

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

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

JUNE 30, 2016

NEW YORK FOUNDATION FOR THE ARTS, INC.

TABLE OF CONTENTS

Independent Auditor's Report

Exhibit

A - Statement of Financial Position

B - Statement of Activities

C - Statement of Functional Expenses

D - Statement of Cash Flows

Notes to Financial Statements



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, 2016, 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, 2016, 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, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Loeb & Troper LLP

February 23, 2017

NEW YORK FOUNDATION FOR THE ARTS, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

(With Summarized Financial Information for June 30, 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 3,231,902	\$ 3,148,910
Investments - at fair value (Note 2)	1,831,530	1,522,874
Contributions and grants receivable - current	329,972	276,346
Prepaid expenses	39,785	23,297
Security deposits	37,478	37,478
Fixed assets - net (Note 3)	228,971	338,619
	<u>5,699,638</u>	<u>5,347,524</u>
Total assets	<u>\$ 5,699,638</u>	<u>\$ 5,347,524</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 96,638	\$ 80,646
Deferred rent	84,683	110,716
Due to Sponsored Emerging Organizations	106,815	306,635
Fellowship grants payable - current	647,000	
Grants payable - current	19,114	19,114
	<u>954,250</u>	<u>517,111</u>
Total liabilities	<u>954,250</u>	<u>517,111</u>
Net assets (Exhibit B)		
Unrestricted		
Operating	739,367	733,747
Board-designated	700,210	890,210
	<u>1,439,577</u>	<u>1,623,957</u>
Total unrestricted	1,439,577	1,623,957
Temporarily restricted (Note 7)	2,768,723	2,919,368
Permanently restricted (Note 8)	537,088	287,088
	<u>4,745,388</u>	<u>4,830,413</u>
Total net assets	<u>4,745,388</u>	<u>4,830,413</u>
Total liabilities and net assets	<u>\$ 5,699,638</u>	<u>\$ 5,347,524</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, 2016
(With Summarized Financial Information
for the Year Ended June 30, 2015)

	2016					2015
	Unrestricted		Total	Temporarily Restricted	Permanently Restricted	Total
	Operating	Board- Designated				
Revenues, gains (losses) and other support						
Grants and contributions	\$ 6,150,177		\$ 6,150,177	\$ 323,275	\$ 250,000	\$ 6,723,452
Special events	\$ 382,644					
Less direct cost of special events	<u>(103,376)</u>	279,268	279,268			279,268
Administrative fees	408,440		408,440			408,440
Investment income (Note 4)	4,252		4,252	6,861		11,113
Program service fees	986,332		986,332			986,332
Rental and other income	41,825		41,825			41,825
Board designated funds transfer	190,000	\$ (190,000)				
Net assets released from restrictions (Note 7)	<u>480,781</u>		<u>480,781</u>	<u>(480,781)</u>		
Total revenues, gains (losses) and other support	<u>8,541,075</u>	<u>(190,000)</u>	<u>8,351,075</u>	<u>(150,645)</u>	<u>250,000</u>	<u>8,450,430</u>
Expenses (Exhibit C)						
Program services						
Artists' fellowships and NYFA grant program	967,647		967,647			967,647
Fiscal sponsorship	6,203,004		6,203,004			6,203,004
Other programs	<u>906,471</u>		<u>906,471</u>			<u>906,471</u>
Total program services	<u>8,077,122</u>		<u>8,077,122</u>			<u>8,077,122</u>

-continued-

NEW YORK FOUNDATION FOR THE ARTS, INC.

EXHIBIT B

-2-

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

(With Summarized Financial Information
for the Year Ended June 30, 2015)

	2016					2015	
	Unrestricted			Temporarily Restricted	Permanently Restricted	Total	Total
	Operating	Board- Designated	Total				
Expenses (Exhibit C)							
Supporting services							
Management and general	\$ 282,471		\$ 282,471			\$ 282,471	\$ 246,765
Fund raising	175,862		175,862			175,862	194,765
Total supporting services	458,333		458,333			458,333	441,530
Total expenses	8,535,455		8,535,455			8,535,455	7,969,125
Change in net assets (Exhibit D)	5,620	\$ (190,000)	(184,380)	\$ (150,645)	\$ 250,000	(85,025)	434,075
Net assets - beginning of year	733,747	890,210	1,623,957	2,919,368	287,088	4,830,413	4,396,338
Net assets - end of year (Exhibit A)	\$ 739,367	\$ 700,210	\$ 1,439,577	\$ 2,768,723	\$ 537,088	\$ 4,745,388	\$ 4,830,413

See independent auditor's report.

