

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

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT**

**JUNE 30, 2015**

**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, 2015, 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, 2015, 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 the New York Foundation for the Arts, Inc.'s June 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 22, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Loeb & Troper LLP*

February 22, 2016

## NEW YORK FOUNDATION FOR THE ARTS, INC.

## STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015

(With Summarized Financial Information for June 30, 2014)

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,148,910	\$ 2,851,534
Investments - at fair value (Note 2)	1,522,874	1,477,480
Contributions and grants receivable - current	276,346	732,261
Prepaid expenses	23,297	11,622
Security deposits	37,478	37,478
Fixed assets - net (Note 3)	<u>338,619</u>	<u>392,976</u>
Total assets	<u>\$ 5,347,524</u>	<u>\$ 5,503,351</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 80,646	\$ 146,172
Fellowship grants payable		630,000
Deferred rent	110,716	129,668
Due to Sponsored Emerging Organizations	306,635	181,707
Grants payable - current	<u>19,114</u>	<u>19,466</u>
Total liabilities	<u>517,111</u>	<u>1,107,013</u>
Net assets (Exhibit B)		
Unrestricted		
Operating	733,747	713,497
Board-designated	<u>890,210</u>	<u>565,210</u>
Total unrestricted	1,623,957	1,278,707
Temporarily restricted (Note 7)	2,919,368	2,580,543
Permanently restricted (Note 8)	<u>287,088</u>	<u>537,088</u>
Total net assets	<u>4,830,413</u>	<u>4,396,338</u>
Total liabilities and net assets	<u>\$ 5,347,524</u>	<u>\$ 5,503,351</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, 2015  
 (With Summarized Financial Information  
 for the Year Ended June 30, 2014)

	2015			2014		
	Operating	Unrestricted Board-Designated	Total	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support						
Grants and contributions	\$ 6,067,301	\$ 6,067,301	\$ 6,067,301	\$ 610,473	\$ 6,677,774	\$ 5,907,756
Special events	\$ 381,510		233,631		233,631	236,087
Less direct cost of special events	(147,879)		458,540		458,540	384,825
Administrative fees			3,170	16,314	19,484	39,804
Investment income (Note 4)			950,734	4,516	955,250	723,176
Program service fees			58,521		58,521	56,998
Rental and other income						
Net assets released from restrictions (Note 7)			292,478	(292,478)		
Total revenues, gains and other support	8,064,375	8,064,375	8,064,375	338,825	8,403,200	7,348,646
Expenses (Exhibit C)						
Program services						
Artists' fellowships and NYFA grant program	1,343,475		1,343,475		1,343,475	1,359,438
Fiscal sponsorship	5,594,985		5,594,985		5,594,985	5,451,296
Other programs	589,135		589,135		589,135	1,138,140
Total program services	7,527,595	7,527,595	7,527,595		7,527,595	7,948,874

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NEW YORK FOUNDATION FOR THE ARTS, INC.

EXHIBIT B  
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STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015  
(With Summarized Financial Information  
for the Year Ended June 30, 2014)

	2015			2014		
	Operating	Unrestricted Board- Designated	Total	Temporarily Restricted	Permanently Restricted	Total
Expenses (Exhibit C)						
Supporting services	\$ 246,765	\$ 246,765	\$ 246,765		\$ 246,765	\$ 256,306
Management and general	194,765	194,765	194,765		194,765	169,792
Fund raising						
Total supporting services	441,530	441,530	441,530		441,530	426,098
Total expenses	7,969,125	7,969,125	7,969,125		7,969,125	8,374,972
Change in net assets before reclassifications	95,250	\$ 95,250	\$ 95,250	\$ 338,825		434,075
Reclassifications (Note 8)	(75,000)		250,000		\$ (250,000)	
Change in net assets (Exhibit D)	20,250	325,000	345,250	338,825	(250,000)	434,075
Net assets - beginning of year	713,497	565,210	1,278,707	2,580,543	537,088	4,396,338
Net assets - end of year (Exhibit A)	\$ 733,747	\$ 890,210	\$ 1,623,957	\$ 2,919,368	\$ 287,088	\$ 4,830,413
						\$ 4,396,338

See independent auditor's report.

The accompanying notes are an integral part of these statements.

