

# **New York Foundation for the Arts, Inc.**

Independent Auditor's Report and Financial Statements

June 30, 2019 and 2018



# New York Foundation for the Arts, Inc.

June 30, 2019 and 2018

## Contents

<b>Independent Auditor's Report.....</b>	<b>1</b>
--	----------

### **Financial Statements**

Statements of Financial Position .....	3
Statements of Activities.....	4
Statements of Functional Expenses .....	6
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9

## Independent Auditor's Report

Board of Directors  
New York Foundation for the Arts, Inc.  
Brooklyn, New York

We have audited the accompanying financial statements of New York Foundation for the Arts, Inc., which comprise the statements of financial position as of June 30, 2019 and 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 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New York Foundation for the Arts, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As described in *Note 2* to the financial statements, in 2019, New York Foundation for the Arts, Inc. adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. New York Foundation for the Arts, Inc. has elected to change its method of accounting for gifts, investment income and conditional contributions whose donor stipulations are satisfied in the period the gift is received in 2018. Our opinion is not modified with respect to this matter.

**BKD, LLP**

New York, New York  
March 20, 2020

**New York Foundation for the Arts, Inc.**  
**Statements of Financial Position**  
**June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Cash	\$ 2,467,529	\$ 1,799,264
Cash, Musical Instrument Revolving Loan Fund (MIRLF)	929,380	895,709
Investments, at fair value	2,150,154	2,062,649
Contributions and grants receivable, current	243,283	355,821
Loans receivable, MIRLF, current	40,519	129,092
Loans receivable other, current	-	9,501
Prepaid expenses	72,979	81,735
Security deposits	37,478	37,478
Property and equipment, net	148,976	145,493
Total assets	\$ 6,090,298	\$ 5,516,742
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 93,591	\$ 86,501
Deferred rent	35,195	10,655
Due to Sponsored Emerging Organizations	162,806	187,020
Due to MIRLF	969,899	1,024,801
Deferred grant revenue	557,258	-
Grants payable - current	15,378	15,004
Total liabilities	1,834,127	1,323,981
<b>Net Assets</b>		
Without donor restrictions		
Operating	339,607	559,473
Board-designated	700,210	700,210
Total without donor restrictions	1,039,817	1,259,683
With donor restrictions	3,216,354	2,933,078
Total net assets	4,256,171	4,192,761
Total liabilities and net assets	\$ 6,090,298	\$ 5,516,742

**New York Foundation for the Arts, Inc.**  
**Statements of Activities**  
**Years Ended June 30, 2019 and 2018**

	2019				
	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Board Designated	Total		
<b>Revenues, Gains and Other Support</b>					
Grants and contributions	\$ 2,792,490	\$ -	\$ 2,792,490	\$ 3,657,651	\$ 6,450,141
Special events	\$ 301,178				
Less direct cost of special events	(115,241)	185,937	-	-	185,937
Administrative fees	345,624	-	345,624	-	345,624
Investment income, net	52,277	-	52,277	29,719	81,996
Program service fees	1,448,214	-	1,448,214	-	1,448,214
Rental and other income	29,240	-	29,240	-	29,240
Net assets released from restrictions	3,404,094	-	3,404,094	(3,404,094)	-
Total revenues, gains and other support	<u>8,257,876</u>	<u>-</u>	<u>8,257,876</u>	<u>283,276</u>	<u>8,541,152</u>
<b>Expenses</b>					
Program services					
NYC Made in NY					
Women's Film Grants	1,054,734	-	1,054,734	-	1,054,734
Fellowship	900,254	-	900,254	-	900,254
Fiscal sponsorship	3,410,539	-	3,410,539	-	3,410,539
Learning	584,053	-	584,053	-	584,053
Programs communication	585,747	-	585,747	-	585,747
Programs technology	469,589	-	469,589	-	469,589
Other programs	344,682	-	344,682	-	344,682
Total program services	<u>7,349,598</u>	<u>-</u>	<u>7,349,598</u>	<u>-</u>	<u>7,349,598</u>
Supporting services					
Management and general	544,713	-	544,713	-	544,713
Fundraising	583,431	-	583,431	-	583,431
Total supporting services	<u>1,128,144</u>	<u>-</u>	<u>1,128,144</u>	<u>-</u>	<u>1,128,144</u>
Total expenses	<u>8,477,742</u>	<u>-</u>	<u>8,477,742</u>	<u>-</u>	<u>8,477,742</u>
<b>Change in Net Assets</b>	(219,866)	-	(219,866)	283,276	63,410
<b>Net Assets, Beginning of Year</b>	<u>559,473</u>	<u>700,210</u>	<u>1,259,683</u>	<u>2,933,078</u>	<u>4,192,761</u>
<b>Net Assets, End of Year</b>	<u>\$ 339,607</u>	<u>\$ 700,210</u>	<u>\$ 1,039,817</u>	<u>\$ 3,216,354</u>	<u>\$ 4,256,171</u>

