

New York Foundation for the Arts, Inc.

Independent Auditor's Report and Financial Statements

June 30, 2019 and 2018



New York Foundation for the Arts, Inc.

June 30, 2019 and 2018

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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, 2019 and 2018, 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.

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, 2019 and 2018, 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.

Emphasis of Matter

As described in *Note 2* to the financial statements, in 2019, New York Foundation for the Arts, Inc. adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. New York Foundation for the Arts, Inc. has elected to change its method of accounting for gifts, investment income and conditional contributions whose donor stipulations are satisfied in the period the gift is received in 2018. Our opinion is not modified with respect to this matter.

BKD, LLP

New York, New York
March 20, 2020

New York Foundation for the Arts, Inc.
Statements of Financial Position
June 30, 2019 and 2018

| | 2019 | 2018 |
|--|--------------|--------------|
| Assets | | |
| Cash | \$ 2,467,529 | \$ 1,799,264 |
| Cash, Musical Instrument Revolving Loan Fund (MIRLF) | 929,380 | 895,709 |
| Investments, at fair value | 2,150,154 | 2,062,649 |
| Contributions and grants receivable, current | 243,283 | 355,821 |
| Loans receivable, MIRLF, current | 40,519 | 129,092 |
| Loans receivable other, current | - | 9,501 |
| Prepaid expenses | 72,979 | 81,735 |
| Security deposits | 37,478 | 37,478 |
| Property and equipment, net | 148,976 | 145,493 |
| Total assets | \$ 6,090,298 | \$ 5,516,742 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 93,591 | \$ 86,501 |
| Deferred rent | 35,195 | 10,655 |
| Due to Sponsored Emerging Organizations | 162,806 | 187,020 |
| Due to MIRLF | 969,899 | 1,024,801 |
| Deferred grant revenue | 557,258 | - |
| Grants payable - current | 15,378 | 15,004 |
| Total liabilities | 1,834,127 | 1,323,981 |
| Net Assets | | |
| Without donor restrictions | | |
| Operating | 339,607 | 559,473 |
| Board-designated | 700,210 | 700,210 |
| Total without donor restrictions | 1,039,817 | 1,259,683 |
| With donor restrictions | 3,216,354 | 2,933,078 |
| Total net assets | 4,256,171 | 4,192,761 |
| Total liabilities and net assets | \$ 6,090,298 | \$ 5,516,742 |

New York Foundation for the Arts, Inc.
Statements of Activities
Years Ended June 30, 2019 and 2018

| | 2019 | | | | |
|--|----------------------------|---------------------|---------------------|----------------------------|---------------------|
| | Without Donor Restrictions | | | With Donor Restrictions | Total |
| | Operating | Board Designated | Total | | |
| Revenues, Gains and Other Support | | | | | |
| 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 | (115,241) | 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 | 3,404,094 | - | 3,404,094 | (3,404,094) | - |
| | | | | | |
| 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> |
| Expenses | | | | | |
| 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 | 344,682 | - | 344,682 | - | 344,682 |
| | | | | | |
| 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 | 583,431 | - | 583,431 | - | 583,431 |
| | | | | | |
| 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> |
| | | | | | |
| Change in Net Assets | (219,866) | - | (219,866) | 283,276 | 63,410 |
| Net Assets, Beginning of Year | <u>559,473</u> | <u>700,210</u> | <u>1,259,683</u> | <u>2,933,078</u> | <u>4,192,761</u> |
| Net Assets, End 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> |

New York Foundation for the Arts, Inc.
Statements of Activities (Continued)
Years Ended June 30, 2019 and 2018

