

# **New York Foundation for the Arts, Inc.**

Independent Auditor's Report and Financial Statements

June 30, 2020 and 2019



# New York Foundation for the Arts, Inc.

June 30, 2020 and 2019

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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 statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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.

Board of Directors  
New York Foundation for the Arts, Inc.  
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***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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*BKD, LLP*

New York, New York  
April 8, 2021

**New York Foundation for the Arts, Inc.**  
**Statements of Financial Position**  
**June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Cash	\$ 5,369,513	\$ 2,467,529
Cash, Musical Instrument Revolving Loan Fund (MIRLF)	919,203	929,380
Investments, at fair value	2,250,398	2,150,154
Contributions and grants receivable	390,925	243,283
Loans receivable, MIRLF, current	25,984	40,519
Prepaid expenses	50,305	72,979
Security deposits	37,478	37,478
Property and equipment, net	127,000	148,976
Total assets	\$ 9,170,806	\$ 6,090,298
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 143,621	\$ 93,591
Deferred rent	38,891	35,195
Due to Sponsored Emerging Organizations	183,387	162,806
Due to MIRLF	945,188	969,899
Deferred revenue	106,971	-
Deferred grant revenue	2,376,080	557,258
Note payable	283,860	-
Grants payable - current	690,968	15,378
Total liabilities	4,768,966	1,834,127
<b>Net Assets</b>		
Without donor restrictions		
Operating	159,553	339,607
Board designated	700,210	700,210
Total without donor restrictions	859,763	1,039,817
With donor restrictions	3,542,077	3,216,354
Total net assets	4,401,840	4,256,171
Total liabilities and net assets	\$ 9,170,806	\$ 6,090,298

**New York Foundation for the Arts, Inc.**  
**Statements of Activities**  
**Years Ended June 30, 2020 and 2019**

	2020				
	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Board Designated	Total		
<b>Revenues, Gains and Other Support</b>					
Grants and contributions	\$3,656,835	\$ -	\$3,656,835	\$ 5,426,813	\$ 9,083,648
Special events	\$ 204,701				
Less direct cost of special events	<u>(48,362)</u>	156,339	-	-	156,339
Administrative fees	357,377	-	357,377	-	357,377
Investment income, net	72,091	-	72,091	20,064	92,155
Program service fees	1,019,999	-	1,019,999	-	1,019,999
Rental and other income	26,439	-	26,439	-	26,439
Net assets released from restrictions	5,090,324	-	5,090,324	(5,090,324)	-
Total revenues, gains and other support	<u>10,379,404</u>	<u>-</u>	<u>10,379,404</u>	<u>356,553</u>	<u>10,735,957</u>
<b>Expenses</b>					
Program services					
NYC Made in NY					
Women's Film Grants	693,803	-	693,803	-	693,803
Fellowship	880,088	-	880,088	-	880,088
Fiscal sponsorship	4,025,942	-	4,025,942	-	4,025,942
Learning	474,123	-	474,123	-	474,123
Programs communication	505,604	-	505,604	-	505,604
Programs technology	505,589	-	505,589	-	505,589
Other programs	<u>2,157,574</u>	<u>-</u>	<u>2,157,574</u>	<u>-</u>	<u>2,157,574</u>
Total program services	<u>9,242,723</u>	<u>-</u>	<u>9,242,723</u>	<u>-</u>	<u>9,242,723</u>
Supporting services					
Management and general	687,820	-	687,820	-	687,820
Fundraising	<u>628,915</u>	<u>-</u>	<u>628,915</u>	<u>-</u>	<u>628,915</u>
Total supporting services	<u>1,316,735</u>	<u>-</u>	<u>1,316,735</u>	<u>-</u>	<u>1,316,735</u>
Total expenses	<u>10,559,458</u>	<u>-</u>	<u>10,559,458</u>	<u>-</u>	<u>10,559,458</u>
<b>Change in Net Assets Before Other Losses</b>	(180,054)	-	(180,054)	356,553	176,499
<b>Other Losses</b>					
Loss on returned contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,830)</u>	<u>(30,830)</u>
<b>Change in Net Assets</b>	(180,054)	-	(180,054)	325,723	145,669
<b>Net Assets, Beginning of Year</b>	<u>339,607</u>	<u>700,210</u>	<u>1,039,817</u>	<u>3,216,354</u>	<u>4,256,171</u>
<b>Net Assets, End of Year</b>	<u>\$ 159,553</u>	<u>\$ 700,210</u>	<u>\$ 859,763</u>	<u>\$ 3,542,077</u>	<u>\$ 4,401,840</u>

