

**NEW YORK FOUNDATION
FOR THE ARTS, INC.**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

JUNE 30, 2017

NEW YORK FOUNDATION FOR THE ARTS, INC.

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Independent Auditor's Report

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

We have audited the accompanying financial statements of New York Foundation for the Arts, Inc., which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 New York Foundation for the Arts, Inc. as of June 30, 2017, 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.

Report on Summarized Comparative Information

We have previously audited New York Foundation for the Arts, Inc.'s June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 23, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Loeb & Troper LLP

December 21, 2017

NEW YORK FOUNDATION FOR THE ARTS, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

(With Summarized Financial Information for June 30, 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 2,436,797	\$ 3,231,902
Investments - at fair value (Note 2)	1,928,976	1,831,530
Contributions and grants receivable - current	422,013	329,972
Prepaid expenses	51,349	39,785
Security deposits	37,478	37,478
Fixed assets - net (Note 3)	<u>137,667</u>	<u>228,971</u>
Total assets	<u>\$ 5,014,280</u>	<u>\$ 5,699,638</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 89,381	\$ 96,638
Deferred rent	51,390	84,683
Due to Sponsored Emerging Organizations	192,157	106,815
Fellowship grants payable - current		647,000
Grants payable - current	<u>15,004</u>	<u>19,114</u>
Total liabilities	<u>347,932</u>	<u>954,250</u>
Net assets (Exhibit B)		
Unrestricted		
Operating	745,275	739,367
Board-designated	<u>700,210</u>	<u>700,210</u>
Total unrestricted	1,445,485	1,439,577
Temporarily restricted (Note 7)	2,683,775	2,768,723
Permanently restricted (Note 8)	<u>537,088</u>	<u>537,088</u>
Total net assets	<u>4,666,348</u>	<u>4,745,388</u>
Total liabilities and net assets	<u>\$ 5,014,280</u>	<u>\$ 5,699,638</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

NEW YORK FOUNDATION FOR THE ARTS, INC.

EXHIBIT B

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

(With Summarized Financial Information
for the Year Ended June 30, 2016)

	2017					2016
	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Board- Designated	Total			
Revenues, gains and other support						
Grants and contributions	\$ 5,937,153		\$ 5,937,153	\$ 268,546		\$ 6,205,699
Special events	\$ 273,379					
Less direct cost of special events	<u>(105,669)</u>	167,710	167,710			167,710
Administrative fees		365,246	365,246			365,246
Investment income - net (Note 4)		80,963	80,963	23,104		104,067
Program service fees		1,037,028	1,037,028			1,037,028
Rental and other income		34,720	34,720			34,720
Board-designated funds transfer						
Net assets released from restrictions (Note 7)		<u>376,598</u>	<u>376,598</u>	<u>(376,598)</u>		
Total revenues, gains and other support		<u>7,999,418</u>	<u>7,999,418</u>	<u>(84,948)</u>		<u>7,914,470</u>
Expenses (Exhibit C)						
Program services						
Artists' fellowship and NYFA Grant Program		1,037,745	1,037,745			1,037,745
Fiscal sponsorship		4,170,301	4,170,301			4,170,301
Other programs		<u>1,583,017</u>	<u>1,583,017</u>			<u>1,583,017</u>
Total program services		<u>6,791,063</u>	<u>6,791,063</u>			<u>6,791,063</u>

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NEW YORK FOUNDATION FOR THE ARTS, INC.

EXHIBIT B

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STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

(With Summarized Financial Information
for the Year Ended June 30, 2016)

	2017					2016	
	Operating	Unrestricted Board- Designated	Total	Temporarily Restricted	Permanently Restricted	Total	Total
Expenses (Exhibit C)							
Supporting services							
Management and general	\$ 629,093		\$ 629,093			\$ 629,093	\$ 282,471
Fundraising	573,354		573,354			573,354	175,862
Total supporting services	1,202,447		1,202,447			1,202,447	458,333
Total expenses	7,993,510		7,993,510			7,993,510	8,535,455
Change in net assets (Exhibit D)	5,908		5,908	\$ (84,948)		(79,040)	(85,025)
Net assets - beginning of year	739,367	\$ 700,210	1,439,577	2,768,723	\$ 537,088	4,745,388	4,830,413
Net assets - end of year (Exhibit A)	\$ 745,275	\$ 700,210	\$ 1,445,485	\$ 2,683,775	\$ 537,088	\$ 4,666,348	\$ 4,745,388

See independent auditor's report.

