

New York Foundation for the Arts, Inc.

Independent Auditor's Report and Financial Statements

June 30, 2018 and 2017



New York Foundation for the Arts, Inc.

June 30, 2018 and 2017

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Independent Auditor's Report

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

We have audited the accompanying financial statements of New York Foundation for the Arts, Inc., which comprise the statement of financial position as of June 30, 2018, 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 the New York Foundation for the Arts, Inc. as of June 30, 2018, 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.

Prior Year Audited by Other Auditors and Summarized Comparative Information

The 2017 financial statements were audited by other auditors and their report thereon, dated December 21, 2017, expressed an unmodified opinion. The summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent with the audited financial statements from which it has been derived.

BKD, LLP

New York, New York
January 17, 2019

New York Foundation for the Arts, Inc.
Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Cash	\$ 1,799,264	\$ 2,436,797
Cash, Musical Instrument Revolving Loan Fund (MIRLF)	895,709	-
Investments, at fair value	2,062,649	1,928,976
Contributions and grants receivable, current	355,821	422,013
Loans receivable, MIRLF, current	129,092	-
Loans receivable other, current	9,501	-
Prepaid expenses	81,735	51,349
Security deposits	37,478	37,478
Fixed assets, net	145,493	137,667
Total assets	\$ 5,516,742	\$ 5,014,280
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 86,501	\$ 89,381
Deferred rent	10,655	51,390
Due to Sponsored Emerging Organizations	187,020	192,157
Due to MIRLF	1,024,801	-
Grants payable - current	15,004	15,004
Total liabilities	1,323,981	347,932
 Net Assets		
Unrestricted		
Operating	559,473	745,275
Board-designated	700,210	700,210
Total unrestricted	1,259,683	1,445,485
Temporarily restricted	2,395,990	2,683,775
Permanently restricted	537,088	537,088
Total net assets	4,192,761	4,666,348
Total liabilities and net assets	\$ 5,516,742	\$ 5,014,280

New York Foundation for the Arts, Inc.
Statements of Activities
Year Ended June 30, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

	2018					2017	
	Unrestricted			Temporarily Restricted	Permanently Restricted	Total	Total
	Operating	Board- Designated	Total				
Revenues, Gains and Other Support							
Grants and contributions	\$ 5,688,828	\$ -	\$ 5,688,828	\$ 95,883	\$ -	\$ 5,784,711	\$ 6,205,699
Special events	\$ 328,611						
Less direct cost of special events	<u>(155,319)</u>	173,292	173,292	-	-	173,292	167,710
Administrative fees	327,628	-	327,628	-	-	327,628	365,246
Investment income, net	82,068	-	82,068	15,657	-	97,725	104,067
Program service fees	1,308,938	-	1,308,938	-	-	1,308,938	1,037,028
Rental and other income	33,518	-	33,518	-	-	33,518	34,720
Net assets released from restrictions	399,325	-	399,325	(399,325)	-	-	-
Total revenues, gains and other support	<u>8,013,597</u>	<u>-</u>	<u>8,013,597</u>	<u>(287,785)</u>	<u>-</u>	<u>7,725,812</u>	<u>7,914,470</u>
Expenses							
Program Services							
Artists' fellowship and NYFA Grant Program	1,036,352	-	1,036,352	-	-	1,036,352	1,037,745
Fiscal sponsorship	4,001,696	-	4,001,696	-	-	4,001,696	4,170,301
Other programs	1,996,414	-	1,996,414	-	-	1,996,414	1,583,017
Total program services	<u>7,034,462</u>	<u>-</u>	<u>7,034,462</u>	<u>-</u>	<u>-</u>	<u>7,034,462</u>	<u>6,791,063</u>

New York Foundation for the Arts, Inc.
Statements of Activities
Year Ended June 30, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

	2018					2017	
	Unrestricted			Temporarily Restricted	Permanently Restricted	Total	Total
	Operating	Board- Designated	Total				
Expenses							
Supporting Services							
Management and general	\$ 554,349	\$ -	\$ 554,349	\$ -	\$ -	\$ 554,349	\$ 629,093
Fundraising	610,588	-	610,588	-	-	610,588	573,354
Total supporting services	<u>1,164,937</u>	<u>-</u>	<u>1,164,937</u>	<u>-</u>	<u>-</u>	<u>1,164,937</u>	<u>1,202,447</u>
Total expenses	<u>8,199,399</u>	<u>-</u>	<u>8,199,399</u>	<u>-</u>	<u>-</u>	<u>8,199,399</u>	<u>7,993,510</u>
Change in Net Assets	(185,802)	-	(185,802)	(287,785)	-	(473,587)	(79,040)
Net Assets, Beginning of Year	<u>745,275</u>	<u>700,210</u>	<u>1,445,485</u>	<u>2,683,775</u>	<u>537,088</u>	<u>4,666,348</u>	<u>4,745,388</u>
Net Assets, End of Year	<u>\$ 559,473</u>	<u>\$ 700,210</u>	<u>\$ 1,259,683</u>	<u>\$ 2,395,990</u>	<u>\$ 537,088</u>	<u>\$ 4,192,761</u>	<u>\$ 4,666,348</u>