**New York Foundation for the Arts, Inc.**  
**Statements of Activities (Continued)**  
**Years Ended June 30, 2020 and 2019**

	2019				
	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Board Designated	Total		
<b>Revenues, Gains and Other Support</b>					
Grants and contributions	\$2,792,490	\$ -	\$ 2,792,490	\$ 3,657,651	\$ 6,450,141
Special events	\$ 301,178				
Less direct cost of special events	<u>(115,241)</u>	185,937	-	-	185,937
Administrative fees	345,624	-	345,624	-	345,624
Investment income, net	52,277	-	52,277	29,719	81,996
Program service fees	1,448,214	-	1,448,214	-	1,448,214
Rental and other income	29,240	-	29,240	-	29,240
Net assets released from restrictions	<u>3,404,094</u>	<u>-</u>	<u>3,404,094</u>	<u>(3,404,094)</u>	<u>-</u>
Total revenues, gains and other support	<u>8,257,876</u>	<u>-</u>	<u>8,257,876</u>	<u>283,276</u>	<u>8,541,152</u>
<b>Expenses</b>					
Program services					
NYC Made in NY					
Women's Film Grants	1,054,734	-	1,054,734	-	1,054,734
Fellowship	900,254	-	900,254	-	900,254
Fiscal sponsorship	3,410,539	-	3,410,539	-	3,410,539
Learning	584,053	-	584,053	-	584,053
Programs communication	585,747	-	585,747	-	585,747
Programs technology	469,589	-	469,589	-	469,589
Other programs	<u>344,682</u>	<u>-</u>	<u>344,682</u>	<u>-</u>	<u>344,682</u>
Total program services	<u>7,349,598</u>	<u>-</u>	<u>7,349,598</u>	<u>-</u>	<u>7,349,598</u>
Supporting services					
Management and general	544,713	-	544,713	-	544,713
Fundraising	<u>583,431</u>	<u>-</u>	<u>583,431</u>	<u>-</u>	<u>583,431</u>
Total supporting services	<u>1,128,144</u>	<u>-</u>	<u>1,128,144</u>	<u>-</u>	<u>1,128,144</u>
Total expenses	<u>8,477,742</u>	<u>-</u>	<u>8,477,742</u>	<u>-</u>	<u>8,477,742</u>
<b>Change in Net Assets</b>	(219,866)	-	(219,866)	283,276	63,410
<b>Net Assets, Beginning of Year</b>	<u>559,473</u>	<u>700,210</u>	<u>1,259,683</u>	<u>2,933,078</u>	<u>4,192,761</u>
<b>Net Assets, End of Year</b>	<u>\$ 339,607</u>	<u>\$ 700,210</u>	<u>\$ 1,039,817</u>	<u>\$ 3,216,354</u>	<u>\$ 4,256,171</u>

**New York Foundation for the Arts, Inc.**  
**Statements of Functional Expenses**  
**Years Ended June 30, 2020 and 2019**