| | 2018 | | | | |
|--|----------------------------|---------------------|---------------------|----------------------------|---------------------|
| | Without Donor Restrictions | | | With Donor Restrictions | Total |
| | Operating | Board Designated | Total | | |
| Revenues, Gains and Other Support | | | | | |
| Grants and contributions | \$ 2,067,989 | \$ - | \$ 2,067,989 | \$ 3,716,722 | \$ 5,784,711 |
| Special events | \$ 328,611 | | | | |
| Less direct cost of special events | <u>(155,319)</u> | 173,292 | - | - | 173,292 |
| Administrative fees | 327,628 | - | 327,628 | - | 327,628 |
| Investment income, net | 82,068 | - | 82,068 | 15,657 | 97,725 |
| Program service fees | 1,308,938 | - | 1,308,938 | - | 1,308,938 |
| Rental and other income | 33,518 | - | 33,518 | - | 33,518 |
| Net assets released from restrictions | <u>4,020,164</u> | <u>-</u> | <u>4,020,164</u> | <u>(4,020,164)</u> | <u>-</u> |
| Total revenues, gains and other support | <u>8,013,597</u> | <u>-</u> | <u>8,013,597</u> | <u>(287,785)</u> | <u>7,725,812</u> |
| Expenses | | | | | |
| Program services | | | | | |
| NYC Made in NY | | | | | |
| Women's Film Grants | - | - | - | - | - |
| Fellowship | 1,036,352 | - | 1,036,352 | - | 1,036,352 |
| Fiscal sponsorship | 4,001,696 | - | 4,001,696 | - | 4,001,696 |
| Learning | 458,589 | - | 458,589 | - | 458,589 |
| Programs communication | 700,818 | - | 700,818 | - | 700,818 |
| Programs technology | 392,331 | - | 392,331 | - | 392,331 |
| Other programs | <u>444,676</u> | <u>-</u> | <u>444,676</u> | <u>-</u> | <u>444,676</u> |
| Total program services | <u>7,034,462</u> | <u>-</u> | <u>7,034,462</u> | <u>-</u> | <u>7,034,462</u> |
| Supporting services | | | | | |
| Management and general | 554,349 | - | 554,349 | - | 554,349 |
| Fundraising | <u>610,588</u> | <u>-</u> | <u>610,588</u> | <u>-</u> | <u>610,588</u> |
| Total supporting services | <u>1,164,937</u> | <u>-</u> | <u>1,164,937</u> | <u>-</u> | <u>1,164,937</u> |
| Total expenses | <u>8,199,399</u> | <u>-</u> | <u>8,199,399</u> | <u>-</u> | <u>8,199,399</u> |
| Change in Net Assets | (185,802) | - | (185,802) | (287,785) | (473,587) |
| Net Assets, Beginning of Year | <u>745,275</u> | <u>700,210</u> | <u>1,445,485</u> | <u>3,220,863</u> | <u>4,666,348</u> |
| Net Assets, End of Year | <u>\$ 559,473</u> | <u>\$ 700,210</u> | <u>\$ 1,259,683</u> | <u>\$ 2,933,078</u> | <u>\$ 4,192,761</u> |

New York Foundation for the Arts, Inc.
Statements of Functional Expenses
Years Ended June 30, 2019 and 2018

| | 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 | \$ 1,054,734 | \$ 900,254 | \$ 3,410,539 | \$ 584,053 | \$ 585,747 | \$ 469,589 | \$ 344,682 | \$ 7,349,598 | \$ 544,713 | \$ 583,431 | \$ - | \$ 1,128,144 | \$ 8,477,742 |

New York Foundation for the Arts, Inc.
Statements of Functional Expenses (Continued)
Years Ended June 30, 2019 and 2018