**New York Foundation for the Arts, Inc.**  
**Statements of Activities (Continued)**  
**Years Ended June 30, 2019 and 2018**

	2018				
	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Board Designated	Total		
<b>Revenues, Gains and Other Support</b>					
Grants and contributions	\$ 2,067,989	\$ -	\$ 2,067,989	\$ 3,716,722	\$ 5,784,711
Special events	\$ 328,611				
Less direct cost of special events	<u>(155,319)</u>	173,292	-	-	173,292
Administrative fees	327,628	-	327,628	-	327,628
Investment income, net	82,068	-	82,068	15,657	97,725
Program service fees	1,308,938	-	1,308,938	-	1,308,938
Rental and other income	33,518	-	33,518	-	33,518
Net assets released from restrictions	<u>4,020,164</u>	<u>-</u>	<u>4,020,164</u>	<u>(4,020,164)</u>	<u>-</u>
Total revenues, gains and other support	<u>8,013,597</u>	<u>-</u>	<u>8,013,597</u>	<u>(287,785)</u>	<u>7,725,812</u>
<b>Expenses</b>					
Program services					
NYC Made in NY					
Women's Film Grants	-	-	-	-	-
Fellowship	1,036,352	-	1,036,352	-	1,036,352
Fiscal sponsorship	4,001,696	-	4,001,696	-	4,001,696
Learning	458,589	-	458,589	-	458,589
Programs communication	700,818	-	700,818	-	700,818
Programs technology	392,331	-	392,331	-	392,331
Other programs	<u>444,676</u>	<u>-</u>	<u>444,676</u>	<u>-</u>	<u>444,676</u>
Total program services	<u>7,034,462</u>	<u>-</u>	<u>7,034,462</u>	<u>-</u>	<u>7,034,462</u>
Supporting services					
Management and general	554,349	-	554,349	-	554,349
Fundraising	<u>610,588</u>	<u>-</u>	<u>610,588</u>	<u>-</u>	<u>610,588</u>
Total supporting services	<u>1,164,937</u>	<u>-</u>	<u>1,164,937</u>	<u>-</u>	<u>1,164,937</u>
Total expenses	<u>8,199,399</u>	<u>-</u>	<u>8,199,399</u>	<u>-</u>	<u>8,199,399</u>
<b>Change in Net Assets</b>	(185,802)	-	(185,802)	(287,785)	(473,587)
<b>Net Assets, Beginning of Year</b>	<u>745,275</u>	<u>700,210</u>	<u>1,445,485</u>	<u>3,220,863</u>	<u>4,666,348</u>
<b>Net Assets, End of Year</b>	<u>\$ 559,473</u>	<u>\$ 700,210</u>	<u>\$ 1,259,683</u>	<u>\$ 2,933,078</u>	<u>\$ 4,192,761</u>

**New York Foundation for the Arts, Inc.**  
**Statements of Functional Expenses**  
**Years Ended June 30, 2019 and 2018**