	2020												
	Program Services							Supporting Services					
	NYC Made in NY												
Women's Film Grants	Fellowship	Fiscal Sponsorship	Learning	Programs Communication	Programs Technology	Other Programs	Total	Management and General	Fundraising	Special Events	Total	Total	
Salaries	\$ 53,376	\$ 143,591	\$ 258,757	\$ 228,351	\$ 299,864	\$ 213,022	\$ 9,883	\$ 1,206,844	\$ 292,868	\$ 432,999	\$ -	\$ 725,867	\$ 1,932,711
Payroll taxes and employee benefits	25,324	36,528	41,289	42,576	45,845	39,324	26,497	257,383	62,537	50,052	-	112,589	369,972
Total personnel costs	78,700	180,119	300,046	270,927	345,709	252,346	36,380	1,464,227	355,405	483,051	-	838,456	2,302,683
Fellowships and grants	548,530	588,000	3,632,739	-	-	-	2,055,775	6,825,044	-	-	-	-	6,825,044
Project production	-	27,025	-	-	-	-	53,660	80,685	-	-	-	-	80,685
Occupancy and storage	12,587	30,046	55,220	47,038	72,733	43,445	3,194	264,263	58,352	86,079	-	144,431	408,694
Travel	-	2,457	319	9,177	-	-	2,216	14,169	14,420	1,297	-	15,717	29,886
Printing and duplicating	37	725	380	136	367	127	7	1,779	165	252	-	417	2,196
Telephone and internet provider	526	1,255	2,307	1,933	3,070	1,815	102	11,008	5,507	3,595	-	9,102	20,110
Postage and shipping	120	22,071	302	875	402	238	-	24,008	938	1,228	-	2,166	26,174
Advertising and public relations	-	-	-	-	464	-	-	464	-	-	-	-	464
Office supplies	166	396	729	652	970	573	32	3,518	2,144	1,136	-	3,280	6,798
Repairs and maintenance	448	1,175	1,967	1,649	2,618	1,548	87	9,492	2,011	3,067	-	5,078	14,570
Equipment expense	513	1,224	2,250	1,886	2,995	182,305	539	191,712	2,300	3,127	-	5,427	197,139
Insurance expense	509	9,612	2,234	1,873	2,776	1,758	331	19,093	2,247	3,483	-	5,730	24,823
Professional fees	46,704	5,908	5,763	114,672	13,498	3,590	2,651	192,786	167,178	6,914	-	174,092	366,878
Board expenses	-	-	-	-	-	-	-	-	21,248	-	-	21,248	21,248
Hospitality	413	300	303	3,468	570	156	42	5,252	1,610	1,755	-	3,365	8,617
Event space and catering	-	-	-	-	-	-	-	-	-	-	48,362	48,362	48,362
Depreciation and amortization	4,143	9,618	19,237	16,277	26,784	17,461	888	94,408	22,049	31,519	-	53,568	147,976
Conference attendance	-	-	570	1	84	-	-	655	675	-	-	675	1,330
Credit card and bank fees	-	-	547	1,691	31,283	-	150	33,671	15,086	161	-	15,247	48,918
Professional development	5	12	468	1,170	230	18	-	1,903	10,351	1,323	-	11,674	13,577
Miscellaneous	402	145	561	698	1,051	209	1,520	4,586	6,134	928	-	7,062	11,648
Total expenses	693,803	880,088	4,025,942	474,123	505,604	505,589	2,157,574	9,242,723	687,820	628,915	48,362	1,365,097	10,607,820
Less expenses deducted from revenues on the statements of activities													
Direct expenses of special events	-	-	-	-	-	-	-	-	-	-	(48,362)	(48,362)	(48,362)
Total expenses as reported by function on the statements of activities	<u>\$ 693,803</u>	<u>\$ 880,088</u>	<u>\$ 4,025,942</u>	<u>\$ 474,123</u>	<u>\$ 505,604</u>	<u>\$ 505,589</u>	<u>\$ 2,157,574</u>	<u>\$ 9,242,723</u>	<u>\$ 687,820</u>	<u>\$ 628,915</u>	<u>\$ -</u>	<u>\$ 1,316,735</u>	<u>\$ 10,559,458</u>

**New York Foundation for the Arts, Inc.**  
**Statements of Functional Expenses (Continued)**  
**Years Ended June 30, 2020 and 2019**