The accompanying notes are an integral part of these statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016
(With Summarized Financial Information
for the Year Ended June 30, 2015)

	2016									2015
	Program Services				Supporting Services					
	Artists' Fellowship and NYFA Grant Program	Fiscal Sponsorship	Other Programs	Total	Management and General	Fund Raising	Special Events	Total	Total	
Salaries	\$ 193,270	\$ 1,282,610	\$ 193,270	\$ 1,669,150	\$ 52,710	\$ 35,140		\$ 87,850	\$ 1,757,000	\$ 1,475,995
Payroll taxes and employee benefits	34,757	230,660	34,757	300,174	9,479	6,320		15,799	315,973	301,647
Total personnel costs	228,027	1,513,270	228,027	1,969,324	62,189	41,460		103,649	2,072,973	1,777,642
Fellowships and grants	637,000	4,613,202	160,762	5,410,964					5,410,964	5,058,368
Project production	20,591		16,157	36,748					36,748	52,397
Occupancy and storage	30,212	41,102	156,283	227,597	22,481	72,067		94,548	322,145	313,472
Travel	5,344	1,118	8,411	14,873	21,828	1,631		23,459	38,332	42,446
Printing and duplicating	304	322	1,262	1,888	2,475	1,592		4,067	5,955	7,478
Telephone and internet provider	1,619	2,203	8,510	12,332	3,207	3,709		6,916	19,248	16,590
Postage and shipping	1,577	510	2,022	4,109	1,730	807		2,537	6,646	7,588
Advertising and public relations					67			67	67	
Office supplies	631	785	3,349	4,765	1,548	1,141		2,689	7,454	7,138
Repairs and maintenance	1,126	1,532	6,079	8,737	1,919	2,171		4,090	12,827	45,258
Equipment expense	2,211	2,010	131,083	135,304	4,939	3,439		8,378	143,682	91,612
Insurance expense	1,255	1,707	6,595	9,557	2,410	2,875		5,285	14,842	18,415
Professional fees	14,307	3,888	89,487	107,682	55,082	5,536		60,618	168,300	244,648
Board expenses					11,794			11,794	11,794	17,526
Hospitality	4,633	479	4,147	9,259	4,058	3,327		7,385	16,644	14,178
Event space and catering							\$ 103,376	103,376	103,376	147,879
Depreciation and amortization	14,177	19,288	74,514	107,979	22,813	32,476		55,289	163,268	206,030
Conference attendance	575	240	830	1,645	530	75		605	2,250	322
Investment fees										120
Credit and bank fees					47,619			47,619	47,619	13,562
Professional development	516	233	4,258	5,007	8,677	1,687		10,364	15,371	14,713
Miscellaneous expense	3,542	1,115	4,695	9,352	7,105	1,869		8,974	18,326	19,742
Total expenses	967,647	6,203,004	906,471	8,077,122	282,471	175,862	103,376	561,709	8,638,831	8,117,124
Less expenses deducted from revenues on the statement of activities										
Direct expenses of special events							(103,376)	(103,376)	(103,376)	(147,879)
Investment fees										(120)
Total expenses as reported by function on the statement of activities (Exhibit B)	\$ 967,647	\$ 6,203,004	\$ 906,471	\$ 8,077,122	\$ 282,471	\$ 175,862	\$ -	\$ 458,333	\$ 8,535,455	\$ 7,969,125

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, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ (85,025)	\$ 434,075
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	163,268	206,030
Realized and unrealized loss (gain)	3,440	(4,300)
Decrease (increase) in assets		
Contributions and grants receivable	(53,626)	455,915
Prepaid expenses	(16,488)	(11,675)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	15,992	(65,526)
Fellowship grants payable	647,000	(630,000)
Deferred rent	(26,033)	(18,952)
Due to Sponsored Emerging Organizations	(199,820)	124,928
Grants payable		(352)
	<u>448,708</u>	<u>490,143</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchase of fixed assets	(53,620)	(151,673)
Purchase of investments	(1,023,170)	(207,098)
Proceeds from sales of investments	711,074	166,004
	<u>(365,716)</u>	<u>(192,767)</u>
Net cash used by investing activities		
Net change in cash and cash equivalents	82,992	297,376
Cash and cash equivalents - beginning of year	<u>3,148,910</u>	<u>2,851,534</u>
Cash and cash equivalents - end of year	<u>\$ 3,231,902</u>	<u>\$ 3,148,910</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, 2016

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.

