

**THE MUNICIPAL ART SOCIETY OF NEW YORK**

**CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014 AND 2013**



**LOTZ AND CARR**  
CERTIFIED PUBLIC ACCOUNTANTS, LLP  
300 EAST 42ND ST., NEW YORK, NY 10017  
212-697-2299 Fax 212-949-1768

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
The Municipal Art Society of New York

We have audited the accompanying consolidated financial statements of The Municipal Art Society of New York (the "Society"), which comprise the consolidated statements of financial position as of September 30, 2014 and 2013, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Municipal Art Society of New York as of September 30, 2014 and 2013, 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.

*Lotz + Carr, LLP*

New York, New York  
February 24, 2015

**THE MUNICIPAL ART SOCIETY OF NEW YORK**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Cash and cash equivalents (Notes 2d and 3)	\$ 2,091,746	\$ 2,798,951
Unconditional promises to give (Notes 2g and 5)		
Unrestricted	112,216	348,150
Restricted to future programs and periods	453,300	62,500
Prepaid expenses and other current assets	357,720	291,581
Investments (Notes 2e, 2f and 4)	12,525,719	11,992,450
Custodial fund investments (Note 7)	892,502	896,310
Restricted cash and deposits (Note 12)	410,252	197,897
Leasehold improvements, equipment and furniture, net of accumulated depreciation (Notes 2h and 6)	<u>626,540</u>	<u>177,929</u>
<b>Total Assets</b>	<u><u>\$17,469,995</u></u>	<u><u>\$16,765,768</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 229,944	\$ 512,157
Funds held as custodian for others (Note 7)	892,502	896,310
Deferred rent (Note 11)	<u>45,633</u>	<u>35,022</u>
Total Liabilities	<u>1,168,079</u>	<u>1,443,489</u>
Commitments (Notes 10, 11 and 12)		
Net Assets		
Unrestricted (Note 8a)	7,119,813	5,554,456
Temporarily restricted (Note 8b)	3,206,528	3,792,248
Permanently restricted (Note 8c)	<u>5,975,575</u>	<u>5,975,575</u>
Total Net Assets	<u>16,301,916</u>	<u>15,322,279</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$17,469,995</u></u>	<u><u>\$16,765,768</u></u>

See notes to consolidated financial statements.

**THE MUNICIPAL ART SOCIETY OF NEW YORK**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Changes in Net Assets</b>								
Operating Support and Revenue								
Grants and gifts	\$ 709,429	\$ 1,827,830	\$ -	\$ 2,537,259	\$ 915,996	\$3,172,266	\$ -	\$ 4,088,262
Donated marketing services	97,948	-	-	97,948	34,425	-	-	34,425
Benefit income	1,028,853	-	-	1,028,853	1,124,846	-	-	1,124,846
Less: Direct fundraising costs	(115,534)	-	-	(115,534)	(204,330)	-	-	(204,330)
Memberships	174,235	-	-	174,235	141,065	-	-	141,065
Tours and courses	168,127	-	-	168,127	173,196	-	-	173,196
Investment income (Note 4)	280,683	819,873	-	1,100,556	287,038	1,096,732	-	1,383,770
Registration fees and other income	168,474	-	-	168,474	68,804	-	-	68,804
Rent credit - surrender of lease (Note 11)	398,000	-	-	398,000	-	-	-	-
Net assets released from restrictions (Note 8)	3,233,423	(3,233,423)	-	-	3,056,383	(3,056,383)	-	-
<b>Total Operating Support and Revenue</b>	<b>6,143,638</b>	<b>(585,720)</b>	<b>-</b>	<b>5,557,918</b>	<b>5,597,423</b>	<b>1,212,615</b>	<b>-</b>	<b>6,810,038</b>
Operating Expenses								
Program Services	4,244,388	-	-	4,244,388	3,724,184	-	-	3,724,184
Supporting Services								
Administrative	1,047,205	-	-	1,047,205	1,091,643	-	-	1,091,643
Fundraising	792,706	-	-	792,706	769,368	-	-	769,368
<b>Total Operating Expenses</b>	<b>6,084,299</b>	<b>-</b>	<b>-</b>	<b>6,084,299</b>	<b>5,585,195</b>	<b>-</b>	<b>-</b>	<b>5,585,195</b>
<b>Change in Net Assets From Operations</b>	<b>59,339</b>	<b>(585,720)</b>	<b>-</b>	<b>(526,381)</b>	<b>12,228</b>	<b>1,212,615</b>	<b>-</b>	<b>1,224,843</b>
Loss on abandoned leasehold improvements and equipment (Note 6)	(122,859)	-	-	(122,859)	-	-	-	-
Gain on surrender of lease (Note 11)	1,628,877	-	-	1,628,877	2,123,011	-	-	2,123,011
<b>Change in net assets</b>	<b>1,565,357</b>	<b>(585,720)</b>	<b>-</b>	<b>979,637</b>	<b>2,135,239</b>	<b>1,212,615</b>	<b>-</b>	<b>3,347,854</b>
Net assets, beginning of year	5,554,456	3,792,248	5,975,575	15,322,279	3,419,217	2,579,633	5,975,575	11,974,425
<b>Net Assets, End of Year</b>	<b>\$ 7,119,813</b>	<b>\$ 3,206,528</b>	<b>\$ 5,975,575</b>	<b>\$16,301,916</b>	<b>\$ 5,554,456</b>	<b>\$ 3,792,248</b>	<b>\$ 5,975,575</b>	<b>\$15,322,279</b>