	2019												
	Program Services							Supporting Services					
	NYC Made in NY Women's Film Grants	Fellowship	Fiscal Sponsorship	Learning	Programs Communication	Programs Technology	Other Programs	Total	Management and General	Fundraising	Special Events	Total	Total
Salaries	\$ 48,213	\$ 123,394	\$ 243,577	\$ 208,415	\$ 356,592	\$ 215,434	\$ 10,934	\$ 1,206,559	\$ 263,977	\$ 371,124	\$ -	\$ 635,101	\$ 1,841,660
Payroll taxes and employee benefits	9,573	24,572	48,524	41,547	71,213	42,934	2,195	240,558	57,192	73,620	-	130,812	371,370
Total personnel costs	57,786	147,966	292,101	249,962	427,805	258,368	13,129	1,447,117	321,169	444,744	-	765,913	2,213,030
Fellowships and grants	930,375	651,002	3,019,720	46,243	-	-	138,390	4,785,730	-	-	-	-	4,785,730
Project production	28,873	33,595	-	20,000	-	-	19,249	101,717	-	-	-	-	101,717
Occupancy and storage	10,761	24,744	49,487	42,331	69,218	45,068	3,975	245,584	57,614	80,798	-	138,412	383,996
Travel	64	2,547	1,001	30,726	4,150	-	208	38,696	17,922	843	-	18,765	57,461
Printing and duplicating	-	291	-	-	665	82	-	1,038	397	747	-	1,144	2,182
Telephone and internet provider	473	1,097	2,194	1,857	3,055	1,992	101	10,769	6,522	3,596	-	10,118	20,887
Postage and shipping	55	14,284	253	1,378	359	230	11	16,570	7,718	759	-	8,477	25,047
Advertising and public relations	-	-	-	-	1,106	-	-	1,106	3,447	-	-	3,447	4,553
Office supplies	199	826	928	1,218	1,291	912	1,758	7,132	2,131	1,673	-	3,804	10,936
Repairs and maintenance	342	625	1,251	1,058	1,757	58,314	42	63,389	1,934	1,989	-	3,923	67,312
Equipment expense	464	1,077	2,155	1,938	3,000	83,220	99	91,953	3,838	3,531	-	7,369	99,322
Insurance expense	357	9,479	1,658	1,403	2,308	1,505	77	16,787	4,672	2,717	-	7,389	24,176
Professional fees	21,170	3,657	22,985	160,976	8,809	3,690	164,016	385,303	38,038	6,647	-	44,685	429,988
Board expenses	-	-	-	-	-	-	-	-	26,180	-	-	26,180	26,180
Hospitality	153	562	647	5,689	535	398	1,720	9,704	4,103	2,046	-	6,149	15,853
Event space and catering	-	-	-	-	-	-	-	-	-	-	115,241	115,241	115,241
Depreciation and amortization	3,514	8,159	16,317	13,807	21,965	14,811	1,506	80,079	18,703	26,735	-	45,438	125,517
Conference attendance	-	-	-	107	585	125	-	817	2,567	750	-	3,317	4,134
Credit card and bank fees	-	-	(1,108)	2,909	37,784	-	40	39,625	12,081	3,471	-	15,552	55,177
Professional development	5	12	281	1,739	182	272	-	2,491	9,326	1,299	-	10,625	13,116
Miscellaneous	143	331	669	712	1,173	602	361	3,991	6,351	1,086	-	7,437	11,428
Total expenses	1,054,734	900,254	3,410,539	584,053	585,747	469,589	344,682	7,349,598	544,713	583,431	115,241	1,243,385	8,592,983
Less expenses deducted from revenues on the statements of activities													
Direct expenses of special events	-	-	-	-	-	-	-	-	-	-	(115,241)	(115,241)	(115,241)
Total expenses as reported by function on the statements of activities	<u>\$ 1,054,734</u>	<u>\$ 900,254</u>	<u>\$ 3,410,539</u>	<u>\$ 584,053</u>	<u>\$ 585,747</u>	<u>\$ 469,589</u>	<u>\$ 344,682</u>	<u>\$ 7,349,598</u>	<u>\$ 544,713</u>	<u>\$ 583,431</u>	<u>\$ -</u>	<u>\$ 1,128,144</u>	<u>\$ 8,477,742</u>

**New York Foundation for the Arts, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Operating Activities</b>		
Change in net assets	\$ 145,669	\$ 63,410
Items not requiring (providing) operating cash flows		
Depreciation and amortization	147,976	125,517
Realized and unrealized gain	(91,234)	(24,373)
Fees received for MIRLF	(24,711)	(24,280)
Changes in		
Contributions and grants receivable	(147,642)	112,538
Prepaid expenses	22,674	8,756
Accounts payable and accrued expenses	50,030	7,090
Deferred rent	3,696	24,540
Due to Sponsored Emerging Organizations	20,581	(24,214)
Deferred revenue	106,971	-
Deferred grant revenue	1,818,822	557,258
Grants payable	675,590	374
Net cash provided by operating activities	2,728,422	826,616
<b>Investing Activities</b>		
Purchase of property and equipment	(126,000)	(129,000)
Purchase of investments	(500,011)	(211,381)
Proceeds from sales of investments	491,001	148,249
Principal payments received on loans receivable	14,535	67,452
Net cash used in investing activities	(120,475)	(124,680)
<b>Financing Activities</b>		
Proceeds from issuance of note payable	283,860	-
Net cash provided by financing activities	283,860	-
<b>Net Change in Cash</b>	2,891,807	701,936
<b>Cash, Beginning of Year</b>	3,396,909	2,694,973
<b>Cash, End of Year</b>	\$ 6,288,716	\$ 3,396,909
<b>Reconciliation of Cash</b>		
Cash	\$ 5,369,513	\$ 2,467,529
Cash (MIRLF)	919,203	929,380
	\$ 6,288,716	\$ 3,396,909
<b>Noncash Investing and Financing Activities</b>		
Loan receivable and due to MIRLF	\$ -	\$ 30,622