	2019												
	Program Services							Supporting Services					
	NYC Made in NY Women's Film Grants	Fellowship	Fiscal Sponsorship	Learning	Programs Communication	Programs Technology	Other Programs	Total	Management and General	Fundraising	Special Events	Total	Total
Salaries	\$ 48,213	\$ 123,394	\$ 243,577	\$ 208,415	\$ 356,592	\$ 215,434	\$ 10,934	\$ 1,206,559	\$ 263,977	\$ 371,124	\$ -	\$ 635,101	\$ 1,841,660
Payroll taxes and employee benefits	9,573	24,572	48,524	41,547	71,213	42,934	2,195	240,558	57,192	73,620	-	130,812	371,370
Total personnel costs	57,786	147,966	292,101	249,962	427,805	258,368	13,129	1,447,117	321,169	444,744	-	765,913	2,213,030
Fellowships and grants	930,375	651,002	3,019,720	46,243	-	-	138,390	4,785,730	-	-	-	-	4,785,730
Project production	28,873	33,595	-	20,000	-	-	19,249	101,717	-	-	-	-	101,717
Occupancy and storage	10,761	24,744	49,487	42,331	69,218	45,068	3,975	245,584	57,614	80,798	-	138,412	383,996
Travel	64	2,547	1,001	30,726	4,150	-	208	38,696	17,922	843	-	18,765	57,461
Printing and duplicating	-	291	-	-	665	82	-	1,038	397	747	-	1,144	2,182
Telephone and internet provider	473	1,097	2,194	1,857	3,055	1,992	101	10,769	6,522	3,596	-	10,118	20,887
Postage and shipping	55	14,284	253	1,378	359	230	11	16,570	7,718	759	-	8,477	25,047
Advertising and public relations	-	-	-	-	1,106	-	-	1,106	3,447	-	-	3,447	4,553
Office supplies	199	826	928	1,218	1,291	912	1,758	7,132	2,131	1,673	-	3,804	10,936
Repairs and maintenance	342	625	1,251	1,058	1,757	58,314	42	63,389	1,934	1,989	-	3,923	67,312
Equipment expense	464	1,077	2,155	1,938	3,000	83,220	99	91,953	3,838	3,531	-	7,369	99,322
Insurance expense	357	9,479	1,658	1,403	2,308	1,505	77	16,787	4,672	2,717	-	7,389	24,176
Professional fees	21,170	3,657	22,985	160,976	8,809	3,690	164,016	385,303	38,038	6,647	-	44,685	429,988
Board expenses	-	-	-	-	-	-	-	-	26,180	-	-	26,180	26,180
Hospitality	153	562	647	5,689	535	398	1,720	9,704	4,103	2,046	-	6,149	15,853
Event space and catering	-	-	-	-	-	-	-	-	-	-	115,241	115,241	115,241
Depreciation and amortization	3,514	8,159	16,317	13,807	21,965	14,811	1,506	80,079	18,703	26,735	-	45,438	125,517
Conference attendance	-	-	-	107	585	125	-	817	2,567	750	-	3,317	4,134
Credit card and bank fees	-	-	(1,108)	2,909	37,784	-	40	39,625	12,081	3,471	-	15,552	55,177
Professional development	5	12	281	1,739	182	272	-	2,491	9,326	1,299	-	10,625	13,116
Miscellaneous	143	331	669	712	1,173	602	361	3,991	6,351	1,086	-	7,437	11,428
Total expenses	1,054,734	900,254	3,410,539	584,053	585,747	469,589	344,682	7,349,598	544,713	583,431	115,241	1,243,385	8,592,983
Less expenses deducted from revenues on the statements of activities													
Direct expenses of special events	-	-	-	-	-	-	-	-	-	-	(115,241)	(115,241)	(115,241)
Total expenses as reported by function on the statements of activities	\$ 1,054,734	\$ 900,254	\$ 3,410,539	\$ 584,053	\$ 585,747	\$ 469,589	\$ 344,682	\$ 7,349,598	\$ 544,713	\$ 583,431	\$ -	\$ 1,128,144	\$ 8,477,742



**New York Foundation for the Arts, Inc.**  
**Statements of Functional Expenses (Continued)**  
**Years Ended June 30, 2019 and 2018**