See notes to consolidated financial statements.

**THE MUNICIPAL ART SOCIETY OF NEW YORK**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	2014			2013				
	Program Services	Supporting Services		Total Expenses	Program Services	Supporting Services		Total Expenses
		Administrative	Fundraising			Administrative	Fundraising	
Personnel Costs								
Salaries	\$1,206,406	\$ 560,117	\$ 387,773	\$2,154,296	\$1,080,899	\$ 611,830	\$ 346,704	\$2,039,433
Fringe benefits and payroll taxes	179,198	83,198	57,599	319,995	173,456	98,183	55,637	327,276
Total Personnel Costs	<u>1,385,604</u>	<u>643,315</u>	<u>445,372</u>	<u>2,474,291</u>	<u>1,254,355</u>	<u>710,013</u>	<u>402,341</u>	<u>2,366,709</u>
Other than Personnel Costs								
Occupancy	252,238	117,110	81,076	450,424	265,359	150,203	85,115	500,677
Insurance	12,258	5,691	3,940	21,889	10,199	5,774	3,271	19,244
Outside professional services and software licensing	193,318	91,516	-	284,834	392,499	23,045	-	415,544
Outside professional services (Summit)	372,756	-	-	372,756	464,607	-	-	464,607
Grants and awards	637,750	-	-	637,750	455,777	-	-	455,777
Printing/typesetting/graphic design	87,492	7,807	43,200	138,499	42,522	11,018	6,825	60,365
Video production	37,467	-	-	37,467	49,850	150	-	50,000
Restoration	142,423	-	-	142,423	103,113	-	-	103,113
Public relations	178,998	-	-	178,998	99,286	-	-	99,286
Tour and course expenses	58,838	-	-	58,838	62,175	-	-	62,175
Accounting and legal	1,870	40,158	-	42,028	16,133	40,971	-	57,104
Travel	42,314	19,646	13,601	75,561	34,553	19,559	11,083	65,195
Postage	8,106	5,594	3,551	17,251	3,338	6,817	13,776	23,931
Public programs	655,921	15,048	28,288	699,257	316,414	20,502	16,827	353,743
Telephone and information technology	30,291	14,064	9,736	54,091	40,206	22,758	12,896	75,860
Dues and subscriptions	10,858	3,419	905	15,182	2,241	9,901	860	13,002
Office expenses and miscellaneous	99,448	58,892	37,337	195,677	86,010	48,681	27,588	162,279
Indirect benefit event costs	-	-	113,988	113,988	-	-	180,592	180,592
Bad debt expense	-	8,027	-	8,027	-	7,790	-	7,790
Depreciation	36,438	16,918	11,712	65,068	25,547	14,461	8,194	48,202
<b>Total Expenses</b>	<u><u>\$4,244,388</u></u>	<u><u>\$ 1,047,205</u></u>	<u><u>\$ 792,706</u></u>	<u><u>\$6,084,299</u></u>	<u><u>\$3,724,184</u></u>	<u><u>\$ 1,091,643</u></u>	<u><u>\$ 769,368</u></u>	<u><u>\$5,585,195</u></u>

See notes to consolidated financial statements.

**THE MUNICIPAL ART SOCIETY OF NEW YORK**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 979,637	\$3,347,854
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	65,068	48,202
Uncollectible promises to give - bad debt expense	8,027	7,790
Loss on abandoned leasehold improvements and equipment	122,859	-
Unrealized gain on investments	(780,987)	(1,059,283)
Realized gain on sale of investments	(148,654)	(155,042)
Change in deferred rent	10,611	(496,909)
(Increase) decrease in:		
Unconditional promises to give	(160,866)	482,220
Prepaid expenses and other current assets	(68,166)	20,018
Custodial fund investments	3,808	250,166
Restricted cash and deposits	(212,355)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(282,203)	204,884
Funds held as custodian for others	(3,808)	(250,166)
Net Cash Provided (Used) By Operating Activities	<u>(467,029)</u>	<u>2,399,734</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(2,158,171)	(1,413,127)
Sale of investments	2,554,533	1,485,302
Acquisition of property and equipment	(636,538)	(13,530)
Net Cash Provided (Used) By Investing Activities	<u>(240,176)</u>	<u>58,645</u>
Net increase (decrease) in cash and cash equivalents	(707,205)	2,458,379
Cash and cash equivalents, beginning of year	<u>2,798,951</u>	<u>340,572</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$2,091,746</u></u>	<u><u>\$2,798,951</u></u>

See notes to consolidated financial statements.

