

New York Foundation for the Arts, Inc.

Financial Statements

June 30, 2022

Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of New York Foundation for the Arts, Inc. (the "NYFA") (a "Not for Profit Organization") which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the NYFA as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the NYFA and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the NYFA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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New York Foundation for the Arts, Inc.
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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 NYFA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NYFA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

PKF O'Connor Davies, LLP

Harrison, New York
February 6, 2023

New York Foundation for the Arts, Inc.

Statement of Financial Position

June 30, 2022

ASSETS

Cash	\$ 8,411,309
Cash, Musical Instrument Revolving Loan Fund (MIRLF)	875,218
Investments, at fair value	2,512,561
Contributions and grants receivable	305,002
Loans receivable, MIRLF	19,423
Prepaid expenses	52,283
Security deposits	6,192
Property and equipment, net	69,963
	<u>\$ 12,251,951</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 187,633
Deferred rent	10,785
Due to Sponsored Emerging Organizations	487,928
Due to MIRLF	894,641
Deferred revenue	161,246
Deferred grant revenue	2,384,058
Total Liabilities	<u>4,126,291</u>

Net Assets

Without Donor Restrictions	
Operating	1,534,571
Board designated	983,810
Total Without Donor Restrictions	<u>2,518,381</u>
With donor restrictions	<u>5,607,279</u>
Total Net Assets	<u>8,125,660</u>
	<u>\$ 12,251,951</u>

New York Foundation for the Arts, Inc.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Grants and contributions	\$ 20,606,952	\$ 7,466,363	\$ 28,073,315
Special events, net of direct cost of \$80,987	107,822	-	107,822
Administrative fees	601,527	-	601,527
Investment loss, net	(219,599)	(12,995)	(232,594)
Program service fees	1,735,173	-	1,735,173
Rental and other income	33,895	-	33,895
Net assets released from restrictions	6,174,278	(6,174,278)	-
Total Revenues, Gains and Other Support	29,040,048	1,279,090	30,319,138
EXPENSES			
Program Services			
NYC Made in NY Women's Film Grants	1,465,006	-	1,465,006
Fellowship	960,302	-	960,302
Fiscal sponsorship	5,131,901	-	5,131,901
Learning	679,694	-	679,694
Programs communication	565,198	-	565,198
Programs technology	437,515	-	437,515
Other programs (including City Artist Corp Grant)	17,497,255	-	17,497,255
Total Program Services	26,736,871	-	26,736,871
Supporting Services			
Management and general	718,176	-	718,176
Fundraising	735,816	-	735,816
Total Supporting Services	1,453,992	-	1,453,992
Total Expenses	28,190,863	-	28,190,863
Change in Net Assets	849,185	1,279,090	2,128,275
NET ASSETS			
Beginning of Year	1,669,196	4,328,189	5,997,385
End of Year	\$ 2,518,381	\$ 5,607,279	\$ 8,125,660

New York Foundation for the Arts, Inc.

Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services								Supporting Services					
	NYC Made in NY Women's Film		Fiscal		Learning	Programs Communication	Programs Technology	Other Programs (including City Artist Corp Grant)	Total	Management and General	Fundraising	Special Events	Total	Total
	Grants	Fellowship	Sponsorship											
Salaries	\$ 8,192	\$ 192,131	\$ 211,547	\$ 363,659	\$ 355,261	\$ 123,677	\$ 7,166	\$ 1,261,633	\$ 321,117	\$ 483,051	\$ -	\$ 804,168	\$ 2,065,801	
Payroll taxes and employee benefits	1,549	36,254	39,946	68,908	71,898	23,279	1,356	243,190	68,028	90,551	-	158,579	401,769	
Total Personnel Costs	9,741	228,385	251,493	432,567	427,159	146,956	8,522	1,504,823	389,145	573,602	-	962,747	2,467,570	
Fellowships and grants	1,397,371	644,000	4,805,041	-	-	-	17,478,076	24,324,488	-	-	-	-	24,324,488	
Project production	31,450	20,980	-	-	-	17,288	-	69,718	1,400	-	-	1,400	71,118	
Occupancy and storage	11,902	44,209	49,735	56,111	61,637	44,209	3,343	271,146	34,361	100,378	-	134,739	405,885	
Travel	-	38	-	7,128	457	-	-	7,623	17,341	-	-	17,341	24,964	
Printing and duplicating	47	174	195	315	242	174	12	1,159	273	96	-	369	1,528	
Telephone and internet provider	532	1,977	2,225	2,510	2,757	1,977	133	12,111	3,284	4,506	-	7,790	19,901	
Postage and shipping	242	921	1,010	1,664	1,312	911	60	6,120	7,628	2,405	-	10,033	16,153	
Advertising and public relations	-	-	-	-	-	-	-	-	5,417	-	-	5,417	5,417	
Office supplies	63	349	265	299	535	235	16	1,762	5,179	537	-	5,716	7,478	
Repairs and maintenance	202	750	844	952	1,046	744	50	4,588	1,108	1,706	-	2,814	7,402	
Equipment expense	503	1,870	2,103	2,373	2,607	208,487	126	218,069	6,577	4,265	-	10,842	228,911	
Insurance expense	377	1,399	1,574	1,776	1,950	1,399	94	8,569	1,795	3,188	-	4,983	13,552	
Professional fees	9,891	6,435	4,978	158,210	6,170	4,425	5,844	195,953	192,201	19,172	-	211,373	407,326	
Board expenses	-	-	-	-	-	-	-	-	3,729	-	-	3,729	3,729	
Hospitality	-	188	323	656	219	148	11	1,545	1,176	354	-	1,530	3,075	
Event space and catering	-	-	-	-	-	-	-	-	-	-	80,987	80,987	80,987	
Depreciation and amortization	2,375	7,477	10,556	12,139	13,370	9,412	880	56,209	10,468	21,288	-	31,756	87,965	
Credit card and bank fees	-	-	-	931	43,844	-	-	44,775	17,844	1,708	-	19,552	64,327	
Professional development	53	195	484	748	561	195	15	2,251	9,759	443	-	10,202	12,453	
Miscellaneous	257	955	1,075	1,315	1,332	955	73	5,962	9,491	2,168	-	11,659	17,621	
	1,465,006	960,302	5,131,901	679,694	565,198	437,515	17,497,255	26,736,871	718,176	735,816	80,987	1,534,979	28,271,850	
Less: Donor benefit costs	-	-	-	-	-	-	-	-	-	-	(80,987)	(80,987)	(80,987)	
Total Expenses	\$ 1,465,006	\$ 960,302	\$ 5,131,901	\$ 679,694	\$ 565,198	\$ 437,515	\$ 17,497,255	\$ 26,736,871	\$ 718,176	\$ 735,816	\$ -	\$ 1,453,992	\$ 28,190,863	

New York Foundation for the Arts, Inc.

Statement of Cash Flows

Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	2,128,275
Adjustment to reconcile change in net assets to net costs from operating activities		
Depreciation and amortization		87,965
Deferred rent		(19,969)
Realized and unrealized losses		267,906
Changes in operating assets and liabilities		
Contributions and grants receivable		203,609
Prepaid expenses		(5,109)
Accounts payable and accrued expenses		57,457
Due to Sponsored Emerging Organizations		289,017
Due to MIRLF		(25,335)
Deferred revenue		142,496
Deferred grant revenue		900,618
Net Cash from Operating Activities		<u>4,026,930</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment		(72,002)
Purchase of investments		(235,507)
Proceeds from sales of investments		136,249
Principal payments received on loans receivable		75,729
Net Cash from Investing Activities		<u>(95,531)</u>

Net Change in Cash and Restricted Cash 3,931,399

CASH AND RESTRICTED CASH

Beginning of Year		<u>5,355,128</u>
End of Year	\$	<u>9,286,527</u>

**RECONCILIATION OF CASH AND RESTRICTED CASH
TO STATEMENT OF FINANCIAL POSITION**

Cash	\$	8,411,309
Cash (MIRLF)		875,218
	\$	<u>9,286,527</u>

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2022

1. Organization

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.

