

New York Foundation for the Arts, Inc.

Independent Auditor's Report and Financial Statements

June 30, 2021 and 2020



New York Foundation for the Arts, Inc.

June 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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
May 12, 2022

New York Foundation for the Arts, Inc.
Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Cash	\$ 4,457,344	\$ 5,369,513
Cash, Musical Instrument Revolving Loan Fund (MIRLF)	897,784	919,203
Investments, at fair value	2,681,209	2,250,398
Contributions and grants receivable	508,611	390,925
Loans receivable, MIRLF, current	22,192	25,984
Loans receivable other, current	72,960	-
Prepaid expenses	47,174	50,305
Security deposits	6,192	37,478
Property and equipment, net	85,926	127,000
Total assets	\$ 8,779,392	\$ 9,170,806
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 165,362	\$ 143,621
Deferred rent	30,754	38,891
Due to Sponsored Emerging Organizations	198,911	183,387
Due to MIRLF	919,952	945,188
Deferred revenue	18,750	106,971
Deferred grant revenue	1,448,278	2,376,080
Note payable	-	283,860
Grants payable - current	-	690,968
Total liabilities	2,782,007	4,768,966
Net Assets		
Without donor restrictions		
Operating	685,386	159,553
Board designated	983,810	700,210
Total without donor restrictions	1,669,196	859,763
With donor restrictions	4,328,189	3,542,077
Total net assets	5,997,385	4,401,840
Total liabilities and net assets	\$ 8,779,392	\$ 9,170,806

New York Foundation for the Arts, Inc.
Statements of Activities
Years Ended June 30, 2021 and 2020

	2021				
	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Board Designated	Total		
Revenues, Gains and Other Support					
Grants and contributions	\$ 3,027,353	\$ -	\$ 3,027,353	\$ 6,404,651	\$ 9,432,004
Special events	\$ 149,888				
Less direct cost of special events	(14,282)	135,606	-	-	135,606
Administrative fees	343,687	-	343,687	-	343,687
Investment income, net	312,895	-	312,895	93,272	406,167
Program service fees	656,515	-	656,515	-	656,515
Rental and other income	24,106	-	24,106	-	24,106
Gain on forgiveness of PPP loan	-	283,600	283,600	-	283,600
Net assets released from restrictions	5,711,811	-	5,711,811	(5,711,811)	-
Total revenues, gains and other support	10,211,973	283,600	10,495,573	786,112	11,281,685
Expenses					
Program services					
NYC Made in NY					
Women's Film Grants	509,638	-	509,638	-	509,638
Fellowship	830,460	-	830,460	-	830,460
Fiscal sponsorship	3,854,328	-	3,854,328	-	3,854,328
Learning	360,997	-	360,997	-	360,997
Programs communication	441,246	-	441,246	-	441,246
Programs technology	432,693	-	432,693	-	432,693
Other programs	2,066,088	-	2,066,088	-	2,066,088
Total program services	8,495,450	-	8,495,450	-	8,495,450
Supporting services					
Management and general	661,735	-	661,735	-	661,735
Fundraising	528,955	-	528,955	-	528,955
Total supporting services	1,190,690	-	1,190,690	-	1,190,690
Total expenses	9,686,140	-	9,686,140	-	9,686,140
Change in Net Assets	525,833	283,600	809,433	786,112	1,595,545
Net Assets, Beginning of Year	159,553	700,210	859,763	3,542,077	4,401,840
Net Assets, End of Year	\$ 685,386	\$ 983,810	\$ 1,669,196	\$ 4,328,189	\$ 5,997,385

New York Foundation for the Arts, Inc.
Statements of Activities (Continued)
Years Ended June 30, 2021 and 2020

	2020				
	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Board Designated	Total		
Revenues, Gains and Other Support					
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>
Expenses					
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>
Change in Net Assets Before Other Losses	(180,054)	-	(180,054)	356,553	176,499
Other Losses					
Loss on returned contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,830)</u>	<u>(30,830)</u>
Change in Net Assets	(180,054)	-	(180,054)	325,723	145,669
Net Assets, Beginning of Year	<u>339,607</u>	<u>700,210</u>	<u>1,039,817</u>	<u>3,216,354</u>	<u>4,256,171</u>
Net Assets, End of Year	<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 Functional Expenses
Years Ended June 30, 2021 and 2020

