,891
Loan service fees	-	13,000
Net investment income (Note 4)	120,615	188,965
Miscellaneous	71,649	35,016
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>1,235,663</u>	<u>675,166</u>
Total Unrestricted Revenue and Other Support	<u>9,511,614</u>	<u>9,079,213</u>
Expenses		
Program Services	8,028,343	7,709,388
Management and general	685,605	639,297
Fundraising	<u>453,777</u>	<u>256,988</u>
Total Expenses	<u>9,167,725</u>	<u>8,605,673</u>
Increase in Unrestricted Net Assets	<u>343,889</u>	<u>473,540</u>
Changes in Temporarily Restricted Net Assets		
Contributions	3,021,397	1,456,832
Net investment income (loss) (Note 4)	(14,800)	12,015
Net assets released from restrictions	<u>(1,235,663)</u>	<u>(675,166)</u>
Increase in Temporarily Restricted Net Assets	<u>1,770,934</u>	<u>793,681</u>
Changes in Permanently Restricted Net Assets		
Contributions	<u>250,000</u>	<u>275,000</u>
Increase in net assets	2,364,823	1,542,221
Net assets, beginning of year	<u>4,378,908</u>	<u>2,836,687</u>
Net Assets, End of Year	<u><u>\$6,743,731</u></u>	<u><u>\$4,378,908</u></u>

See notes to financial statements.

NEW YORK FOUNDATION FOR THE ARTS, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash Flows From Operating Activities		
Increase in net assets	\$2,364,823	\$1,542,221
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	34,139	31,293
Donated stock	(133,473)	-
Net realized gain on sale of investments	(5,605)	(2,115)
Net unrealized (gain) loss on investments	194,237	(849)
Net loss on disposition of equipment and leasehold improvements	-	15,294
Permanently restricted contributions	(250,000)	(275,000)
Reversal of unconditional promise to give	19,100	-
(Increase) decrease in:		
Unconditional promises to give	(129,575)	(95,660)
Prepaid expenses and other current assets	24,007	(1,248)
Security deposits	12,396	25,677
Increase (decrease) in:		
Accounts payable and other current liabilities	(10,784)	(52,781)
Encumbered funds	(27,175)	(55,114)
Due to Sponsored Emerging Organizations	(39,744)	36,101
Net Cash Provided By Operating Activities	<u>2,052,346</u>	<u>1,167,819</u>
Cash Flows From Investing Activities		
Purchases of investments	(4,154,650)	(714,669)
Proceeds from sales of investments	841,486	612,731
Loans disbursed	(167,750)	(260,000)
Loan repayments received	166,250	260,000
Permanently restricted contributions received	250,000	275,000
Acquisition of property and equipment	-	(53,697)
Net Cash Provided (Used) By Investing Activities	<u>(3,064,664)</u>	<u>119,365</u>
Net increase (decrease) in cash and cash equivalents	(1,012,318)	1,287,184
Cash and cash equivalents, beginning of year	<u>2,703,524</u>	<u>1,416,340</u>
Cash and Cash Equivalents, End of Year	<u><u>\$1,691,206</u></u>	<u><u>\$2,703,524</u></u>

See notes to financial statements.

NEW YORK FOUNDATION FOR THE ARTS, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2008 AND 2007****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

The New York Foundation for the Arts' (NYFA) mission is to empower artists at critical stages in their creative lives. NYFA accomplishes this by offering financial assistance and information to artists and organizations that directly serve artists, by supporting arts programming in the community, and by building collaborative relationships with others who advocate for the arts in New York State and throughout the country. Each year NYFA awards close to \$1 million to individual artists and small and emerging organizations through its Fellowship and other grant programs. NYFA's Learning programs serve thousands of artists through workshops, panel discussions, and individual mentoring on topics ranging from grant writing and budgeting to creating an artist portfolio and audience development. The Fiscal Sponsorship program is one of the largest and most established in the country and helps artists and organizations raise and manage over \$5 million annually. NYFA's website, NYFA.org, received over 4.4 million unique visits last year and contains in-depth information about more than 8,000 opportunities and resources for artists in all disciplines.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all short-term highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents, except for money market funds and certificates of deposit held for long-term investment.

c - Investments

The Organization reflects investments at fair value in the statement of financial position. Unrealized gains and losses on investments are reflected in the statement of activities. Interest, dividends, gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Investment income restricted by the donor is reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the income is recognized.

d - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

NEW YORK FOUNDATION FOR THE ARTS, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2008 AND 2007****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****e - Property and Equipment**

Property and equipment are being depreciated using the straight-line method over the estimated useful life of the asset or term of the lease.

f - Encumbered Funds

Encumbered funds represent unpaid expenses and awards chargeable against government grant funds.

g - Tax Status

The Organization is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

h - Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

i - Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Restrictions on Assets**a - Board Designated Endowment Net Assets**

1. Pursuant to a Board resolution, board designated endowment net assets at June 30, 2008 include \$552,036 of funds which have been segregated into a reserve for future occupancy costs in order to enhance the Organization's financial ability to lease or purchase new premises following the expiration of its current lease on December 15, 2008 (Note 8a). The funds represent the estimated amount of savings resulting from the Organization's current lease which is free of fixed rent (Note 8a). The funds have been placed in a separate interest bearing account at JPMorgan. The Board resolution also provides for monthly deposits of \$30,000 into the account through the current lease termination.
2. Included in board designated endowment net assets at June 30, 2008 and 2007 are Board Designated revolving loan program funds of \$10,000.