Income Taxes

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

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

Significant Events – Coronavirus Disease

The global viral outbreak caused by coronavirus disease, which began in 2019 (“COVID-19”) and has evolved through variants of the disease, has resulted in a national public health emergency. There have been effects on the economy that have and will continue to impact NYFA’s financial condition, including significant capital market volatility, investment volatility and various temporary closures and event cancellations.

Due to the evolving nature and unknown duration of COVID-19, the ultimate impact to NYFA and its financial condition is presently unknown. COVID-19 could still negatively affect the operating margins and financial results of NYFA as the duration of the pandemic is not known at this time.

2. Summary of Significant Accounting Policies

Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2022

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

Cash

Uninvested cash included in investment accounts, including endowment accounts, are not considered to be cash.

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. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

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 with donor restrictions, and then released through restrictions. Other investment return is reflected in the statement of activities and changes in net assets 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.

Fair Value of Measurements

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

New York Foundation for the Arts, Inc.

Notes to Financial Statements
June 30, 2022

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable are stated at the amount of consideration from customers, of which NYFA has an unconditional right to receive plus any accrued and unpaid interest. NYFA provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. There were no accounts receivable at year ended June 30, 2022.

Allowance for Doubtful Accounts – Contributions Receivable

Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year end. Bad debt expense is charged if the receivable is determined to be uncollectible based on periodic review by management. Management did not record an allowance for doubtful accounts as of June 30, 2022 as all are expected to be received.

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.e., 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 at 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

New York Foundation for the Arts, Inc.

Notes to Financial Statements
June 30, 2022

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

Contributions (continued)

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 statement of activities and changes in net assets 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.

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.

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. Leasehold improvements are depreciated over the shorter of the lease term or respective estimated useful lives.

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

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 year ended June 30, 2022.

New York Foundation for the Arts, Inc.

Notes to Financial Statements
June 30, 2022

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

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the “Board”) and management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management’s discretion. At June 30, 2022, \$983,810 of NYFA’s net assets without donor restriction were Board designated.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Foundation reports gifts of cash and other assets as revenue with donor restrictions 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, the net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities and changes in net assets as net assets released from restrictions.

From time to time, NYFA may receive gifts of net assets with donor restrictions that contain a stipulation that the assets provided be maintained permanently (perpetual in nature) while permitting NYFA to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a board approved spending policy. At June 30, 2022, NYFA had net assets with donor restrictions that are maintained permanently of \$537,088.

Revenue Recognition

Administrative Fees: Administrative fees include fees charged for managing artists’ funds and administering grants. Fees are based upon a percentage of assets being managed by NYFA on behalf of the individual artist and recognized as NYFA satisfies performance obligations under its contracts. Revenue is reported at the estimated transaction price or amount that reflects the consideration to which NYFA expects to be entitled in exchange for providing services. NYFA determines the transaction price based on standard charges for services provided.

Program Service Fees: Program service fees are charged for various programs held throughout the year. Revenue is reported at the amount of consideration which NYFA expects to be entitled in exchange for providing services. NYFA determines the transaction price based on standard charges for services provided.

Rental and Other Income: Rental income includes fees for short-term rentals and commissions and is recognized when earned in accordance with the related agreements.

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2022

2. Summary of Significant Accounting Policies (continued)

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 unconditional grants are approved and the grantees are notified. At June 30, 2022, there were no grants payable.

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.

Advertising

Advertising costs are expensed in the year they are incurred.