The accompanying notes are an integral part of these statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

(With Summarized Financial Information
for the Year Ended June 30, 2016)

	2017									2016
	Program Services				Supporting Services				Total	
	Artists' Fellowship and NYFA Grant Program	Fiscal Sponsorship	Other Programs	Total	Management and General	Fundraising	Special Events	Total		Total
Salaries	\$ 194,656	\$ 216,585	\$ 606,047	\$ 1,017,288	\$ 284,940	\$ 367,204		\$ 652,144	\$ 1,669,432	\$ 1,757,000
Payroll taxes and employee benefits	37,986	41,932	128,567	208,485	50,414	70,624		121,038	329,523	315,973
Total personnel costs	232,642	258,517	734,614	1,225,773	335,354	437,828		773,182	1,998,955	2,072,973
Fellowships and grants	637,000	3,778,842	288,563	4,704,405					4,704,405	5,410,964
Project production	29,299		25,555	54,854					54,854	36,748
Occupancy and storage	46,612	49,377	186,843	282,832	65,178	47,007		112,185	395,017	322,145
Travel	9,847	807	12,199	22,853	19,333	3,769		23,102	45,955	38,332
Printing and duplicating	668	387	1,741	2,796	1,325	595		1,920	4,716	5,955
Telephone and internet provider	2,270	2,405	7,310	11,985	3,971	4,078		8,049	20,034	19,248
Postage and shipping	268	276	1,021	1,565	2,455	468		2,923	4,488	6,646
Advertising and public relations			223	223					223	67
Office supplies	1,755	1,859	6,944	10,558	2,454	1,770		4,224	14,782	7,454
Repairs and maintenance	1,905	2,018	7,637	11,560	2,664	1,922		4,586	16,146	12,827
Equipment expense	19,482	20,638	78,095	118,215	27,242	19,648		46,890	165,105	143,682
Insurance expense	1,886	1,998	7,340	11,224	2,637	1,902		4,539	15,763	14,842
Professional fees	32,448	34,373	130,065	196,886	45,372	32,723		78,095	274,981	168,300
Board expenses					30,301			30,301	30,301	11,794
Hospitality	1,909	775	7,933	10,617	1,784	2,359		4,143	14,760	16,644
Event space and catering							\$ 105,669	105,669	105,669	103,376
Depreciation and amortization	16,045	16,962	64,152	97,159	22,390	16,148		38,538	135,697	163,268
Conference attendance	1,125	80	1,500	2,705	5,554			5,554	8,259	2,250
Credit card and bank fees					47,113			47,113	47,113	47,619
Professional development	249	213	4,989	5,451	8,890	1,232		10,122	15,573	15,371
Miscellaneous	2,335	774	16,293	19,402	5,076	1,905		6,981	26,383	18,326
Investment fees					7,121			7,121	7,121	
Total expenses	1,037,745	4,170,301	1,583,017	6,791,063	636,214	573,354	105,669	1,315,237	8,106,300	8,638,831
Less expenses deducted from revenues on the statement of activities										
Direct expenses of special events							(105,669)	(105,669)	(105,669)	(103,376)
Investment fees					(7,121)			(7,121)	(7,121)	
Total expenses as reported by function on the statement of activities (Exhibit B)	\$ 1,037,745	\$ 4,170,301	\$ 1,583,017	\$ 6,791,063	\$ 629,093	\$ 573,354	\$ -	\$ 1,202,447	\$ 7,993,510	\$ 8,535,455

See independent auditor's report.

The accompanying notes are an integral part of these statements.