# **New York Foundation for the Arts, Inc.**

## **Notes to Financial Statements**

**June 30, 2020 and 2019**

### **Note 1: Nature of Organization and Summary of Significant Accounting Policies**

#### ***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.

#### ***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 (GAAP) 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***

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

At June 30, 2020, NYFA's cash accounts exceeded federally insured limits by approximately \$6,273,000.

#### ***Investments and Net Investment Return***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

# New York Foundation for the Arts, Inc.

## Notes to Financial Statements

June 30, 2020 and 2019

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets with donor restrictions, and then released through restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

NYFA maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

### ***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 of June 30, 2020 or 2019 as all are expected to be received.

### ***Property and Equipment***

Property and equipment acquisitions over \$1,000 are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or respective estimated useful lives.

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

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 years ended June 30, 2020 and 2019.

# New York Foundation for the Arts, Inc.

## Notes to Financial Statements

June 30, 2020 and 2019

### **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**

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

### **Contributions**

Contributions are provided to NYFA either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on NYFA overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value

# New York Foundation for the Arts, Inc.

## Notes to Financial Statements

June 30, 2020 and 2019

Nature of the Gift	Value Recognized
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets with donor restrictions, and then released through restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets with donor restrictions, and then released through restrictions.

### **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.

### **Musical Instrument Revolving Loan Fund (MIRLF)**

In 2018, NYFA took over operating the Musical Instrument Revolving Loan Fund (MIRLF), a program funded by the New York State Council for the Arts (NYSCA). The MIRLF provides loans at a 3 percent interest rate to organizations and individuals to purchase musical instruments. NYFA manages and tracks the loans for NYSCA and charges a yearly administrative fee to the program. NYSCA is responsible for reviewing the outstanding loans for impairments and write offs. All loans are due within the next year. Restricted cash and loans receivable are equivalent to amounts due to MIRLF under this program.

# New York Foundation for the Arts, Inc.

## Notes to Financial Statements

June 30, 2020 and 2019

### ***Functional Allocation of Expenses***

The costs of providing NYFA's services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on the square footage methodology and other methods.

### ***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.

### ***Income Taxes***

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

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

### ***Subsequent Events***

Subsequent events have been evaluated through April 8, 2021, which is the date the financial statements were available to be issued.

## **Note 2: Change in Accounting Principle**

### ***ASU 2018-08 – Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made***

During 2020, NYFA adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08 (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The core guidance in ASU 2018-08 is to clarify existing guidance on determining whether a transaction with a resource provider, *e.g.*, the receipt of funds under a government grant or contract, is a contribution or an exchange transaction. The adoption had no impact on change in net assets.

# New York Foundation for the Arts, Inc.

## Notes to Financial Statements

June 30, 2020 and 2019

### Note 3: Conditional Gifts

NYFA has received \$2,376,080 of conditional promises to give at June 30, 2020 that is recognized as deferred grant revenue and expected to be recognized as grant income in fiscal year 2021. NYFA received \$557,258 of conditional promises to give at June 30, 2019 that was recognized as grant income in fiscal year 2020. In addition, NYFA has received notification of the conditional promises to give at June 30, 2020 and 2019 of \$1,500,000 and \$0, respectively, that are not recognized in the financial statements and for which no proceeds have been received. These conditional promises expire by June 2022.

### Note 4: Contributions Receivable

Contributions receivable consisted of the following:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 240,925	\$ 150,000	\$ 390,925

  

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 243,283	\$ -	\$ 243,283

# New York Foundation for the Arts, Inc.

## Notes to Financial Statements

June 30, 2020 and 2019

### Note 5: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020 and 2019, comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash	\$ 5,369,513	\$ 2,467,529
Cash, Musical Instrument Revolving Loan Fund (MIRLF)	919,203	929,380
Investments, at fair value	2,250,398	2,150,154
Contributions and grants receivable	390,925	243,283
Loans receivable, MIRLF, current	25,984	40,519
	<u>8,956,023</u>	<u>5,830,865</u>
Donor-imposed restrictions		
Subject to expenditure for specified purpose	(2,822,186)	(2,518,499)
MIRLF	(945,187)	(969,899)
Endowments	(719,891)	(697,855)
	<u>(4,487,264)</u>	<u>(4,186,253)</u>
Net financial assets after donor-imposed restrictions	4,468,759	1,644,612
Internal designations		
Board designated	(700,210)	(700,210)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,768,549</u>	<u>\$ 944,402</u>

NYFA manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. NYFA monitors liquidity and cash flows on an ongoing basis to ensure an appropriate amount of cash is available to meet current expenditure needs.