	2021												
	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	\$ 20,441	\$ 135,750	\$ 177,129	\$ 222,743	\$ 296,941	\$ 176,302	\$ 5,684	\$ 1,034,990	\$ 226,127	\$ 377,107	\$ -	\$ 603,234	\$ 1,638,224
Payroll taxes and employee benefits	1,351	8,967	11,924	14,699	15,396	11,596	374	64,307	208,712	24,246	-	232,958	297,265
Total personnel costs	21,792	144,717	189,053	237,442	312,337	187,898	6,058	1,099,297	434,839	401,353	-	836,192	1,935,489
Fellowships and grants	468,435	616,000	3,579,965	-	-	-	2,015,265	6,679,665	-	-	-	-	6,679,665
Project production	-	21,250	-	-	-	-	18,641	39,891	-	-	-	-	39,891
Occupancy and storage	13,167	31,430	57,763	48,419	76,876	45,446	14,636	287,737	52,065	77,954	-	130,019	417,756
Travel	-	-	-	-	-	-	-	-	4,902	-	-	4,902	4,902
Printing and duplicating	8	45	35	47	129	28	1	293	82	250	-	332	625
Telephone and internet provider	637	1,520	2,793	2,341	3,717	2,198	123	13,329	3,572	4,354	-	7,926	21,255
Postage and shipping	89	213	392	1,076	522	308	46	2,646	717	2,693	-	3,410	6,056
Advertising and public relations	-	-	-	-	-	-	-	-	-	-	-	-	-
Office supplies	10	25	45	454	67	36	2	639	1,140	70	-	1,210	1,849
Repairs and maintenance	22	52	95	80	127	75	4	455	97	148	-	245	700
Equipment expense	416	994	1,827	1,531	2,431	178,760	80	186,039	6,045	2,848	-	8,893	194,932
Insurance expense	521	1,243	2,284	1,914	3,039	1,797	100	10,898	2,354	3,560	-	5,914	16,812
Professional fees	1,466	3,407	6,014	48,384	9,887	4,023	10,049	83,230	123,900	8,271	-	132,171	215,401
Board expenses	-	-	-	-	-	-	-	-	200	-	-	200	200
Hospitality	-	32	41	34	54	32	2	195	445	287	-	732	927
Event space and catering	-	-	-	-	-	-	-	-	-	-	14,282	14,282	14,282
Depreciation and amortization	2,888	9,092	12,836	14,761	16,258	11,445	1,069	68,349	12,731	25,885	-	38,616	106,965
Conference attendance	-	-	-	-	-	-	-	-	233	-	-	233	233
Credit card and bank fees	-	-	-	3,544	14,651	-	-	18,195	7,804	-	-	7,804	25,999
Professional development	-	-	-	281	25	-	-	306	7,456	-	-	7,456	7,762
Miscellaneous	187	440	1,185	689	1,126	647	12	4,286	3,153	1,282	-	4,435	8,721
Total expenses	509,638	830,460	3,854,328	360,997	441,246	432,693	2,066,088	8,495,450	661,735	528,955	14,282	1,204,972	9,700,422
Less expenses deducted from revenues on the statements of activities													
Direct expenses of special events	-	-	-	-	-	-	-	-	-	-	(14,282)	(14,282)	(14,282)
Total expenses as reported by function on the statements of activities	\$ 509,638	\$ 830,460	\$ 3,854,328	\$ 360,997	\$ 441,246	\$ 432,693	\$ 2,066,088	\$ 8,495,450	\$ 661,735	\$ 528,955	\$ -	\$ 1,190,690	\$ 9,686,140

New York Foundation for the Arts, Inc.
Statements of Functional Expenses (Continued)
Years Ended June 30, 2021 and 2020

	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	\$ 693,803	\$ 880,088	\$ 4,025,942	\$ 474,123	\$ 505,604	\$ 505,589	\$ 2,157,574	\$ 9,242,723	\$ 687,820	\$ 628,915	\$ -	\$ 1,316,735	\$ 10,559,458

New York Foundation for the Arts, Inc.
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 1,595,545	\$ 145,669
Items not requiring (providing) operating cash flows		
Depreciation and amortization	106,965	147,976
Realized and unrealized gains	(362,759)	(91,234)
Gain on forgiveness of PPP loan	(283,860)	-
Changes in		
Contributions and grants receivable	(117,686)	(147,642)
Prepaid expenses	34,417	22,674
Accounts payable and accrued expenses	21,741	50,030
Deferred rent	(8,137)	3,696
Due to Sponsored Emerging Organizations	15,524	20,581
Due to MIRLF	(25,236)	(24,711)
Deferred revenue	(88,221)	106,971
Deferred grant revenue	(927,802)	1,818,822
Grants payable	(690,968)	675,590
Net cash provided by (used in) operating activities	(730,477)	2,728,422
Investing Activities		
Purchase of property and equipment	(65,891)	(126,000)
Purchase of investments	(555,973)	(500,011)
Proceeds from sales of investments	487,921	491,001
Advances made on loans receivable	(72,960)	-
Principal payments received on loans receivable	3,792	14,535
Net cash used in investing activities	(203,111)	(120,475)
Financing Activities		
Proceeds from issuance of note payable	-	283,860
Net cash provided by financing activities	-	283,860
Net Change in Cash	(933,588)	2,891,807
Cash, Beginning of Year	6,288,716	3,396,909
Cash, End of Year	\$ 5,355,128	\$ 6,288,716
Reconciliation of Cash		
Cash	\$ 4,457,344	\$ 5,369,513
Cash (MIRLF)	897,784	919,203
	\$ 5,355,128	\$ 6,288,716

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

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, 2021, NYFA's cash accounts exceeded federally insured limits by approximately \$5,819,000.