	2018												
	Program Services							Supporting Services					
	NYC Made in NY											Total	Total
Women's Film Grants	Fellowship	Fiscal Sponsorship	Learning	Programs Communication	Programs Technology	Other Programs	Total	Management and General	Fundraising	Special Events	Total	Total	
Salaries	\$ -	\$ 196,787	\$ 228,434	\$ 149,817	\$ 458,087	\$ 135,363	\$ 15,174	\$ 1,183,662	\$ 296,378	\$ 379,136	\$ -	\$ 675,514	\$ 1,859,176
Payroll taxes and employee benefits	-	42,457	46,316	31,683	96,667	27,227	2,670	247,020	65,202	77,194	-	142,396	389,416
Total personnel costs	-	239,244	274,750	181,500	554,754	162,590	17,844	1,430,682	361,580	456,330	-	817,910	2,248,592
Fellowships and grants	-	623,000	3,625,323	-	-	-	207,032	4,455,355	-	-	-	-	4,455,355
Project production	-	41,182	-	-	-	-	8,820	50,002	-	-	-	-	50,002
Occupancy and storage	-	45,321	52,690	28,332	61,533	29,828	57,155	274,859	19,653	86,131	-	105,784	380,643
Travel	-	5,949	1,346	30,815	2,860	-	3,400	44,370	26,731	981	-	27,712	72,082
Printing and duplicating	-	6,412	384	460	517	176	13	7,962	508	560	-	1,068	9,030
Telephone and internet provider	-	1,827	2,124	1,322	2,480	1,233	89	9,075	5,335	3,357	-	8,692	17,767
Postage and shipping	-	28,053	475	392	555	276	3,236	32,987	693	462	-	1,155	34,142
Advertising and public relations	-	-	-	-	862	-	-	862	-	-	-	-	862
Office supplies	-	953	951	634	1,159	544	41	4,282	3,086	1,482	-	4,568	8,850
Repairs and maintenance	-	1,585	1,843	1,147	2,152	1,070	78	7,875	7,276	2,913	-	10,189	18,064
Equipment expense	-	2,263	2,632	1,764	3,096	167,881	115	177,751	3,685	4,159	-	7,844	185,595
Insurance expense	-	9,561	1,133	705	1,323	657	3,537	16,916	6,995	1,790	-	8,785	25,701
Professional fees	-	7,920	13,851	198,733	9,673	12,778	122,907	365,862	29,811	6,947	-	36,758	402,620
Board expenses	-	-	-	-	-	-	-	-	24,668	-	-	24,668	24,668
Hospitality	-	2,242	754	5,076	796	366	23	9,257	1,876	1,738	-	3,614	12,871
Event space and catering	-	-	-	-	-	-	-	-	-	-	(155,319)	(155,319)	(155,319)
Depreciation and amortization	-	18,218	21,180	3,259	24,735	12,294	10,812	90,498	24,144	33,472	-	57,616	148,114
Conference attendance	-	-	-	281	-	-	-	281	3,889	159	-	4,048	4,329
Credit card and bank fees	-	214	-	-	30,095	-	-	30,309	12,828	5,992	-	18,820	49,129
Professional development	-	202	522	2,435	2,126	943	-	6,228	15,353	-	-	15,353	21,581
Miscellaneous	-	2,206	1,738	1,734	2,102	1,695	9,574	19,049	6,238	4,115	-	10,353	29,402
Total expenses	-	1,036,352	4,001,696	458,589	700,818	392,331	444,676	7,034,462	554,349	610,588	(155,319)	1,009,618	8,044,080
Less expenses deducted from revenues on the statements of activities	-	-	-	-	-	-	-	-	-	-	-	-	-
Direct expenses of special events	-	-	-	-	-	-	-	-	-	-	155,319	155,319	155,319
Total expenses as reported by function on the statements of activities	\$ -	\$ 1,036,352	\$ 4,001,696	\$ 458,589	\$ 700,818	\$ 392,331	\$ 444,676	\$ 7,034,462	\$ 554,349	\$ 610,588	\$ -	\$ 1,164,937	\$ 8,199,399

**New York Foundation for the Arts, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Operating Activities</b>		
Change in net assets	\$ 63,410	\$ (473,587)
Items not requiring (providing) operating cash flows		
Depreciation and amortization	125,517	148,114
Realized and unrealized gain	(24,373)	(56,115)
Contributions received restricted for acquisition for long-lived assets	-	(125,000)
Fees received for MIRLF	(24,280)	-
Changes in		
Contributions and grants receivable	112,538	66,192
Prepaid expenses	8,756	(30,386)
Accounts payable and accrued expenses	7,090	(2,880)
Deferred rent	24,540	(40,735)
Due to Sponsored Emerging Organizations	(24,214)	(5,137)
Deferred grant revenue	557,258	-
Grants payable	374	-
	<u>826,616</u>	<u>(519,534)</u>
Net cash provided by (used in) operating activities		
<b>Investing Activities</b>		
Purchase of property and equipment	(129,000)	(155,940)
Purchase of investments	(211,381)	(81,315)
Proceeds from sales of investments	148,249	3,561
Advances made on loans receivable	-	(9,501)
Principal payments received on loans receivable	67,452	4,980
	<u>(124,680)</u>	<u>(238,215)</u>
Net cash used in investing activities		
<b>Financing Activities</b>		
Cash received for MIRLF	-	890,925
Proceeds from contributions restricted for acquisition of long-lived assets	-	125,000
	<u>-</u>	<u>1,015,925</u>
Net cash provided by financing activities		
<b>Net Change in Cash</b>	701,936	258,176
<b>Cash, Beginning of Year</b>	<u>2,694,973</u>	<u>2,436,797</u>
<b>Cash, End of Year</b>	<u>\$ 3,396,909</u>	<u>\$ 2,694,973</u>
<b>Reconciliation of Cash</b>		
Cash	\$ 2,467,529	\$ 1,799,264
Cash (MIRLF)	929,380	895,709
	<u>\$ 3,396,909</u>	<u>\$ 2,694,973</u>
<b>Noncash Investing and Financing Activities</b>		
Loan receivable and due to MIRLF	\$ 30,622	\$ 134,072