| | 2018 | | | | | | | | | | | | |
|--|-------------------|-----------------------|--------------|---------------------------|------------------------|-------------------|------------|---------------------------|-------------|-------------------|-----------|--------------|--------------|
| | 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 | \$ - | \$ 196,787 | \$ 228,434 | \$ 149,817 | \$ 458,087 | \$ 135,363 | \$ 15,174 | \$ 1,183,662 | \$ 296,378 | \$ 379,136 | \$ - | \$ 675,514 | \$ 1,859,176 |
| Payroll taxes and employee benefits | - | 42,457 | 46,316 | 31,683 | 96,667 | 27,227 | 2,670 | 247,020 | 65,202 | 77,194 | - | 142,396 | 389,416 |
| Total personnel costs | - | 239,244 | 274,750 | 181,500 | 554,754 | 162,590 | 17,844 | 1,430,682 | 361,580 | 456,330 | - | 817,910 | 2,248,592 |
| Fellowships and grants | - | 623,000 | 3,625,323 | - | - | - | 207,032 | 4,455,355 | - | - | - | - | 4,455,355 |
| Project production | - | 41,182 | - | - | - | - | 8,820 | 50,002 | - | - | - | - | 50,002 |
| Occupancy and storage | - | 45,321 | 52,690 | 28,332 | 61,533 | 29,828 | 57,155 | 274,859 | 19,653 | 86,131 | - | 105,784 | 380,643 |
| Travel | - | 5,949 | 1,346 | 30,815 | 2,860 | - | 3,400 | 44,370 | 26,731 | 981 | - | 27,712 | 72,082 |
| Printing and duplicating | - | 6,412 | 384 | 460 | 517 | 176 | 13 | 7,962 | 508 | 560 | - | 1,068 | 9,030 |
| Telephone and internet provider | - | 1,827 | 2,124 | 1,322 | 2,480 | 1,233 | 89 | 9,075 | 5,335 | 3,357 | - | 8,692 | 17,767 |
| Postage and shipping | - | 28,053 | 475 | 392 | 555 | 276 | 3,236 | 32,987 | 693 | 462 | - | 1,155 | 34,142 |
| Advertising and public relations | - | - | - | - | 862 | - | - | 862 | - | - | - | - | 862 |
| Office supplies | - | 953 | 951 | 634 | 1,159 | 544 | 41 | 4,282 | 3,086 | 1,482 | - | 4,568 | 8,850 |
| Repairs and maintenance | - | 1,585 | 1,843 | 1,147 | 2,152 | 1,070 | 78 | 7,875 | 7,276 | 2,913 | - | 10,189 | 18,064 |
| Equipment expense | - | 2,263 | 2,632 | 1,764 | 3,096 | 167,881 | 115 | 177,751 | 3,685 | 4,159 | - | 7,844 | 185,595 |
| Insurance expense | - | 9,561 | 1,133 | 705 | 1,323 | 657 | 3,537 | 16,916 | 6,995 | 1,790 | - | 8,785 | 25,701 |
| Professional fees | - | 7,920 | 13,851 | 198,733 | 9,673 | 12,778 | 122,907 | 365,862 | 29,811 | 6,947 | - | 36,758 | 402,620 |
| Board expenses | - | - | - | - | - | - | - | - | 24,668 | - | - | 24,668 | 24,668 |
| Hospitality | - | 2,242 | 754 | 5,076 | 796 | 366 | 23 | 9,257 | 1,876 | 1,738 | - | 3,614 | 12,871 |
| Event space and catering | - | - | - | - | - | - | - | - | - | - | (155,319) | (155,319) | (155,319) |
| Depreciation and amortization | - | 18,218 | 21,180 | 3,259 | 24,735 | 12,294 | 10,812 | 90,498 | 24,144 | 33,472 | - | 57,616 | 148,114 |
| Conference attendance | - | - | - | 281 | - | - | - | 281 | 3,889 | 159 | - | 4,048 | 4,329 |
| Credit card and bank fees | - | 214 | - | - | 30,095 | - | - | 30,309 | 12,828 | 5,992 | - | 18,820 | 49,129 |
| Professional development | - | 202 | 522 | 2,435 | 2,126 | 943 | - | 6,228 | 15,353 | - | - | 15,353 | 21,581 |
| Miscellaneous | - | 2,206 | 1,738 | 1,734 | 2,102 | 1,695 | 9,574 | 19,049 | 6,238 | 4,115 | - | 10,353 | 29,402 |
| Total expenses | - | 1,036,352 | 4,001,696 | 458,589 | 700,818 | 392,331 | 444,676 | 7,034,462 | 554,349 | 610,588 | (155,319) | 1,009,618 | 8,044,080 |
| Less expenses deducted from revenues on the statements of activities | - | - | - | - | - | - | - | - | - | - | 155,319 | 155,319 | 155,319 |
| Total expenses as reported by function on the statements of activities | \$ - | \$ 1,036,352 | \$ 4,001,696 | \$ 458,589 | \$ 700,818 | \$ 392,331 | \$ 444,676 | \$ 7,034,462 | \$ 554,349 | \$ 610,588 | \$ - | \$ 1,164,937 | \$ 8,199,399 |