NEW YORK FOUNDATION FOR THE ARTS, INC.  
 STATEMENT OF FUNCTIONAL EXPENSES  
 YEAR ENDED JUNE 30, 2015  
 (With Summarized Financial Information  
 for the Year Ended June 30, 2014)

	2015										2014	
	Program Services					Supporting Services					Total	Total
	Fellowship and NYFA Grant Program	Fiscal Sponsorship	Other Programs	Total	Management and General	Fund Raising	Special Events	Total	Total	Total	Total	
Salaries	\$ 256,919	\$ 1,053,197	\$ 118,079	\$ 1,402,195	\$ 44,280	\$ 29,520	\$	\$ 73,800	\$ 1,475,995	\$ 1,448,553	\$ 1,448,553	
Payroll taxes and employee benefits	51,280	211,151	24,133	286,564	9,049	6,034		15,083	301,647	293,848	293,848	
Total personnel costs	302,199	1,244,348	142,212	1,688,759	53,329	35,554		88,883	1,777,642	1,742,401	1,742,401	
Fellowships and grants	880,873	4,112,843	64,652	5,058,368					5,058,368	5,524,390	5,524,390	
Project production	52,397			52,397					52,397	70,635	70,635	
Occupancy and storage	28,617	37,698	128,539	194,854	53,803	66,815		118,618	313,472	296,534	296,534	
Travel	2,090	4,095	14,768	20,953	17,889	3,604		21,493	42,446	75,489	75,489	
Printing and duplicating	210	210	669	1,089	5,489	900		6,389	7,478	9,482	9,482	
Telephone and internet providers	1,153	1,569	6,175	8,837	5,078	2,675		7,753	16,590	16,059	16,059	
Postage and shipping	1,965	1,354	2,902	6,221	997	370		1,367	7,588	5,607	5,607	
Office supplies	1,479	444	2,114	4,185	2,114	819		2,933	7,138	11,960	11,960	
Repairs and maintenance	4,885	6,392	16,458	27,735	8,216	9,307		17,523	45,258	42,779	42,779	
Equipment expense	1,366	1,787	78,734	81,887	4,397	5,328		9,725	91,612	79,555	79,555	
Insurance expense	1,673	2,189	7,602	11,464	3,132	3,819		6,951	18,415	20,744	20,744	
Professional fees	39,297	154,725	29,241	223,263	11,211	10,174		21,385	244,648	151,455	151,455	
Board expenses					17,526			17,526	17,526	23,704	23,704	
Hospitality	4,396	218	1,870	6,484	4,496	3,198		7,694	14,178	23,289	23,289	
Event space and catering									147,879	147,879	147,879	
Depreciation and amortization	19,367	25,342	80,145	124,854	36,261	44,915		81,176	206,030	202,591	202,591	
Conference attendance		207		207		35		115	322	2,887	2,887	
Investment fees					100			120	120	769	769	
Credit and bank fees					13,582			13,582	13,582	35,981	35,981	
Professional development	798	1,023	6,149	7,970	4,451	2,292		6,743	14,713	8,625	8,625	
Miscellaneous expense	710	601	6,757	8,068	6,694	4,980		11,674	19,742	28,818	28,818	
Total expenses	1,343,475	5,594,985	589,135	7,527,595	246,885	194,765	147,879	589,529	8,117,124	8,480,466	8,480,466	
Less expenses deducted from revenues of the statement of activities												
Direct expenses of special events investment fees					(120)		(147,879)	(120)	(147,879)	(104,725)	(104,725)	
Total expenses as reported by function on the statement of activities (Exhibit B)	\$ 1,343,475	\$ 5,594,985	\$ 589,135	\$ 7,527,595	\$ 246,765	\$ 194,765	\$ -	\$ 441,530	\$ 7,969,125	\$ 8,374,972	\$ 8,374,972	

See independent auditor's report.  
 The accompanying notes are an integral part of these statements.



## NEW YORK FOUNDATION FOR THE ARTS, INC.

## STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 434,075	\$ (1,026,326)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	206,030	202,591
Realized and unrealized gain	(4,300)	(24,395)
Decrease (increase) in assets		
Contributions and grants receivable	455,915	152,819
Prepaid expenses	(11,675)	21,678
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(65,526)	(26,064)
Fellowship grants payable	(630,000)	(10,000)
Deferred rent	(18,952)	(6,264)
Due to Sponsored Emerging Organizations	124,928	(82,919)
Grants payable	(352)	(13,463)
	<u>490,143</u>	<u>(812,343)</u>
Net cash provided (used) by operating activities		
Cash flows from investing activities		
Purchase of fixed assets	(151,673)	(94,121)
Purchase of investments	(207,098)	(48,517)
Proceeds from sales of investments	166,004	12,224
	<u>(192,767)</u>	<u>(130,414)</u>
Net cash used by investing activities		
Net change in cash and cash equivalents	297,376	(942,757)
Cash and cash equivalents - beginning of year	<u>2,851,534</u>	<u>3,794,291</u>
Cash and cash equivalents - end of year	<u>\$ 3,148,910</u>	<u>\$ 2,851,534</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, 2015

**NOTE 1 - NATURE OF ORGANIZATION**

The 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. NYFA accomplishes this by offering financial assistance and information to artists and organizations that directly serve artists, by supporting arts programming in the community, and by building collaborative relationships with others who advocate for the arts in New York State and throughout the country.