Functional Allocation of Expenses

The costs of providing NYFA's services have been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses present the natural classification detail of expenses by function. Certain costs such as personal costs, fellowships and grants, occupancy and storage, professional fees, and other expenses have been allocated among the program, management and general and fundraising categories based on the square footage methodology and other methods.

New York Foundation for the Arts, Inc.

Notes to Financial Statements
June 30, 2022

2. Summary of Significant Accounting Policies (continued)

Accounting for Uncertainty in Income Taxes

NYFA recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that NYFA had no uncertain tax positions that would require financial statement recognition or disclosure.

Subsequent Events

Management has evaluated subsequent events for disclosure and/or possible recognition in the financial statements through February 6, 2023, which is the date that the financial statements were available to be issued.

3. Investments

The following are major categories of investment of NYFA measured at fair value on a recurring basis at June 30, 2022, grouped by the fair value hierarchy for those investments subject to categorization within such hierarchy:

Cash and cash equivalents, at cost	\$ 59,191
Level 1 (Quoted Prices in Active Markets)	
Equity Funds - domestic	549,141
Mutual funds - income in growth	1,483,951
Exchange traded funds - domestic	<u>420,278</u>
	<u>\$ 2,512,561</u>

New York Foundation for the Arts, Inc.

Notes to Financial Statements
June 30, 2022

4. Conditional Gifts

NYFA has received \$2,384,058 of conditional promises to give at June 30, 2022 that is recognized as deferred grant revenue and expected to be recognized as grant income in future years. In addition, NYFA has received notification of the conditional promises to give at June 30, 2022 of \$300,000 that are not recognized in the financial statements and for which no proceeds have been received. These conditional promises will be recognized into revenue when qualifying expenses are incurred.

5. Contributions Receivable

Contributions receivable of \$305,002 at June 30, 2022 consisted of amount due in less than one year.

6. Property and Equipment

Property and equipment, at cost, consist of the following at June 30, 2022:

Leasehold improvements	\$	602,142
Furniture and equipment		381,888
Website development		<u>1,437,198</u>
		2,421,228
Less accumulated depreciation and amortization		<u>(2,351,265)</u>
	\$	<u>69,963</u>

7. 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 the prime rate plus .05 percent, which was 7.05 percent at June 30, 2022. As of June 30, 2022, no balance was outstanding.

New York Foundation for the Arts, Inc.

Notes to Financial Statements
June 30, 2022

8. Revenue from Contracts with Customers

Advertising, Program Service and Administrative Fees Revenue

Performance obligations are determined based on the nature of the services provided by NYFA in accordance with contracts. Revenue for performance obligations satisfied over time is recognized ratably over the period as NYFA satisfies its performance obligations. NYFA believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Transaction Price and Recognition

NYFA determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided in accordance with NYFA's policy and implicit price concessions provided to customers. NYFA determines its estimates of explicit price concessions based on its discount policies. NYFA determines its estimate of implicit price concessions based on its historical collection experience with this class of customers.

NYFA has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, customer, governmental programs and others) that have different reimbursement and payment methodologies
- NYFA's line of business that provided the service

For the year ended June 30, 2022, NYFA recognized revenue of \$2,336,700 from goods and services that transfer to the customer over time.

Contract Balances

NYFA does not have receivables or contract assets from contracts with customers. The following table provides information about NYFA's contract liabilities from contracts with customers included deferred revenue in the accompanying statement of financial position:

	<u>2022</u>
Beginning of the year	\$ 18,750
End of the year	161,246

New York Foundation for the Arts, Inc.

Notes to Financial Statements
June 30, 2022

9. Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30, 2022 have been designated for the following purposes:

Undesignated	\$ 1,534,571
Designated by the Board for operating reserve	983,810
	<u>\$ 2,518,381</u>

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2022 are restricted for the following purposes:

Subject to expenditure for specified purpose	
Artists' Fund	\$ 296,447
Fiscal Sponsorship	4,234,511
New York State Council on the Arts Fellowship	33,032
Artists Business Incubator	4,477
Core Activities	245,056
	<u>4,813,523</u>
Endowments	
Subject to appropriation and expenditure over time, of which a portion is restricted in perpetuity by donors	
	<u>793,756</u>
	<u>\$ 5,607,279</u>

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 for the year ended June 30, 2022.