New York Foundation for the Arts, Inc.
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Operating Activities | | |
| Change in net assets | \$ 63,410 | \$ (473,587) |
| Items not requiring (providing) operating cash flows | | |
| Depreciation and amortization | 125,517 | 148,114 |
| Realized and unrealized gain | (24,373) | (56,115) |
| Contributions received restricted for acquisition for long-lived assets | - | (125,000) |
| Fees received for MIRLF | (24,280) | - |
| Changes in | | |
| Contributions and grants receivable | 112,538 | 66,192 |
| Prepaid expenses | 8,756 | (30,386) |
| Accounts payable and accrued expenses | 7,090 | (2,880) |
| Deferred rent | 24,540 | (40,735) |
| Due to Sponsored Emerging Organizations | (24,214) | (5,137) |
| Deferred grant revenue | 557,258 | - |
| Grants payable | 374 | - |
| | <u>826,616</u> | <u>(519,534)</u> |
| Net cash provided by (used in) operating activities | | |
| Investing Activities | | |
| Purchase of property and equipment | (129,000) | (155,940) |
| Purchase of investments | (211,381) | (81,315) |
| Proceeds from sales of investments | 148,249 | 3,561 |
| Advances made on loans receivable | - | (9,501) |
| Principal payments received on loans receivable | 67,452 | 4,980 |
| | <u>(124,680)</u> | <u>(238,215)</u> |
| Net cash used in investing activities | | |
| Financing Activities | | |
| Cash received for MIRLF | - | 890,925 |
| Proceeds from contributions restricted for acquisition of long-lived assets | - | 125,000 |
| | <u>-</u> | <u>1,015,925</u> |
| Net cash provided by financing activities | | |
| Net Change in Cash | 701,936 | 258,176 |
| Cash, Beginning of Year | <u>2,694,973</u> | <u>2,436,797</u> |
| Cash, End of Year | <u>\$ 3,396,909</u> | <u>\$ 2,694,973</u> |
| Reconciliation of Cash | | |
| Cash | \$ 2,467,529 | \$ 1,799,264 |
| Cash (MIRLF) | 929,380 | 895,709 |
| | <u>\$ 3,396,909</u> | <u>\$ 2,694,973</u> |
| Noncash Investing and Financing Activities | | |
| Loan receivable and due to MIRLF | \$ 30,622 | \$ 134,072 |

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

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.

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.

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 without donor 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.

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Allowance for Doubtful Accounts

Management determines whether an allowance for uncollectibles should be provided for contributions and grants receivable. Such estimates are based on management's assessment of the age of the receivable, subsequent receipts, current economic conditions and historical information. Contributions and grants receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Management did not record an allowance for doubtful accounts as all are expected to be received.

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.

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, 2019 and 2018.

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.

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

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:

| 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 |
| 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.

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

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.

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. However, NYFA is subject to federal income tax on any unrelated business taxable income.

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

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

Subsequent Events

Subsequent events have been evaluated through March 20, 2020, which is the date the financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, changes in net assets and cash flows of NYFA. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 2: Change in Accounting Principle – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities

In 2019, NYFA adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes by financial statement area is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets – those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted and permanently restricted.

Statements of Activities and Functional Expenses

- Expenses are reported by both nature and function in one location.
- Investment income is shown net of external and direct internal investment expenses. There is no longer a requirement to include a disclosure of those netted expenses.

Statement of Cash Flows

- A not-for-profit continues to use the indirect method of reporting to present operating cash flows.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.

This change had no impact on previously reported total change in net assets.

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

In 2019, NYFA voluntarily changed the accounting policy for gifts, investment income and conditional contributions having donor restrictions or 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. Previously, NYFA's policy was to record gifts, investment income and conditional contributions having donor restrictions or stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions. The new policy provides readers of the financial statements a deeper understanding of NYFA's activities, including contributions received with restrictions and expenses incurred by NYFA in satisfaction of these restrictions. A summary of the changes by financial statement area is as follows:

| | <u>As Stated</u> | <u>As Previously Reported</u> | <u>Effect of Change</u> |
|--|----------------------|-----------------------------------|-----------------------------|
| Grants and contributions - operating | \$ 5,688,828 | \$ 2,067,989 | \$ 3,620,839 |
| Grants and contributions - with donor restrictions | 95,883 | 3,716,722 | (3,620,839) |
| Net assets released from restrictions | 399,325 | 4,020,164 | (3,620,839) |

This change had no impact on previously reported total change in net assets.