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, 2015

**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 aged basis of its contributions and other sources, current economic conditions, subsequent receipts 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 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. The balance held on behalf of those organizations as of June 30, 2015 and 2014 totaled \$306,635 and \$181,707, respectively.

*Fellowship grants 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, which include board designated and undesignated amounts, are used to account for all expendable resources over which the Board of Directors has discretionary control. These amounts are not subject to donor-imposed stipulations. 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.

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## NEW YORK FOUNDATION FOR THE ARTS, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*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.

***Revenue recognition***

*Administrative fees* - Administrative fees include fees received for managing artists' funds. Fees are recognized when earned.

*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 received for rentals and commissions, which 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.

***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:

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## NEW YORK FOUNDATION FOR THE ARTS, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Fair Value Measurements (continued)*

- 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.

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.

*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 credit-worthiness of the issuer.

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

*Mutual funds* - Valued at the net asset value (NAV) on the active market on which the individual securities are traded.

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## NEW YORK FOUNDATION FOR THE ARTS, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

## 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, 2015.

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Certificate of deposit		\$ 103,811	103,811
Equities - domestic	\$ 185,375		185,375
Corporate Bonds	23,175		23,175
Mutual funds and exchange traded funds - domestic	<u>32,618</u>		<u>32,618</u>
Total investments reported on the fair value hierarchy	<u>\$ 241,168</u>	<u>\$ 103,811</u>	344,979
Cash and cash equivalents			<u>1,177,895</u>
Total			<u>\$ 1,522,874</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, 2014, 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, 2012 and subsequent remain subject to examination by applicable taxing authorities.

*Subsequent events* - Subsequent events have been evaluated through February 22, 2016, 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, 2015

## NOTE 3 - FIXED ASSETS

Fixed assets, at cost, consist of the following:

	<u>2015</u>	<u>2014</u>	<u>Estimated Useful Life</u>
Leasehold improvements	\$ 602,142	\$ 602,142	6 years
Furniture and equipment	380,666	378,238	3 to 5 years
Website development	<u>791,577</u>	<u>642,332</u>	3 to 5 years
	1,774,385	1,622,712	
Less accumulated depreciation and amortization	<u>(1,435,766)</u>	<u>(1,229,736)</u>	
	<u>\$ 338,619</u>	<u>\$ 392,976</u>	

## NOTE 4 - INVESTMENT INCOME

Investment income consists of the following:

Dividends and interest	\$ 15,304
Realized and unrealized gains	4,300
Investment advisory and custody fees	<u>(120)</u>
Total	<u>\$ 19,484</u>

## NOTE 5 - RETIREMENT 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 TIAA-CREF. NYFA's contributions were at the rate of 4% of compensation for eligible participants for the years ended June 30, 2015 and 2014 totaling \$36,073 and \$55,467, respectively.

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## NEW YORK FOUNDATION FOR THE ARTS, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

## NOTE 6 - LEASE COMMITMENTS

NYFA leases its premises under a 10-year lease, which expires on September 30, 2018. The remaining lease payments are as follows:

2016	\$	290,421
2017		297,681
2018		305,123
2019		<u>76,749</u>
Total	\$	<u>969,974</u>

Rent expense was \$264,385 for the year ended June 30, 2015.

## NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

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

Artists' Fund	\$	145,802
Fiscal Sponsorship		2,277,746
New York State Council on the Arts		1,282
For periods after June 30, 2015		<u>494,538</u>
	\$	<u>2,919,368</u>

During the year ended June 30, 2015, net assets were released from donor restrictions by incurring expenses satisfying the purposes specified by donors as follows:

Artists' Fund	\$	6,450
Fiscal Sponsorship		89,966
Emergency Relief Fund		20
NY Theater Program		67,505
Lapse of time restrictions		<u>128,537</u>
	\$	<u>292,478</u>

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## NEW YORK FOUNDATION FOR THE ARTS, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

## NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS

Endowment FundsGeneral

NYFA has two donor-restricted endowment funds established to help fund various fellowships and grants. As required by 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 moves away from the "historic dollar value" standard, and 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, 2015

## NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS (continued)

Endowment Funds (continued)Endowment Net Asset Composition by Type of Fund as of June 30, 2015Primarily to support fellowships and grants for artists \$ 420,505

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 115,030	\$ 537,088	\$ 652,118
Dividends and interest	14,871		14,871
Realized and unrealized gains	4,516		4,516
Reclassification from endowment funds to unrestricted net assets per donor direction		(250,000)	(250,000)
Appropriation of endowment assets for expenditure	<u>(1,000)</u>		<u>(1,000)</u>
Endowment net assets, end of year	\$ <u>133,417</u>	\$ <u>287,088</u>	\$ <u>420,505</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 2.87% at June 30, 2015. As of June 30, 2015, 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.