New York Foundation for the Arts, Inc.
Statements of Functional Expenses
Year Ended June 30, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

	2018										2017
	Program Services					Supporting Services					
	Artists' Fellowship and NYFA Grant Program	Fiscal Sponsorship	Other Programs	Total	Management and General	Fundraising	Special Events	Total	Total	Total	
Salaries	\$ 196,787	\$ 228,434	\$ 758,441	\$ 1,183,662	\$ 296,378	\$ 379,136	\$ -	\$ 675,514	\$ 1,859,176	\$ 1,669,432	
Payroll taxes and employee benefits	42,457	46,316	158,247	247,020	65,202	77,194	-	142,396	389,416	329,523	
Total personnel costs	239,244	274,750	916,688	1,430,682	361,580	456,330	-	817,910	2,248,592	1,998,955	
Fellowships and grants	623,000	3,625,323	207,032	4,455,355	-	-	-	-	4,455,355	4,704,405	
Project production	41,182	-	8,820	50,002	-	-	-	-	50,002	54,854	
Occupancy and storage	45,321	52,690	176,848	274,859	19,653	86,131	-	105,784	380,643	395,017	
Travel	5,949	1,346	37,075	44,370	26,731	981	-	27,712	72,082	45,955	
Printing and duplicating	6,412	384	1,166	7,962	508	560	-	1,068	9,030	4,716	
Telephone and internet provider	1,827	2,124	5,124	9,075	5,335	3,357	-	8,692	17,767	20,034	
Postage and shipping	28,053	475	4,459	32,987	693	462	-	1,155	34,142	4,488	
Advertising and public relations	-	-	862	862	-	-	-	-	862	223	
Office supplies	953	951	2,378	4,282	3,086	1,482	-	4,568	8,850	14,782	
Repairs and maintenance	1,585	1,843	4,447	7,875	7,276	2,913	-	10,189	18,064	16,146	
Equipment expense	2,263	2,632	172,856	177,751	3,685	4,159	-	7,844	185,595	165,105	
Insurance expense	9,561	1,133	6,222	16,916	6,995	1,790	-	8,785	25,701	15,763	
Professional fees	7,920	13,851	344,091	365,862	29,811	6,947	-	36,758	402,620	274,981	
Board expenses	-	-	-	-	24,668	-	-	24,668	24,668	30,301	
Hospitality	2,242	754	6,261	9,257	1,876	1,738	-	3,614	12,871	14,760	
Event space and catering	-	-	-	-	-	-	155,319	155,319	155,319	105,669	
Depreciation and amortization	18,218	21,180	51,100	90,498	24,144	33,472	-	57,616	148,114	135,697	
Conference attendance	-	-	281	281	3,889	159	-	4,048	4,329	8,259	
Credit card and bank fees	214	-	30,095	30,309	12,828	5,992	-	18,820	49,129	47,113	
Professional development	202	522	5,504	6,228	15,353	-	-	15,353	21,581	15,573	
Miscellaneous	2,206	1,738	15,105	19,049	6,238	4,115	-	10,353	29,402	26,383	
Investment fees	-	-	-	-	9,353	-	-	9,353	9,353	7,121	
Total expenses	1,036,352	4,001,696	1,996,414	7,034,462	563,702	610,588	155,319	1,329,609	8,364,071	8,106,300	
Less expenses deducted from revenues on the statement of activities											
Direct expenses of special events	-	-	-	-	-	-	(155,319)	(155,319)	(155,319)	(105,669)	
Investment fees	-	-	-	-	(9,353)	-	-	(9,353)	(9,353)	(7,121)	
Total expenses as reported by function on the statement of activities	\$ 1,036,352	\$ 4,001,696	\$ 1,996,414	\$ 7,034,462	\$ 554,349	\$ 610,588	\$ -	\$ 1,164,937	\$ 8,199,399	\$ 7,993,510	