EXHIBIT D**NEW YORK FOUNDATION FOR THE ARTS, INC.****STATEMENT OF CASH FLOWS****YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ (79,040)	\$ (85,025)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	135,697	163,268
Realized and unrealized loss (gain)	(78,295)	3,440
Decrease (increase) in assets		
Contributions and grants receivable	(92,041)	(53,626)
Prepaid expenses	(11,564)	(16,488)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(7,257)	15,992
Deferred rent	(33,293)	(26,033)
Due to Sponsored Emerging Organizations	85,342	(199,820)
Fellowship grants payable	(647,000)	647,000
Grants payable	(4,110)	
	<u>(731,561)</u>	<u>448,708</u>
Net cash provided (used) by operating activities		
Cash flows from investing activities		
Purchase of fixed assets	(44,393)	(53,620)
Purchase of investments	(1,130,735)	(1,023,170)
Proceeds from sales of investments	1,111,584	711,074
	<u>(63,544)</u>	<u>(365,716)</u>
Net cash used by investing activities		
Net change in cash and cash equivalents	(795,105)	82,992
Cash and cash equivalents - beginning of year	<u>3,231,902</u>	<u>3,148,910</u>
Cash and cash equivalents - end of year	<u>\$ 2,436,797</u>	<u>\$ 3,231,902</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

NEW YORK FOUNDATION FOR THE ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 - NATURE OF ORGANIZATION

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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.

Cash and cash equivalents - Cash and cash equivalents consist of cash and highly liquid investments with maturity dates, when acquired, of ninety days or less.

Investments - Investments are recorded at fair value. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible, based on the markets' fluctuations, 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 financial statements.

Contributions and grants receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

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NEW YORK FOUNDATION FOR THE ARTS, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2017****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

Fixed assets - Fixed assets costing in excess of \$1,000 with useful lives of greater than one year are capitalized. Depreciation and amortization is recorded on the straight-line method over their estimated useful lives, ranging from three to five years. Leasehold improvements are amortized over the term of the lease or useful lives of the assets, whichever is shorter.

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.

Net assets - NYFA reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Unrestricted net assets include funds having no restrictions as to use or purpose imposed by donors. Included in unrestricted are Board Designated funds. Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and that only the income from such investments be utilized.

Contributions and grants - Unconditional contributions and grants, including promises to give cash and other assets, are reported at fair value at the date the contribution or grant is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions and grants received and expended in the same fiscal year are reflected as unrestricted revenues.

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NEW YORK FOUNDATION FOR THE ARTS, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2017****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*****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.

Functional expenses - The costs of providing NYFA's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising and public relations expense - Advertising and public relations are recorded as an expense in the period of the expenditure. Advertising expense was \$223 for 2017.

Fair Value Measurements

Fair Value Measurements establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that NYFA has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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NEW YORK FOUNDATION FOR THE ARTS, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2017****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*****Fair Value Measurements (continued)***

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 as compared to 2016.

Certificate of deposit - Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations, considering the creditworthiness of the issuer.

Equities and exchange traded funds - Valued at the closing price reported on the active market in which the individual securities are traded.

Corporate bonds - Value at fair value by discounting and related cash flows based on current yields of similar investments with comparable durations considering the creditworthiness of the issuer.

Mutual funds - Valued at the net asset value (NAV) of shares held at year-end, and are deemed to be traded on an active market.

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NEW YORK FOUNDATION FOR THE ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Fair Value Measurements (continued)**Fair Value Measurements on a Recurring Basis*

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Certificate of deposit		\$ 51,026	\$ 51,026
Equities - domestic	\$ 487,160		487,160
Corporate bonds		23,094	23,094
Mutual funds - income in growth	618,570		618,570
Exchange traded funds - domestic	<u>291,563</u>		<u>291,563</u>
Total investments reported on the fair value hierarchy	<u>\$ 1,397,293</u>	<u>\$ 74,120</u>	1,471,413
Cash and cash equivalents			<u>457,563</u>
Total			<u>\$ 1,928,976</u>

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. NYFA's assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

Summarized financial information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with NYFA's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Uncertainty in income taxes - NYFA has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending June 30, 2014 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through December 31, 2017, which is the date the financial statements were available to be issued.