NEW YORK FOUNDATION FOR THE ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

Note 2 - Restrictions on Assets (continued)

b - Temporarily Restricted Net Assets

1. Temporarily restricted net assets are available for future programs and periods as follows:

	<u>2008</u>	<u>2007</u>
Program Activities:		
Support for Sponsored Artists Projects	\$4,030,699	\$2,079,403
Support for Sponsored Organizations	70,197	163,516
Cash Reserve with term restriction (Note 2b-2)	-	75,000
Unrestricted – future period	661,688	387,895
Information Services	71,000	280,000
Interamericas Program	58,021	126,142
Artists' Learning	166,725	134,525
Ross Fund	48,308	56,125
Arts Leadership Initiative	-	16,000
Internship Program	-	16,000
Turiano Fund	-	1,098
	<u>\$5,106,638</u>	<u>\$3,335,704</u>

2. Cash Reserve with Term Restriction

This component of temporarily restricted net assets was created by a \$75,000 grant from the National Endowment for the Arts in fiscal year 1998. The cash reserve was classified as temporarily restricted since the grant provided for the release of the funds to unrestricted net assets after a period of ten years. These funds have been released as of June 30, 2008.

c - Permanently Restricted Net Assets

Permanently restricted net assets are as follows:

1. Geri Ashur Award Fund

This fund supports a biennial award in screenwriting.

2. Concordia Foundation Career Advancement Award Fund

This fund supports annual awards to advance artists' careers.

3. The Buddy Fellowship Fund

This fund supports annual awards to a female artist.

4. The Artists' Fellowship Program

This fund supports cash awards to individual artists living and working in the State of New York for unrestricted use.

NEW YORK FOUNDATION FOR THE ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

Note 2 - Restrictions on Assets (continued)

5. Cash Reserve

The cash reserve fund was established through a program initiated by the Mertz Gilmore Foundation. The cash reserve can be borrowed for operational cash flow needs, with repayment to be made within two years from the date of borrowing.

Note 3 - Concentration of Credit Risk

The Organization maintains its cash and cash equivalents in several financial institutions. The cash balances, at times, may exceed federally insured limits.

Note 4 - Investments

Investments at June 30, 2008 and 2007 are reflected at fair value and consist of the following:

	<u>2008</u>		<u>2007</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Equity and fixed income mutual funds	\$ 346,159	\$ 430,129	\$ 572,269	\$ 587,428
Fixed income securities and bonds	3,302,720	3,447,351	1,015,445	1,037,165
Money market funds	-	-	86,597	86,597
Cash and certificates of deposit	<u>1,483,622</u>	<u>1,486,137</u>	<u>198,685</u>	<u>198,685</u>
	<u>\$5,132,501</u>	<u>\$5,363,617</u>	<u>\$1,872,996</u>	<u>\$1,909,875</u>

The following schedule summarizes the net investment return and its classification in the statements of activities for the years ended June 30, 2008 and 2007:

	<u>2008</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividends	\$203,910	\$ 90,537	\$ 294,447
Net unrealized loss	(89,237)	(105,000)	(194,237)
Net realized gain (loss)	<u>5,942</u>	<u>(337)</u>	<u>5,605</u>
Total Net Investment Income (Loss)	<u>\$120,615</u>	<u>\$ (14,800)</u>	<u>\$ 105,815</u>

NEW YORK FOUNDATION FOR THE ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

Note 4 - Investments (continued)

	<u>2007</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividends	\$184,517	\$13,499	\$198,016
Net unrealized gain (loss)	3,846	(2,997)	849
Net realized gain	<u>602</u>	<u>1,513</u>	<u>2,115</u>
Total Net Investment Income	<u>\$188,965</u>	<u>\$12,015</u>	<u>\$200,980</u>

Note 5 - Unconditional Promises to Give

Unconditional promises to give are due within one year as follows:

	<u>2008</u>	<u>2007</u>
Unrestricted	\$ 59,000	\$ 31,900
Restricted for current programs	182,375	269,000
Support for Programs in Future Periods:		
Artists' Fellowship Fund	200,000	-
Technical upgrade	<u>-</u>	<u>30,000</u>
	<u>\$441,375</u>	<u>\$330,900</u>

Uncollectible promises are expected to be insignificant. Unconditional promises to give for future periods after one year are discounted to net present value using a discount rate of 5%.