# **New York Foundation for the Arts, Inc.**

## **Notes to Financial Statements**

**June 30, 2019 and 2018**

### **Note 1: Nature of Organization and Summary of Significant Accounting Policies**

#### ***Nature of Operations***

New York Foundation for the Arts, Inc. (NYFA) is a publicly supported, nonprofit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. NYFA's mission is to empower artists at critical stages in their lives. This work has been conducted since 1971, evolving to serve artists through a number of different channels, including: awards and grants to individual artists, fiscal sponsorships, fundraising support, professional development training and online services.

NYFA is primarily supported by grants and contributions.

#### ***Basis of Presentation***

The financial statements have been prepared on the accrual basis of accounting.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

#### ***Investments and Net Investment Return***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

NYFA maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

# **New York Foundation for the Arts, Inc.**

## **Notes to Financial Statements**

**June 30, 2019 and 2018**

### ***Allowance for Doubtful Accounts***

Management determines whether an allowance for uncollectibles should be provided for contributions and grants receivable. Such estimates are based on management's assessment of the age of the receivable, subsequent receipts, current economic conditions and historical information. Contributions and grants receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Management did not record an allowance for doubtful accounts as all are expected to be received.

### ***Property and Equipment***

Property and equipment acquisitions over \$1,000 are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Leasehold improvements	6 years
Furniture and equipment	3-5 years
Website development	3-5 years

### ***Long-Lived Asset Impairment***

NYFA evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2019 and 2018.

### ***Operating Leases and Deferred Rent***

Operating leases are straight-lined over the term of the lease. The difference between the rent expense incurred by NYFA on the accrual basis and the rental payments paid in cash is attributable to the straight-line method and scheduled rent increases, and is reported as deferred rent in the accompanying financial statements.

### ***Due to Sponsored Emerging Organizations***

NYFA acts as the fiscal agent on behalf of sponsored emerging organizations.

### ***Fellowships and Grants Payable***

NYFA records fellowship grants or other grants as expenses when grants are approved and the grantees are notified.

# New York Foundation for the Arts, Inc.

## Notes to Financial Statements

June 30, 2019 and 2018

### Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

### Contributions

Contributions are provided to NYFA either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on NYFA overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, 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. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

# **New York Foundation for the Arts, Inc.**

## **Notes to Financial Statements**

**June 30, 2019 and 2018**

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets with donor restrictions, and then released through restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets with donor restrictions, and then released through restrictions.

### ***Revenue Recognition***

*Administrative Fees:* Administrative fees include fees charged for managing artists' funds. Fees are recognized when earned. Fees are based upon a percentage of assets being managed by NYFA on behalf of the individual artist.

*Program Service Fees:* Program service fees are charged for various programs held throughout the year. Income is recognized when the program takes place.

*Rental and Other Income:* Rental income includes fees for short-term rentals and commissions, and is recognized when earned.

### ***Musical Instrument Revolving Loan Fund (MIRLF)***

In 2018, NYFA took over operating the Musical Instrument Revolving Loan Fund (MIRLF), a program funded by the New York State Council for the Arts (NYSCA). The MIRLF provides loans at a 3 percent interest rate to organizations and individuals to purchase musical instruments. NYFA manages and tracks the loans for NYSCA and charges a yearly administrative fee to the program. NYSCA is responsible for reviewing the outstanding loans for impairments and write offs. All loans are due within the next year. Restricted cash and loans receivable are equivalent to amounts due to MIRLF under this program.

### ***Functional Allocation of Expenses***

The costs of providing NYFA's services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on the square footage methodology and other methods.