New York Foundation for the Arts, Inc.
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Activities		
Change in net assets	\$ (473,587)	\$ (79,040)
Items not requiring (providing) operating cash flows		
Depreciation and amortization	148,114	135,697
Realized and unrealized loss (gain)	(56,115)	(78,295)
Contributions received restricted for acquisition for long-lived assets	(125,000)	-
Changes in		
Contributions and grants receivable	66,192	(92,041)
Prepaid expenses	(30,386)	(11,564)
Accounts payable and accrued expenses	(2,880)	(7,257)
Deferred rent	(40,735)	(33,293)
Due to Sponsored Emerging Organizations	(5,137)	85,342
Fellowship grants payable	-	(647,000)
Grants payable	-	(4,110)
Net cash used in operating activities	<u>(519,534)</u>	<u>(731,561)</u>
Investing Activities		
Purchase of fixed assets	(155,940)	(44,393)
Purchase of investments	(81,315)	(1,130,735)
Proceeds from sales of investments	3,561	1,111,584
Advances made on notes receivable	(9,501)	-
Principal payments received on notes receivable	4,980	-
Net cash used in investing activities	<u>(238,215)</u>	<u>(63,544)</u>
Financing Activities		
Cash received for MIRLF	890,925	-
Proceeds from contributions restricted for acquisition of long-lived assets	125,000	-
Net cash provided by financing activities	<u>1,015,925</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	258,176	(795,105)
Cash Beginning of Year	<u>2,436,797</u>	<u>3,231,902</u>
Cash End of Year	<u>\$ 2,694,973</u>	<u>\$ 2,436,797</u>
Reconciliation of Cash		
Cash	\$ 1,799,264	
Cash (MIRLF)	<u>895,709</u>	
	<u>\$ 2,694,973</u>	
Noncash Investing and Financing Activities		
Loan receivable and due to MIRLF	<u>\$ 134,072</u>	

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

Note 1: Nature of 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.

The financial statements include certain prior summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a complete 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 2017 financial statements from which the information is derived.

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.

Investments

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient. 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.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statement of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

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.

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.

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

Property and equipment 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. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

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

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

Long-Lived Asset Impairment

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

No asset impairment was recognized during the year ended June 30, 2018.

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

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 whose purpose includes advances in technology and to cover operational costs. 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.

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.

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

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

Musical Instrument Revolving Loan Fund (MIRLF)

In 2018, NYFA took over operating the Musical Instrument Revolving Loan Fund (MIRLF), a program funded by the New York State Council for the Arts (NYSCA). The MIRLF provides loans at a 3% 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 currently due within the next year. Restricted cash and loans receivable are equivalent to amounts due to MIRLF under this program.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the program, management and general and fund raising categories based on an allocation reviewed by management.

Transfers Between Fair Value Hierarchy Levels

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

Subsequent Events

Subsequent events have been evaluated through January 17, 2019, which is the date the financial statements were available to be issued.

Note 2: Investments and Investment Return and Fair Value Measurements

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair values:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of assets or liabilities.

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of assets or liabilities.

Recurring Measurements

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

	2018		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Certificate of deposit	\$ 49,905	\$ -	\$ 49,905
Equities - domestic	449,639	449,639	-
Mutual funds - income in growth	858,252	858,252	-
Exchange traded funds - domestic	201,701	201,701	-
	1,559,497	<u>\$ 1,509,592</u>	<u>\$ 49,905</u>
Cash and cash equivalents	<u>503,152</u>		
Total Investments	<u>\$ 2,062,649</u>		
	2017		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
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	291,563	291,563	-
	1,471,413	<u>\$ 1,397,293</u>	<u>\$ 74,120</u>
Cash and cash equivalents	<u>457,563</u>		
Total Investments	<u>\$ 1,928,976</u>		

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2018.

Investments

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

Investment Return

Total investment return is comprised of the following:

	<u>2018</u>	<u>2017</u>
Dividends and interest	\$ 50,963	\$ 32,893
Realized and unrealized gains	56,115	78,295
Investment fees	<u>(9,353)</u>	<u>(7,121)</u>
Total	<u>\$ 97,725</u>	<u>\$ 104,067</u>

Note 3: Fixed Assets

Fixed assets, at cost, consist of the following:

	<u>2018</u>	<u>2017</u>	<u>Estimated Useful Life</u>
Leasehold improvements	\$ 602,142	\$ 602,142	6 years
Furniture and equipment	381,888	381,888	3 to 5 years
Website development	<u>1,044,308</u>	<u>888,368</u>	3 to 5 years
	2,028,338	1,872,398	
Less accumulated depreciation and amortization	<u>(1,882,845)</u>	<u>(1,734,731)</u>	
	<u>\$ 145,493</u>	<u>\$ 137,667</u>	

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

Note 4: Retirement Plans

NYFA maintains a defined contribution retirement plan (403(b)) and a tax-deferred annuity plan for employees who have completed two years of service. Both plans are administered by TIAA-CREF. NYFA's contributions at the rate of 4% of compensation for eligible participants for the years ended June 30, 2018 and 2017 totaling \$37,203 and \$35,464, respectively.