### Note 6: Disclosures About Fair Value of Assets and Liabilities

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

# New York Foundation for the Arts, Inc.

## Notes to Financial Statements

June 30, 2020 and 2019

- 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.
- 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 tables present the fair value measurements of assets and liabilities recognized in the accompanying statements 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:

	<b>2020</b>	
	<b>Fair Value Measurements Using</b>	
	<b>Total</b>	<b>Quoted Prices</b>
	<b>Fair Value</b>	<b>in Active</b>
		<b>Markets for</b>
		<b>Identical Assets</b>
		<b>(Level 1)</b>
Equities - domestic	\$ 592,606	\$ 592,606
Mutual funds - income in growth	1,319,741	1,319,741
Exchange traded funds - domestic	289,867	289,867
	2,202,214	<u>\$ 2,202,214</u>
Cash and cash equivalents	<u>48,184</u>	
Total investments	<u>\$ 2,250,398</u>	

# New York Foundation for the Arts, Inc.

## Notes to Financial Statements

June 30, 2020 and 2019

	2019	
	Fair Value Measurements Using	
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)
	Fair Value	
Equities - domestic	\$ 444,075	\$ 444,075
Mutual funds - income in growth	1,423,439	1,423,439
Exchange traded funds - domestic	258,065	258,065
	2,125,579	\$ 2,125,579
Cash and cash equivalents	24,575	
Total investments	\$ 2,150,154	

The 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 statements 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 years ended June 30, 2020 and 2019.

### **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.

**New York Foundation for the Arts, Inc.**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

**Note 7: Property and Equipment**

Property and equipment, at cost, consist of the following:

	<b>2020</b>	<b>2019</b>
Leasehold improvements	\$ 602,142	\$ 602,142
Furniture and equipment	381,888	381,888
Website development	1,299,308	1,173,308
	2,283,338	2,157,338
Less accumulated depreciation and amortization	(2,156,338)	(2,008,362)
	<u>\$ 127,000</u>	<u>\$ 148,976</u>

**Note 8: 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 percent of compensation for eligible participants for the years ended June 30, 2020 and 2019 totaled \$38,282 and \$38,941, respectively.

**Note 9: 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 cancelable after November 30, 2022 with 12 months' notice. The future minimum lease payments are as follows:

2021	\$ 372,804
2022	384,636
2023	162,730
Total	<u>\$ 920,170</u>

Rent expense was \$364,641 and \$329,983 for the years ended June 30, 2020 and 2019, respectively.

# New York Foundation for the Arts, Inc.

## Notes to Financial Statements

June 30, 2020 and 2019

### Note 10: Net Assets

#### *Net Assets With Donor Restrictions*

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose		
Artists' Fund	\$ 46,403	\$ 53,023
Fiscal Sponsorship	2,674,899	2,349,282
New York State Council on the Arts Fellowship	73,051	39,635
Artists Business Incubator	4,477	4,477
Core Activities	<u>23,356</u>	<u>72,082</u>
	2,822,186	2,518,499
 Endowments		
Subject to appropriation and expenditure over time, of which a portion is restricted in perpetuity by donors		
Available for general use	<u>719,891</u>	<u>697,855</u>
	<u>\$ 3,542,077</u>	<u>\$ 3,216,354</u>

#### *Net Assets Without Donor Restrictions*

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

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 159,553	\$ 339,607
Designated by the Board for operating reserve	<u>700,210</u>	<u>700,210</u>
	<u>\$ 859,763</u>	<u>\$ 1,039,817</u>

# New York Foundation for the Arts, Inc.

## Notes to Financial Statements

June 30, 2020 and 2019

### **Net Assets Released from Restrictions**

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

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions		
Artists' Fund	\$ 196,631	\$ 127,190
Fiscal Sponsorship	3,583,762	3,019,720
Artists Business Incubator	-	46,243
New York State Council on the Arts Fellowship	88,268	168,452
COVID-19 Relief	743,580	-
Artist Medical Fund	124,662	-
Anonymous Was a Woman	317,500	-
Expiration of time restrictions	<u>35,921</u>	<u>42,489</u>
	<u>\$ 5,090,324</u>	<u>\$ 3,404,094</u>

### **Note 11: Endowment**

NYFA's governing body is subject to the State of New York Prudent Management of Institutional Funds Act (NYPMIFA). As a result, NYFA classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures.