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NEW YORK FOUNDATION FOR THE ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 3 - FIXED ASSETS

Fixed assets, at cost, consist of the following:

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Life</u>
Leasehold improvements	\$ 602,142	\$ 602,142	6 years
Furniture and equipment	381,888	380,666	3 to 5 years
Website development	<u>888,368</u>	<u>845,197</u>	3 to 5 years
	1,872,398	1,828,005	
Less accumulated depreciation and amortization	<u>(1,734,731)</u>	<u>(1,599,034)</u>	
	<u>\$ 137,667</u>	<u>\$ 228,971</u>	

NOTE 4 - INVESTMENT INCOME

Investment income consists of the following:

Dividends and interest	\$ 32,893
Realized and unrealized gains	78,295
Investment fees	<u>(7,121)</u>
Total	<u>\$ 104,067</u>

NOTE 5 - 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 were at the rate of 4% of compensation for eligible participants for the years ended June 30, 2017 and 2016 totaling \$35,464 and \$40,818, respectively.

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NEW YORK FOUNDATION FOR THE ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 6 - LEASE COMMITMENTS

NYFA leases its premises under a 10-year lease, which expires on September 30, 2018. On August 1, 2017 they signed a new ten-year lease with one month free rent. The lease is cancellable with 12 months notice. The future minimum lease payments are as follows:

2018	\$ 305,123
2019	283,865
2020	360,972
2021	372,804
2022	384,636
Thereafter	<u>2,787,156</u>
Total	\$ <u>4,494,556</u>

Rent expense was \$264,388 for the year ended June 30, 2017.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes and programs:

Artists' Fund	\$ 120,018
Fiscal Sponsorship	2,191,150
New York State Council on the Arts	28,871
Artists Business Incubator	148,356
For periods after June 30, 2017	<u>195,380</u>
	\$ <u>2,683,775</u>

During the year ended June 30, 2017, net assets were released from donor restrictions by incurring expenses satisfying the purposes specified by donors as follows:

Artists' Fund	\$ 37,641
Artists Business Incubator	205,463
Lapse of time restrictions	<u>133,494</u>
	\$ <u>376,598</u>

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NEW YORK FOUNDATION FOR THE ARTS, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2017****NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS****Endowment Funds****General**

NYFA has two donor-restricted endowment funds established to help fund various fellowships and grants. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of NYFA adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA permits charities to apply a spending policy to endowments based on certain specified standards of prudence. NYFA is governed by the NYPMIFA spending policy, which provides that expenditures in excess of 7% would be considered imprudent unless NYFA can affirmatively establish that they meet the appropriate standards of prudence. As a result of this interpretation, NYFA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standards of prudence prescribed by NYPMIFA.

Return Objectives, Strategies Employed and Spending Policy

The objective of NYFA is to maintain the principal endowment funds at the historical dollar value designated by the donor while generating investment income. The current investment approach for the endowment is to prioritize capital preservation and liquidity and to limit losses within the portfolio by minimizing its exposure to equities and other investments with the potential for significant losses. With this investment approach, the majority of the endowment's assets are invested in investments that are expected to generate modest returns with lower risk. Interest earned in relation to the endowment funds is recorded as unrestricted if appropriated in the same year earned.

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NEW YORK FOUNDATION FOR THE ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS (continued)**Endowment Funds** (continued)**Endowment Net Asset Composition by Type of Fund as of June 30, 2017**

Primarily to support fellowships and grants for artists \$ 537,088

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 142,118	\$ 537,088	\$ 679,206
Interest and dividends	11,503		11,503
Realized and unrealized gains	<u>11,601</u>	<u> </u>	<u>11,601</u>
Endowment net assets, end of year	<u>\$ 165,222</u>	<u>\$ 537,088</u>	<u>\$ 702,310</u>

NOTE 9 - LINE OF CREDIT

In May 2015, NYFA renewed its line of credit agreement with JPMorgan Chase Bank, NA. The line of credit is secured by all assets held by NYFA. Interest payable is at a variable rate equal to LIBOR, adjusted daily, plus 2.75%, which was 3.91% at June 30, 2017. As of June 30, 2017, no balance was outstanding.

NOTE 10 - CONCENTRATIONS

Financial instruments which potentially subject NYFA to a concentration of credit risk are cash accounts with financial institutions in excess of FDIC insurance limits. Management believes that credit risk related to these accounts is minimal.