Note 5: Operating Leases

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

2019	\$	335,031
2020		360,972
2021		372,804
2022		384,636
2023		396,474
Thereafter		<u>2,390,682</u>
Total	\$	<u><u>4,240,599</u></u>

Rent expense was \$265,705 and \$264,388 for the years ended June 30, 2018 and 2017, respectively.

Note 6: Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30 are available for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Artists' Fund	\$ 90,064	\$ 120,018
Fiscal Sponsorship	2,027,380	2,191,150
New York State Council on the Arts Fellowship	7,207	28,871
Artists Business Incubator	50,721	148,356
For periods after June 30, 2018	<u>220,618</u>	<u>195,380</u>
	<u><u>\$ 2,395,990</u></u>	<u><u>\$ 2,683,775</u></u>

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

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

	<u>2018</u>
Artists' Fund	\$ 44,000
Fiscal Sponsorship	181,571
Artists Business Incubator	97,635
New York State Council on the Arts Fellowship	21,664
Lapse of time restrictions	<u>54,455</u>
	<u>\$ 399,325</u>

Note 7: 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 establishes a standard maximum prudent spending limit of 7% 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. 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.

New York Foundation for the Arts, Inc.

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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.

Endowment Net Asset Composition by Type of Fund as of June 30, 2018 and 2017:

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

	2018		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 165,222	\$ 537,088	\$ 702,310
Interest and dividends	12,243	-	12,243
Realized and unrealized gains	2,995	-	2,995
Appropriations	<u>(31,912)</u>	<u>-</u>	<u>(31,912)</u>
Endowment net assets, end of year	<u>\$ 148,548</u>	<u>\$ 537,088</u>	<u>\$ 685,636</u>

	2017		
	Temporarily Restricted	Permanently Restricted	Total
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 8: Line of Credit

In May 2015, NYFA renewed its line of credit agreement with JPMorgan Chase Bank, NA. It is a revolving line of credit and is secured by all assets held by NYFA. The line of credit is renewable annually and has a maximum drawdown of \$250,000. Interest payable is at a variable rate equal to LIBOR, adjusted daily, plus 2.75%, which was 3.91% at June 30, 2018 and 2017. As of June 30, 2018, no balance was outstanding.

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Note 9: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Cash

At June 30, 2018 NYFA's cash accounts exceeded federally insured limits by approximately \$3,450,000.

Contributions

Approximately 20% of total contributions were received from two donors in 2018.

Note 10: Future Change in Accounting Principle

NFP Accounting Standard for Financial Reporting

Accounting Standards Update (ASU) 2016-14 changes requirements for financial statements and notes of all not-for-profit (NFP) entities and is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted and should be applied on a retrospective basis; however, NFPs have the option in the year adopted to omit certain disclosures shown in comparative financials.

A summary of the changes by financial statement area is as follows:

Statement of financial position:

- The NFP statement of financial position will distinguish between two new classes of net assets those with donor-imposed restrictions and those without. The ASU retains the current requirements to provide information on the nature and amount of different types of donor restrictions in the notes to the financial statements.
- Underwater donor-restricted endowment funds are to be shown within the donor-restricted fund class. This is a change from the previously required classification as unrestricted.

Statement of activities:

- The standard requires NFPs to report expenses by both nature and function, either on the face of the statement of activities, as a separate statement or within the notes.
- NFPs are required to use the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset, in the absence of explicit donor stipulations. This eliminates the option to release the donor-imposed restriction over the estimated useful life of the acquired asset.

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- Investment income will be shown net of external and direct internal investment expenses. There is no longer a requirement to include a disclosure of those netted expenses.

Statement of cash flows:

- An NFP can continue to choose to either use the indirect or direct method of reporting to present operating cash flows. If the direct method is used, there is no longer a requirement to present or disclose cash flows using the indirect (reconciliation) method.

Notes to the financial statements:

- The standard requires enhanced quantitative and qualitative disclosures to provide additional information useful in assessing liquidity and cash flows.
- Provide disclosures on amounts and purposes of governing board or self-imposed designations and appropriations as of the end of the period.

Revenue Recognition

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

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Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019 (2018 for not-for-profits that are conduit debt obligors), and any interim periods within annual reporting periods that begin after December 15, 2020. NYFA is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Note 11: Strategic Plan

In year ended June 30, 2018, NYFA's statement of activities includes an operational loss of \$185,802. The operational loss was a planned investment in accordance with NYFA's five-year strategic plan, which includes ongoing enhancement to technology, NYFA On-line Resources, and continued expansion of NYFA Learning programs.