-continued-

NEW YORK FOUNDATION FOR THE ARTS, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016****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. The balance held on behalf of those organizations as of June 30, 2016 and 2015 totaled \$106,815 and \$306,635, respectively.

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.

-continued-

NEW YORK FOUNDATION FOR THE ARTS, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016****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 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 \$67 for 2016.

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:

-continued-

NEW YORK FOUNDATION FOR THE ARTS, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016****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 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.

-continued-

NEW YORK FOUNDATION FOR THE ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016.

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Certificate of deposit		\$ 52,730	\$ 52,730
Equities - domestic	\$ 152,610		152,610
Corporate bonds		23,481	23,481
Mutual funds - income in growth	34,502		34,502
Exchange traded funds - domestic	<u>18,750</u>	<u> </u>	<u>18,750</u>
Total investments reported on the fair value hierarchy	<u>\$ 205,862</u>	<u>\$ 76,211</u>	282,073
Cash and cash equivalents			<u>1,549,457</u>
Total			<u>\$ 1,831,530</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, 2015, 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, 2013 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through February 23, 2017, which is the date the financial statements were available to be issued.

-continued-

NEW YORK FOUNDATION FOR THE ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 3 - FIXED ASSETS

Fixed assets, at cost, consist of the following:

	<u>2016</u>	<u>2015</u>	<u>Estimated Useful Life</u>
Leasehold improvements	\$ 602,142	\$ 602,142	6 years
Furniture and equipment	380,666	380,666	3 to 5 years
Website development	<u>845,197</u>	<u>791,577</u>	3 to 5 years
	1,828,005	1,774,385	
Less accumulated depreciation and amortization	<u>(1,599,034)</u>	<u>(1,435,766)</u>	
	<u>\$ 228,971</u>	<u>\$ 338,619</u>	

NOTE 4 - INVESTMENT INCOME

Investment income consists of the following:

Dividends and interest	\$ 14,553
Realized and unrealized losses	<u>(3,440)</u>
Total	<u>\$ 11,113</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, 2016 and 2015 totaling \$40,818 and \$36,073, respectively.

-continued-

NEW YORK FOUNDATION FOR THE ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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:

2017	\$ 297,681
2018	305,123
2019	<u>76,749</u>
Total	\$ <u>679,553</u>

Rent expense was \$266,005 for the year ended June 30, 2016.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

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

Artists' Fund	\$ 157,563
Fiscal Sponsorship	2,049,489
New York State Council on the Arts	1,282
For periods after June 30, 2016	<u>560,389</u>
	\$ <u>2,768,723</u>

During the year ended June 30, 2016, net assets were released from donor restrictions by incurring expenses satisfying the purposes specified by donors as follows:

Artists' Fund	\$ 57,493
Fiscal Sponsorship	228,004
Lapse of time restrictions	<u>195,284</u>
	\$ <u>480,781</u>

-continued-

NEW YORK FOUNDATION FOR THE ARTS, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016****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 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.

-continued-

NEW YORK FOUNDATION FOR THE ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS (continued)**Endowment Funds** (continued)**Endowment Net Asset Composition by Type of Fund as of June 30, 2016**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	\$ 133,417	\$ 287,088	\$ 420,505
Interest and dividends	12,302		12,302
Realized and unrealized losses	(3,601)		(3,601)
Contributions	<u> </u>	<u>250,000</u>	<u>250,000</u>
Endowment net assets, end of year	<u>\$ 142,118</u>	<u>\$ 537,088</u>	<u>\$ 679,206</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 3.19% at June 30, 2016. As of June 30, 2016, 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.