Satisfaction of purpose restrictions	
Artists' Fund	\$ 1,319,075
Fiscal Sponsorship	4,809,803
New York State Council on the Arts Fellowship	45,400
	<u>\$ 6,174,278</u>

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2022

10. 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 NYFA 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 NYFA
7. Investment policies of NYFA

NYFA's endowment consists of approximately two individual funds whose assets are to be held in perpetuity. As required by U.S. 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.

The composition of net assets by type of endowment fund at June 30, 2022 was:

	<u>With Donor Restrictions</u>
Donor-restricted endowment funds	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 537,088
Accumulated investment gains	<u>256,668</u>
Endowment net assets, end of year	<u>\$ 793,756</u>

New York Foundation for the Arts, Inc.

Notes to Financial Statements
June 30, 2022

10. Endowment (*continued*)

Change in endowment net assets for the years ended June 30, 2022 was:

	With Donor Restrictions
Endowment net assets, beginning of year	\$ 806,751
Investment return	(1,995)
Appropriation of endowment assets for expenditures	<u>(11,000)</u>
Endowment net assets, end of year	<u>\$ 793,756</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.

Funds with Deficiencies

NYFA does not have any funds with deficiencies.

New York Foundation for the Arts, Inc.

Notes to Financial Statements
June 30, 2022

11. Operating Leases

On August 1, 2017, NYFA signed a 10-year lease which expires December 2028. The lease is cancelable after November 30, 2022 with 12 months' notice. Subsequent to year ended June 30, 2022, NYFA terminated the lease agreement in accordance with the terms of the agreement and entered into a new 10 year lease for a new location. The future minimum lease payments are as follows:

2023	\$ 179,413
2024	200,700
2025	206,721
2026	212,923
2027	219,311
Thereafter	<u>1,628,531</u>
	<u>\$ 2,647,599</u>

Rent expense was \$369,571 for the year ended June 30, 2022.

12. 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, 2022, comprise the following:

Financial assets

Cash	\$ 8,411,309
Cash, Musical Instrument Revolving Loan Fund (MIRLF)	875,218
Investments, at fair value	2,512,561
Contributions and grants receivable	305,002
Loans receivable, MIRLF	<u>19,423</u>

Total Financial Assets Available Within One Year 12,123,513

Donor-imposed and other external restrictions

Subject to expenditure for specified purpose	(4,813,523)
Due to MIRLF	(894,641)
Endowments	<u>(793,756)</u>

Total donor-imposed and other external restrictions (6,501,920)

Net financial assets after donor-imposed
and other external restrictions 5,621,593

Internal designations

Board designated	<u>(983,810)</u>
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Total Financial Assets Available to Management
For General Expenditure Within One Year \$ 4,637,783

New York Foundation for the Arts, Inc.

Notes to Financial Statements
June 30, 2022

12. Liquidity and Availability *(continued)*

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.

13. Pension Plan

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 Teachers Insurance and Annuity Association-College Retirement Equities Fund. NYFA's makes a voluntary contribution at the rate of up to 4 percent of compensation for eligible participants. For the year ended June 30, 2022, NYFA contributed \$41,400 to the plans.

14. Significant Estimates and Concentrations

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

Contributions

Approximately, seventy seven percent of total contributions were received from five donors in 2022. All contributions and grants receivable at June 30, 2022 is from a single grantor.

Cash

At times, the cash balance may be in excess of the Federal Deposit Insurance Corporation's insurance limit. Investments are managed by professional investment advisors and diversified by industry and type in order to limit risk.

Investments

NYFA invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the accompanying statement of financial position.