### ***Transfers Between Fair Value Hierarchy Levels***

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

### ***Income Taxes***

NYFA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, NYFA is subject to federal income tax on any unrelated business taxable income.

# New York Foundation for the Arts, Inc.

## Notes to Financial Statements

June 30, 2019 and 2018

NYFA files tax returns in the U.S. federal jurisdiction.

### **Subsequent Events**

Subsequent events have been evaluated through March 20, 2020, which is the date the financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, changes in net assets and cash flows of NYFA. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

### **Note 2: Change in Accounting Principle – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities**

In 2019, NYFA adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes by financial statement area is as follows:

#### **Statement of Financial Position**

- The statement of financial position distinguishes between two new classes of net assets – those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted and permanently restricted.

#### **Statements of Activities and Functional Expenses**

- Expenses are reported by both nature and function in one location.
- Investment income is shown net of external and direct internal investment expenses. There is no longer a requirement to include a disclosure of those netted expenses.

#### **Statement of Cash Flows**

- A not-for-profit continues to use the indirect method of reporting to present operating cash flows.

#### **Notes to the Financial Statements**

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.

This change had no impact on previously reported total change in net assets.

# New York Foundation for the Arts, Inc.

## Notes to Financial Statements

June 30, 2019 and 2018

In 2019, NYFA voluntarily changed the accounting policy for gifts, investment income and conditional contributions having donor restrictions or stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets with donor restrictions, and then released through restrictions. Previously, NYFA's policy was to record gifts, investment income and conditional contributions having donor restrictions or stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions. The new policy provides readers of the financial statements a deeper understanding of NYFA's activities, including contributions received with restrictions and expenses incurred by NYFA in satisfaction of these restrictions. A summary of the changes by financial statement area is as follows:

	<u>As Stated</u>	<u>As Previously Reported</u>	<u>Effect of Change</u>
Grants and contributions - operating	\$ 5,688,828	\$ 2,067,989	\$ 3,620,839
Grants and contributions - with donor restrictions	95,883	3,716,722	(3,620,839)
Net assets released from restrictions	399,325	4,020,164	(3,620,839)

This change had no impact on previously reported total change in net assets.

### Note 3: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019, comprise the following:

Financial assets	
Cash	\$ 2,467,529
Cash, Musical Instrument Revolving Loan Fund (MIRLF)	929,380
Investments, at fair value	2,150,154
Contributions and grants receivable, current	243,283
Loans receivable, MIRLF, current	<u>40,519</u>
Total financial assets	<u>5,830,865</u>
Donor-imposed restrictions	
Subject to expenditure for specified purpose	(2,518,499)
MIRLF	(969,899)
Endowments	<u>(697,855)</u>
Total donor-imposed restrictions	<u>(4,186,253)</u>
Net financial assets after donor-imposed restrictions	1,644,612
Internal designations	
Board-designated	<u>(700,210)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 944,402</u>



# New York Foundation for the Arts, Inc.

## Notes to Financial Statements

June 30, 2019 and 2018

NYFA manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. NYFA monitors liquidity and cash flows on an ongoing basis to ensure an appropriate amount of cash is available to meet current expenditure needs.

### Note 4: Disclosures About Fair Value of Assets and Liabilities

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair values:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of assets or liabilities.
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of assets or liabilities.

### Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30:

	<b>2019</b>	
	<b>Fair Value Measurements Using</b>	
	<b>Quoted Prices</b>	
	<b>in Active</b>	
	<b>Markets for</b>	
	<b>Identical Assets</b>	
	<b>Total</b>	<b>(Level 1)</b>
	<b>Fair Value</b>	
Equities - domestic	\$ 444,075	\$ 444,075
Mutual funds - income in growth	1,423,439	1,423,439
Exchange traded funds - domestic	258,065	258,065
	2,125,579	<u>\$ 2,125,579</u>
Cash and cash equivalents	<u>24,575</u>	
Total investments	<u>\$ 2,150,154</u>	

# New York Foundation for the Arts, Inc.

## Notes to Financial Statements

June 30, 2019 and 2018

	2018		
	Fair Value Measurements Using		
Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Certificate of deposit	\$ 49,905	\$ -	\$ 49,905
Equities - domestic	449,639	449,639	-
Mutual funds - income in growth	858,252	858,252	-
Exchange traded funds - domestic	201,701	201,701	-
	<u>1,559,497</u>	<u>\$ 1,509,592</u>	<u>\$ 49,905</u>
Cash and cash equivalents	<u>503,152</u>		
Total investments	<u>\$ 2,062,649</u>		

The following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2019.