Note 6 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2008</u>	<u>2007</u>
Furniture, fixtures and equipment	3 - 5 years	\$270,627	\$270,627
Less: Accumulated depreciation		<u>204,404</u>	<u>170,265</u>
Total		<u>\$ 66,223</u>	<u>\$100,362</u>

Depreciation expense was \$34,139 and \$31,293 for the years ended June 30, 2008 and 2007, respectively.

NEW YORK FOUNDATION FOR THE ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

Note 7 - Due to Sponsored Emerging Organizations

In addition to the contribution revenue and grant expense recognized in connection with funds raised through its Fiscal Sponsorship Program, NYFA also holds other funds in custody on behalf of those sponsored emerging organizations. For the years ended June 30, 2008 and 2007, such amounts received and disbursed by NYFA totaled approximately \$1 million and \$1.3 million, respectively. The balance held on behalf of those organizations as of June 30 totaled \$314,840 (2008) and \$354,584 (2007).

Note 8 - Commitments and Contingencies

a - In September 2006, the Organization moved to new offices in the same building under an arrangement where they are not required to pay rent through December 15, 2008.

Rent expense was \$51,660 for the year ended June 30, 2007.

Subsequent to June 30, 2008, the Organization leased office space under a lease agreement which continues until September 30, 2018 and provides minimum rental payments as follows:

<u>Year Ending June 30,</u>	
2009	\$ 168,649
2010	229,081
2011	234,808
2012	240,678
2013	246,695
Thereafter through September 30, 2018	1,523,966

b - Government supported projects are subject to audit by the applicable government granting agencies.

c - The Organization has entered into an agreement with a consultant which provides for payments totaling \$81,050, payable through December 31, 2009.

NEW YORK FOUNDATION FOR THE ARTS, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2008 AND 2007****Note 9 - Retirement Plan**

The Organization contributes to retirement annuities on behalf of all full time employees with more than two and a half years of service. These contributions amounted to \$22,194 and \$20,731 in 2008 and 2007, respectively.

Note 10 - Functional Allocation of Expenses

The cost of providing the programs and the supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and the supporting services in reasonable ratios determined by management.

ADDITIONAL INFORMATION



**INDEPENDENT AUDITOR'S REPORT ON
ADDITIONAL INFORMATION**

To the Board of Trustees of
New York Foundation for the Arts, Inc.

Our report on our audits of the basic financial statements of New York Foundation for the Arts, Inc. for 2008 and 2007 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses for the year ended June 30, 2008 with comparative totals for 2007 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lutz + Carr, LLP

New York, New York
March 27, 2009

NEW YORK FOUNDATION FOR THE ARTS, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2008 WITH COMPARATIVE TOTALS FOR 2007

	<u>* Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2008 Total Expenses</u>	<u>2007 ** Total Expenses</u>
Grant expense	\$6,084,550	\$ -	\$ -	\$6,084,550	\$5,793,743
Salaries and fees	1,191,057	475,723	276,946	1,943,726	1,732,294
Payroll taxes	90,570	27,488	13,155	131,213	133,141
Employee benefits	70,770	31,198	13,449	115,417	101,690
Project production costs	61,552	-	-	61,552	66,264
Occupancy and storage	12,090	-	45,457	57,547	160,286
Travel	54,709	973	7,294	62,976	51,019
Printing and publication	13,033	-	21,590	34,623	64,309
Telephone	27,494	8,093	3,089	38,676	37,762
Postage and shipping	9,724	2,069	9,673	21,466	24,935
Advertising and public relations	3,295	-	800	4,095	43,658
Supplies	18,951	4,013	6,281	29,245	25,487
Repairs and maintenance	53,169	14,842	6,299	74,310	53,739
Equipment rental and purchase	106,595	5,884	2,719	115,198	75,157
Insurance	16,589	4,092	639	21,320	10,583
Program administrative charges	77,233	-	-	77,233	49,126
Board expense	-	30,548	-	30,548	3,260
Hospitality	47,411	6,153	4,048	57,612	21,427
Professional fees	17,634	18,492	2,733	38,859	53,860
Workshop program expense	-	-	-	-	36,500
Depreciation expense	20,753	9,013	4,373	34,139	31,293
Conference attendance	20,369	7,000	-	27,369	3,352
Credit card and bank charges	3,540	11,460	-	15,000	14,899
Professional development	8,168	1,363	32,381	41,912	4,036
Reversal of grant	-	19,100	-	19,100	-
Miscellaneous expense	19,087	8,101	2,851	30,039	13,853
Total Expenses, 2008	<u>\$8,028,343</u>	<u>\$ 685,605</u>	<u>\$ 453,777</u>	<u>\$9,167,725</u>	
Total Expenses, 2007	<u>\$7,709,388</u>	<u>\$ 639,297</u>	<u>\$ 256,988</u>		<u>\$8,605,673</u>

** Certain amounts have been reclassified for comparative purposes.

* Program services include Artist Fellowship Program, Fiscal Sponsorship for Artist Projects and Emerging Organizations, the Arts Leadership Initiative, Build Program, Artists' Learning, Strategic Opportunity Stipend - Immigrant Outreach, NYFA Current and other Information services.

See independent auditor's report on additional information.