Note 3: 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, 2019, comprise the following:

| | |
|---|--------------------|
| Financial assets | |
| Cash | \$ 2,467,529 |
| Cash, Musical Instrument Revolving Loan Fund (MIRLF) | 929,380 |
| Investments, at fair value | 2,150,154 |
| Contributions and grants receivable, current | 243,283 |
| Loans receivable, MIRLF, current | <u>40,519</u> |
| Total financial assets | <u>5,830,865</u> |
| Donor-imposed restrictions | |
| Subject to expenditure for specified purpose | (2,518,499) |
| MIRLF | (969,899) |
| Endowments | <u>(697,855)</u> |
| Total donor-imposed restrictions | <u>(4,186,253)</u> |
| Net financial assets after donor-imposed restrictions | 1,644,612 |
| Internal designations | |
| Board-designated | <u>(700,210)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 944,402</u> |

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

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 4: 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.

Recurring Measurements

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

| | 2019 | |
|----------------------------------|--------------------------------------|---------------------|
| | Fair Value Measurements Using | |
| | Quoted Prices | |
| | in Active | |
| | Markets for | |
| | Identical Assets | |
| | Total | (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 | <u>\$ 2,125,579</u> |
| Cash and cash equivalents | <u>24,575</u> | |
| Total investments | <u>\$ 2,150,154</u> | |

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

| | 2018 | | |
|----------------------------------|--|---|------------------|
| | Fair Value Measurements Using | | |
| Total Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | |
| Certificate of deposit | \$ 49,905 | \$ - | \$ 49,905 |
| Equities - domestic | 449,639 | 449,639 | - |
| Mutual funds - income in growth | 858,252 | 858,252 | - |
| Exchange traded funds - domestic | 201,701 | 201,701 | - |
| | <u>1,559,497</u> | <u>\$ 1,509,592</u> | <u>\$ 49,905</u> |
| Cash and cash equivalents | <u>503,152</u> | | |
| Total investments | <u>\$ 2,062,649</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 statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 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, 2019 and 2018

Note 5: Property and Equipment

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

| | <u>2019</u> | <u>2018</u> |
|---|--------------------|--------------------|
| Leasehold improvements | \$ 602,142 | \$ 602,142 |
| Furniture and equipment | 381,888 | 381,888 |
| Website development | <u>1,173,308</u> | <u>1,044,308</u> |
| | 2,157,338 | 2,028,338 |
| Less accumulated depreciation and amortization | <u>(2,008,362)</u> | <u>(1,882,845)</u> |
| | <u>\$ 148,976</u> | <u>\$ 145,493</u> |

Note 6: 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, 2019 and 2018 totaled \$38,941 and \$37,203, respectively.

Note 7: Operating Leases

NYFA leases its premises under a 10-year lease, which expired on September 30, 2018. On August 1, 2017, NYFA signed a new ten-year lease which expires December 2028. The lease is cancellable after November 30, 2022 with 12 months' notice. The future minimum lease payments are as follows:

| | |
|-------|---------------------|
| 2020 | \$ 360,972 |
| 2021 | 372,804 |
| 2022 | 384,636 |
| 2023 | <u>162,730</u> |
| Total | <u>\$ 1,281,142</u> |

Rent expense was \$329,983 and \$265,705 for the years ended June 30, 2019 and 2018, respectively.