### **Investments**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. NYFA has no Level 3 investments.

**New York Foundation for the Arts, Inc.**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

**Note 5: Property and Equipment**

Property and equipment, at cost, consist of the following:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 602,142	\$ 602,142
Furniture and equipment	381,888	381,888
Website development	<u>1,173,308</u>	<u>1,044,308</u>
	2,157,338	2,028,338
Less accumulated depreciation and amortization	<u>(2,008,362)</u>	<u>(1,882,845)</u>
	<u>\$ 148,976</u>	<u>\$ 145,493</u>

**Note 6: Retirement Plans**

NYFA maintains a defined contribution retirement plan (403(b)) and a tax-deferred annuity plan for employees who have completed two years of service. Both plans are administered by TIAA-CREF. NYFA's contributions at the rate of 4 percent of compensation for eligible participants for the years ended June 30, 2019 and 2018 totaled \$38,941 and \$37,203, respectively.

**Note 7: Operating Leases**

NYFA leases its premises under a 10-year lease, which expired on September 30, 2018. On August 1, 2017, NYFA signed a new ten-year lease which expires December 2028. The lease is cancellable after November 30, 2022 with 12 months' notice. The future minimum lease payments are as follows:

2020	\$ 360,972
2021	372,804
2022	384,636
2023	<u>162,730</u>
Total	<u>\$ 1,281,142</u>

Rent expense was \$329,983 and \$265,705 for the years ended June 30, 2019 and 2018, respectively.

# New York Foundation for the Arts, Inc.

## Notes to Financial Statements

June 30, 2019 and 2018

### Note 8: Net Assets

#### *Net Assets With Donor Restrictions*

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose		
Artists' Fund	\$ 53,023	\$ 90,064
Fiscal Sponsorship	2,349,282	2,027,380
New York State Council on the Arts Fellowship	39,635	7,207
Artists Business Incubator	4,477	50,721
Core Activities	<u>72,082</u>	<u>-</u>
	2,518,499	2,175,372
Subject to the passage of time	-	72,070
Endowments		
Subject to appropriation and expenditure over time, of which a portion is restricted in perpetuity by donors		
Available for general use	<u>697,855</u>	<u>685,636</u>
	<u>\$ 3,216,354</u>	<u>\$ 2,933,078</u>

#### *Net Assets Without Donor Restrictions*

Net assets without donor restrictions at June 30 have been designated for the following purposes:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 339,607	\$ 559,473
Designated by the Board for operating reserve	<u>700,210</u>	<u>700,210</u>
	<u>\$ 1,039,817</u>	<u>\$ 1,259,683</u>

# New York Foundation for the Arts, Inc.

## Notes to Financial Statements

June 30, 2019 and 2018

### **Net Assets Released from Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions		
Artists' Fund	\$ 127,190	\$ 142,763
Fiscal Sponsorship	3,019,720	3,618,513
Artists Business Incubator	46,243	97,635
New York State Council on the Arts Fellowship	168,452	21,664
Expiration of time restrictions	<u>42,489</u>	<u>139,589</u>
	<u>\$ 3,404,094</u>	<u>\$ 4,020,164</u>

### **Note 9: Endowment**

NYFA's governing body is subject to the State of New York Prudent Management of Institutional Funds Act (NYPMIFA). As a result, NYFA classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures.

Additionally, in accordance with NYPMIFA, NYFA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

NYFA's endowment consists of approximately two individual funds whose assets are to be held in perpetuity. As required by GAAP, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

# New York Foundation for the Arts, Inc.

## Notes to Financial Statements

June 30, 2019 and 2018

The composition of net assets by type of endowment fund at June 30, 2019 and 2018 was:

	<u>2019</u>	<u>2018</u>
	<u>With Donor</u>	<u>With Donor</u>
	<u>Restrictions</u>	<u>Restrictions</u>
Donor-restricted endowment funds		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 537,088	\$ 537,088
Accumulated investment gains	<u>160,767</u>	<u>148,548</u>
Endowment net assets, end of year	<u>\$ 697,855</u>	<u>\$ 685,636</u>