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, 2021 and 2020

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.

Accounts Receivable

Accounts receivable are stated at the amount of consideration from customers, of which NYFA has an unconditional right to receive plus any accrued and unpaid interest. NYFA provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Management did not record an allowance for doubtful accounts as of June 30, 2021 or 2020 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, 2021 and 2020.

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

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 unconditional 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. The governing board has designated, from net assets without donor restrictions, net assets for future reserves.

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:

Nature of the Gift	Value Recognized
<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

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Nature of the Gift	Value Recognized
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
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 and administering grants. Fees are based upon a percentage of assets being managed by NYFA on behalf of the individual artist and recognized as NYFA satisfies performance obligations under its contracts. Revenue is reported at the estimated transaction price or amount that reflects the consideration to which NYFA expects to be entitled in exchange for providing services. NYFA determines the transaction price based on standard charges for services provided.

Program Service Fees: Program service fees are charged for various programs held throughout the year. Revenue is reported at the amount of consideration which NYFA expects to be entitled in exchange for providing services. NYFA determines the transaction price based on standard charges for services provided.

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

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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.

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.

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 May 12, 2022, which is the date the financial statements were available to be issued.

Note 2: Changes in Accounting Principles

ASC 606, Revenue from Contracts with Customers (Topic 606)

On July 1, 2020, NYFA adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), (ASU 2014-09) using a modified retrospective method of adoption to all contracts with customers not completed at July 1, 2020.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which NYFA expects to be entitled in exchange for those services.

The amount to which NYFA expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing services.

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Adoption of ASU 2014-09 resulted in changes to related disclosures in the notes to the financial statements. NYFA's adoption of ASU 2014-09 did not result in a change to the timing of revenue recognition.

Note 3: Conditional Gifts

NYFA has received \$1,448,278 of conditional promises to give at June 30, 2021 that is recognized as deferred grant revenue and expected to be recognized as grant income in fiscal year 2022. In addition, NYFA has received notification of the conditional promises to give at June 30, 2021 and 2020 of \$750,000 and \$1,500,000, respectively, that are not recognized in the financial statements and for which no proceeds have been received. These conditional promises will be recognized into revenue if qualifying expenses are incurred and expire by June 2022.

Note 4: Contributions Receivable

Contributions receivable consisted of the following:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 508,611	\$ -	\$ 508,611

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

Note 5: Revenue from Contracts with Customers

Advertising, Program Service and Administrative Fees Revenue

Performance obligations are determined based on the nature of the services provided by the NYFA in accordance with contracts. Revenue for performance obligations satisfied over time is recognized ratably over the period as NYFA satisfies its performance obligations. NYFA believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

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Transaction Price and Recognition

NYFA determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided in accordance with NYFA's policy and implicit price concessions provided to customers. NYFA determines its estimates of explicit price concessions based on its discount policies. NYFA determines its estimate of implicit price concessions based on its historical collection experience with this class of customers.

NYFA has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, customer, governmental programs and others) that have different reimbursement and payment methodologies
- NYFA's line of business that provided the service

For the year ended June 30, 2021, NYFA recognized revenue of \$1,000,202 from goods and services that transfer to the customer over time.

Contract Balances

NYFA does not have receivables or contract assets from contracts with customers. The following table provides information about NYFA's contract liabilities from contracts with customers:

	<u>2021</u>
Contract liabilities, beginning of the year	\$ 106,971
Contract liabilities, end of the year	\$ 18,750

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
- 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

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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:

	2021	
	Fair Value Measurements Using	
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)
	Fair Value	
Equities - domestic	\$ 663,971	\$ 663,971
Mutual funds - income in growth	1,533,703	1,533,703
Exchange traded funds - domestic	433,921	433,921
	2,631,595	<u>\$ 2,631,595</u>
Cash and cash equivalents	49,614	
Total investments	<u>\$ 2,681,209</u>	

	2020	
	Fair Value Measurements Using	
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)
	Fair Value	
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	48,184	
Total investments	<u>\$ 2,250,398</u>	

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, 2021 and 2020.

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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.