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Note 8: Net Assets

Net Assets With Donor Restrictions

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

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Subject to expenditure for specified purpose | | |
| Artists' Fund | \$ 53,023 | \$ 90,064 |
| Fiscal Sponsorship | 2,349,282 | 2,027,380 |
| New York State Council on the Arts Fellowship | 39,635 | 7,207 |
| Artists Business Incubator | 4,477 | 50,721 |
| Core Activities | <u>72,082</u> | <u>-</u> |
| | 2,518,499 | 2,175,372 |
| Subject to the passage of time | - | 72,070 |
| Endowments | | |
| Subject to appropriation and expenditure over time, of which a portion is restricted in perpetuity by donors | | |
| Available for general use | <u>697,855</u> | <u>685,636</u> |
| | <u>\$ 3,216,354</u> | <u>\$ 2,933,078</u> |

Net Assets Without Donor Restrictions

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

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Undesignated | \$ 339,607 | \$ 559,473 |
| Designated by the Board for operating reserve | <u>700,210</u> | <u>700,210</u> |
| | <u>\$ 1,039,817</u> | <u>\$ 1,259,683</u> |

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

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>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Satisfaction of purpose restrictions | | |
| Artists' Fund | \$ 127,190 | \$ 142,763 |
| Fiscal Sponsorship | 3,019,720 | 3,618,513 |
| Artists Business Incubator | 46,243 | 97,635 |
| New York State Council on the Arts Fellowship | 168,452 | 21,664 |
| Expiration of time restrictions | <u>42,489</u> | <u>139,589</u> |
| | <u>\$ 3,404,094</u> | <u>\$ 4,020,164</u> |

Note 9: 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, 2019 and 2018

The composition of net assets by type of endowment fund at June 30, 2019 and 2018 was:

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| | <u>With Donor</u> | <u>With Donor</u> |
| | <u>Restrictions</u> | <u>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 |
| Accumulated investment gains | <u>160,767</u> | <u>148,548</u> |
| Endowment net assets, end of year | <u>\$ 697,855</u> | <u>\$ 685,636</u> |

Change in endowment net assets for the years ended June 30, 2019 and 2018 were:

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| | <u>With Donor</u> | <u>With Donor</u> |
| | <u>Restrictions</u> | <u>Restrictions</u> |
| Endowment net assets, beginning of year | \$ 685,636 | \$ 702,310 |
| Investment returns, net | 29,719 | 15,238 |
| Appropriation of endowment assets for expenditures | <u>(17,500)</u> | <u>(31,912)</u> |
| Endowment net assets, end of year | <u>\$ 697,855</u> | <u>\$ 685,636</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.

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.

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Funds with Deficiencies

NYFA does not have any funds with deficiencies.

Note 10: 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 5.55 percent at June 30, 2019 and 3.91 percent at June 30, 2018. As of June 30, 2019 and 2018, no balance was outstanding.

Note 11: Significant Estimates and Concentrations

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

Cash

At June 30, 2019, NYFA's cash accounts exceeded federally insured limits by approximately \$4,120,000.

Contributions

Approximately 40 percent of total contributions were received from two donors in 2019.

Investments

There has been significant volatility in the investment markets both nationally and globally since December 31, 2019 resulting in an overall market decline, which has resulted in a substantial decline in the value of our investment portfolio.

New York Foundation for the Arts, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

Note 12: Future Changes in Accounting Principles

Revenue Recognition

The Financial Accounting Standards Board (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, 2018 for nonpublic entities, and any interim periods within annual reporting periods that begin after December 15, 2019 for nonpublic entities. NYFA is in the process of evaluating the impact the amendment will have on the financial statements.

Grants and Contributions

FASB released ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, 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 guidance requires all organizations to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction, and whether contributions are conditional or unconditional. If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, *Revenue from Contracts with Customers*, or other topics. The standard clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provider, *i.e.*, the transaction is non-exchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional.

FASB expects that the new standard could result in more grants and contracts being accounted for as contributions (often conditional contributions) than under current GAAP. Because of this, it believes the clarifying guidance about whether a contribution is conditional or unconditional, which affects the timing of revenue recognition, is important. Both the recipient and resource provider would equally apply the guidance. The standard will be effective for reporting periods beginning on or after December 15, 2018. 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, 2019 and 2018

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 balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for NYFA's annual periods beginning after December 15, 2020 and any interim periods within annual reporting periods that begin after December 15, 2021. NYFA is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have an impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Note 13: Strategic Plan

In year ended June 30, 2019, NYFA's statement of activities includes an operational loss of \$219,866. The operational loss was a planned investment in accordance with NYFA's five-year strategic plan, which includes ongoing enhancement to technology, NYFA On-line Resources, and continued expansion of NYFA Learning programs.