Change in endowment net assets for the years ended June 30, 2019 and 2018 were:

	<u>2019</u>	<u>2018</u>
	<u>With Donor</u>	<u>With Donor</u>
	<u>Restrictions</u>	<u>Restrictions</u>
Endowment net assets, beginning of year	\$ 685,636	\$ 702,310
Investment returns, net	29,719	15,238
Appropriation of endowment assets for expenditures	<u>(17,500)</u>	<u>(31,912)</u>
Endowment net assets, end of year	<u>\$ 697,855</u>	<u>\$ 685,636</u>

### ***Investment and Spending Policies***

NYFA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds NYFA must hold in perpetuity or for donor-specified periods. Under NYFA's policies, endowment assets are invested in a manner that is intended to produce results that exceed generate income and maintain the principal endowment funds at the original amount designated by the donor while assuming a lower level of investment risk.

To satisfy its long-term rate of return objectives, NYFA relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). NYFA targets a low-risk securities to achieve its long-term return objectives within prudent risk constraints.

NYFA has a spending policy of appropriating for expenditure each year a maximum of 7 percent of its endowment fund's average fair value over the prior three years through the year-end preceding the year in which expenditure is planned. In establishing this policy, NYFA considered the long-term expected return on its endowment. This is consistent with NYFA's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

# **New York Foundation for the Arts, Inc.**

## **Notes to Financial Statements**

**June 30, 2019 and 2018**

### ***Funds with Deficiencies***

NYFA does not have any funds with deficiencies.

### **Note 10: Line of Credit**

In May 2015, NYFA renewed its line of credit agreement with JPMorgan Chase Bank, NA. It is a revolving line of credit and is secured by all assets held by NYFA. The line of credit is renewable annually and has a maximum drawdown of \$250,000. Interest payable is at a variable rate equal to LIBOR, adjusted daily, plus 2.75 percent, which was 5.55 percent at June 30, 2019 and 3.91 percent at June 30, 2018. As of June 30, 2019 and 2018, no balance was outstanding.

### **Note 11: Significant Estimates and Concentrations**

GAAP require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

#### ***Cash***

At June 30, 2019, NYFA's cash accounts exceeded federally insured limits by approximately \$4,120,000.

#### ***Contributions***

Approximately 40 percent of total contributions were received from two donors in 2019.

#### ***Investments***

There has been significant volatility in the investment markets both nationally and globally since December 31, 2019 resulting in an overall market decline, which has resulted in a substantial decline in the value of our investment portfolio.

# New York Foundation for the Arts, Inc.

## Notes to Financial Statements

June 30, 2019 and 2018

### Note 12: Future Changes in Accounting Principles

#### ***Revenue Recognition***

The Financial Accounting Standards Board (FASB) amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018 for nonpublic entities, and any interim periods within annual reporting periods that begin after December 15, 2019 for nonpublic entities. NYFA is in the process of evaluating the impact the amendment will have on the financial statements.

#### ***Grants and Contributions***

FASB released ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify existing guidance on determining whether a transaction with a resource provider, *e.g.*, the receipt of funds under a government grant or contract, is a contribution or an exchange transaction. The guidance requires all organizations to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction, and whether contributions are conditional or unconditional. If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, *Revenue from Contracts with Customers*, or other topics. The standard clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provider, *i.e.*, the transaction is non-exchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional.

FASB expects that the new standard could result in more grants and contracts being accounted for as contributions (often conditional contributions) than under current GAAP. Because of this, it believes the clarifying guidance about whether a contribution is conditional or unconditional, which affects the timing of revenue recognition, is important. Both the recipient and resource provider would equally apply the guidance. The standard will be effective for reporting periods beginning on or after December 15, 2018. NYFA is in the process of evaluating the impact the amendment will have on the financial statements.



# **New York Foundation for the Arts, Inc.**

## **Notes to Financial Statements**

**June 30, 2019 and 2018**

### ***Accounting for Leases***

FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for NYFA's annual periods beginning after December 15, 2020 and any interim periods within annual reporting periods that begin after December 15, 2021. NYFA is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have an impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

### **Note 13: Strategic Plan**

In year ended June 30, 2019, NYFA's statement of activities includes an operational loss of \$219,866. The operational loss was a planned investment in accordance with NYFA's five-year strategic plan, which includes ongoing enhancement to technology, NYFA On-line Resources, and continued expansion of NYFA Learning programs.