Additionally, in accordance with NYPMIFA, NYFA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the organization
7. Investment policies of the organization

NYFA's endowment consists of approximately two individual funds whose assets are to be held in perpetuity. As required by GAAP, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

# New York Foundation for the Arts, Inc.

## Notes to Financial Statements

June 30, 2020 and 2019

The composition of net assets by type of endowment fund at June 30, 2020 and 2019 was:

	<u>2020</u>	<u>2019</u>
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions</u>
Donor-restricted endowment funds		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 537,088	\$ 537,088
Contributions	7,972	-
Accumulated investment gains	<u>174,831</u>	<u>160,767</u>
Endowment net assets, end of year	<u>\$ 719,891</u>	<u>\$ 697,855</u>

Change in endowment net assets for the years ended June 30, 2020 and 2019 was:

	<u>2020</u>	<u>2019</u>
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 697,855	\$ 685,636
Contributions	7,972	-
Investment returns, net	20,064	29,719
Appropriation of endowment assets for expenditures	<u>(6,000)</u>	<u>(17,500)</u>
Endowment net assets, end of year	<u>\$ 719,891</u>	<u>\$ 697,855</u>

### ***Investment and Spending Policies***

NYFA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds NYFA must hold in perpetuity or for donor-specified periods. Under NYFA's policies, endowment assets are invested in a manner that is intended to produce results that exceed generate income and maintain the principal endowment funds at the original amount designated by the donor while assuming a lower level of investment risk.

To satisfy its long-term rate of return objectives, NYFA relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). NYFA targets a low-risk securities to achieve its long-term return objectives within prudent risk constraints.

# **New York Foundation for the Arts, Inc.**

## **Notes to Financial Statements**

**June 30, 2020 and 2019**

NYFA has a spending policy of appropriating for expenditure each year a maximum of 7 percent of its endowment fund's average fair value over the prior three years through the year-end preceding the year in which expenditure is planned. In establishing this policy, NYFA considered the long-term expected return on its endowment. This is consistent with NYFA's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

### ***Funds with Deficiencies***

NYFA does not have any funds with deficiencies.

### **Note 12: 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 percent, which was 3.05 percent at June 30, 2020 and 5.55 percent at June 30, 2019. As of June 30, 2020 and 2019, no balance was outstanding.

### **Note 13: Significant Estimates and Concentrations**

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

#### ***Contributions***

Approximately 38 percent and 40 percent of total contributions were received from two donors in 2020 and 2019, respectively.

#### ***Investments***

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

# New York Foundation for the Arts, Inc.

## Notes to Financial Statements

June 30, 2020 and 2019

### Note 14: Note Payable

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act*. On April 5, 2020, NYFA received a loan in the amount of \$283,860 pursuant to the Paycheck Protection Program (PPP). NYFA has elected to account for the funding as a loan in accordance with Accounting Codification Standards (ACS) Topic 470, *Debt*. The loan is due two years from the date of the first disbursement under the loan and has a fixed interest rate of 1 percent per year. Any forgiveness of the loan will be recognized as a gain in the financial statements in the period the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to any gain recognized.

Aggregate annual maturities of loans payable as of June 30, 2020 are:

2021	\$	133,274
2022		<u>150,586</u>
	\$	<u>283,860</u>

### Note 15: Future Changes in Accounting Principles

#### **Revenue Recognition**

FASB 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, 2019 for nonpublic entities and any interim periods within annual reporting periods that begin after December 15, 2020 for nonpublic entities. NYFA is in the process of evaluating the impact the amendment will have on the financial statements.

# **New York Foundation for the Arts, Inc.**

## **Notes to Financial Statements**

**June 30, 2020 and 2019**

### ***Accounting for Leases***

FASB 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 statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities 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, 2021 and any interim periods within annual reporting periods that begin after December 15, 2022. NYFA is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.