Note 7: Property and Equipment

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

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 602,142	\$ 602,142
Furniture and equipment	381,888	381,888
Website development	<u>1,365,199</u>	<u>1,299,308</u>
	2,349,229	2,283,338
Less accumulated depreciation and amortization	<u>(2,263,303)</u>	<u>(2,156,338)</u>
	<u>\$ 85,926</u>	<u>\$ 127,000</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 Teachers Insurance and Annuity Association-College Retirement Equities Fund. NYFA's makes a voluntary contribution at the rate of up to 4 percent of compensation for eligible participants. No contribution was made for the year ended June 30, 2021. For the year ended June 30, 2020, NYFA contributed \$38,282 to the plans.

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

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 10-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:

2022	\$	384,636
2023		<u>162,730</u>
Total	\$	<u>547,366</u>

Rent expense was \$359,570 and \$364,641 for the years ended June 30, 2021 and 2020, respectively.

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>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose		
Artists' Fund	\$ 813,903	\$ 46,403
Fiscal Sponsorship	2,634,145	2,674,899
New York State Council on the Arts Fellowship	60,557	73,051
Artists Business Incubator	4,477	4,477
Core Activities	<u>8,356</u>	<u>23,356</u>
	3,521,438	2,822,186
Endowments		
Subject to appropriation and expenditure over time, of which a portion is restricted in perpetuity by donors		
Available for general use	<u>806,751</u>	<u>719,891</u>
	<u>\$ 4,328,189</u>	<u>\$ 3,542,077</u>

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Net Assets Without Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 685,386	\$ 159,553
Designated by the Board for operating reserve	<u>983,810</u>	<u>700,210</u>
	<u>\$ 1,669,196</u>	<u>\$ 859,763</u>

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>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions		
Artists' Fund	\$ 282,800	\$ 196,631
Fiscal Sponsorship	3,713,472	3,583,762
New York State Council on the Arts Fellowship	99,984	88,268
COVID-19 Relief	689,597	743,580
Artist Medical Fund	894,958	124,662
Anonymous Was a Woman	-	317,500
Core Activities	<u>31,000</u>	<u>35,921</u>
	<u>\$ 5,711,811</u>	<u>\$ 5,090,324</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 NYFA and the fund
3. General economic conditions
4. Possible effect of inflation and deflation

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of NYFA
7. Investment policies of NYFA

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.

The composition of net assets by type of endowment fund at June 30, 2021 and 2020 was:

	2021	2020
	With Donor Restrictions	With Donor Restrictions
Donor-restricted endowment funds		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 537,088	\$ 537,088
Contributions	4,588	7,972
Accumulated investment gains	265,075	174,831
Endowment net assets, end of year	\$ 806,751	\$ 719,891

Change in endowment net assets for the years ended June 30, 2021 and 2020 was:

	2021	2020
	With Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	\$ 719,891	\$ 697,855
Contributions	4,588	7,972
Investment returns, net	93,272	20,064
Appropriation of endowment assets for expenditures	(11,000)	(6,000)
Endowment net assets, end of year	\$ 806,751	\$ 719,891

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

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.

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 the prime rate plus .05 percent, which was 3.30 percent at June 30, 2021 and 2020. As of June 30, 2021 and 2020, 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, 33 percent and 38 percent of total contributions were received from three donors in 2021 and 2020, respectively.

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

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.

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. NYFA has elected to account for the funding as a loan in accordance with Accounting Codification Standards Topic 470, *Debt*. In June 2021 the loan was fully forgiven and recorded as revenue.

Note 15: 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, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash	\$ 4,457,344	\$ 5,369,513
Cash, Musical Instrument Revolving Loan Fund (MIRLF)	897,784	919,203
Investments, at fair value	2,681,209	2,250,398
Contributions and grants receivable	508,611	390,925
Loans receivable, MIRLF, current	22,192	25,984
Loans receivable other, current	72,960	-
Total financial assets	<u>8,640,100</u>	<u>8,956,023</u>
Donor-imposed and other external restrictions		
Subject to expenditure for specified purpose	(3,521,438)	(2,822,186)
MIRLF	(919,952)	(945,188)
Endowments	(806,751)	(719,891)
Total donor-imposed and other external restrictions	<u>(5,248,141)</u>	<u>(4,487,265)</u>
Net financial assets after donor-imposed restrictions	3,391,959	4,468,758
Internal designations		
Board designated	(983,810)	(700,210)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,408,149</u>	<u>\$ 3,768,548</u>

New York Foundation for the Arts, Inc.

Notes to Financial Statements

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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 16: Future Changes in Accounting Principles

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.

Accounting for Financial Instruments – Credit Losses

FASB amended its standards related to the accounting for credit losses on financial instruments. This amendment introduces new guidance for accounting for credit losses on instruments including trade receivables and finance receivables. The new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those years. NYFA is in the process of evaluating the effect the amendment will have on the financial statements.