**THE MUNICIPAL ART SOCIETY OF NEW YORK**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014 AND 2013**

**Note 1 - Organization**

The Municipal Art Society of New York (the "Society") founded in 1893, is a not-for-profit membership organization, incorporated in the State of New York, and committed to making New York City more livable through education, dialogue and advocacy for intelligent urban planning, design and preservation. The Society is a charitable organization and is exempt from Federal income taxes under Sections 501(c) (3) and 509(a)(1) of the Internal Revenue Code.

During the year ended September 30, 2014, the Society received approximately 33% of its gifts and grants from three private foundations. During the year ended September 30, 2013, the Society received approximately 38% of its gifts and grants from a private foundation.

The Society is the sole member of 457 Madison Avenue Corporation ("457 Madison"), a not-for-profit membership corporation, incorporated in the State of New York, which is included in the accompanying financial statements. 457 Madison is exempt from Federal income taxes under Section 501(c)(2) of the Internal Revenue Code.

The Society is also the sole member of Wall Street Rising Corp. ("WSR"), a not-for-profit corporation, incorporated in the State of New York, which is included in the accompanying financial statements. WSR is exempt from Federal income taxes under Section 501(c)(3) and 509(a)(1) of the Internal Revenue Code.

During the years ended September 30, 2014 and 2013, both 457 Madison and WSR were inactive.

**Note 2 - Summary of Significant Accounting Policies**

a - Basis of Consolidation

The consolidated financial statements of the Society include the assets, liabilities and results of operations of the Society and its wholly owned corporations, 457 Madison and WSR. All material intercompany balances and transactions have been eliminated in consolidation.

b - Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Society and changes therein are classified and reported as unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.



**THE MUNICIPAL ART SOCIETY OF NEW YORK**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014 AND 2013**

**Note 2 - Summary of Significant Accounting Policies (continued)**

c - Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d - Statement of Cash Flows

For purposes of the statement of cash flows, the Society considers all unrestricted highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents, except for those short-term investments managed by the Society's investment managers as part of their long-term investment strategies.

e - Fair Value Measurements

A fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist. As of and for the years ended September 30, 2014 and 2013, all of the Society's investments, bought, sold and held were considered Level 1.

f - Investments Valuation and Income Recognition

Investments are carried at fair value. The fair value of substantially all securities is determined by quoted market prices. Purchases and sales of securities are recorded on a trade-date basis. Interest, dividends, and realized and unrealized gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

g - Contributions and Promises to Give

The Society reports contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Society that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets.

**THE MUNICIPAL ART SOCIETY OF NEW YORK**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014 AND 2013**

**Note 2 - Summary of Significant Accounting Policies (continued)**

g - Contributions and Promises to Give (continued)

The Society uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

h - Leasehold improvements, Equipment and Furniture

Leasehold improvements, equipment and furniture are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the life of the lease or the useful lives of the assets, whichever is less.

i - Accounting for Uncertainty in Income Taxes

The Society recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Society had no uncertain tax positions that would require financial statement recognition. The Society's tax returns are generally subject to examination by taxing authorities for a period of three years from the date of filing.

j - Subsequent Events

The Society has evaluated subsequent events through February 24, 2015, the date that the financial statements are considered available to be issued.

**Note 3 - Concentration of Credit Risk**

Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash, temporary cash investments, accounts and contributions receivable and investment securities. At times, cash balances held at financial institutions were in excess of federally insured limits. The Society places its temporary cash investments with high credit quality financial institutions. The Society believes that no significant concentration of credit risk exists with respect to accounts and contributions receivable. Concentration of credit risk with respect to investments is reduced by diversification, professional management, and limited exposure to any single investment.

**THE MUNICIPAL ART SOCIETY OF NEW YORK**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014 AND 2013**

**Note 4 - Investments and Investment Return**

Investments at September 30, 2014 and 2013 are summarized as follows according to fair value hierarchy:

	<b>Fair Value</b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>
Level I Investments		
Short-term investments	\$ 216,316	\$ 369,651
Stock mutual funds	4,848,714	4,344,141
Equity securities	4,849,299	4,420,040
Bond mutual funds	<u>2,611,390</u>	<u>2,858,618</u>
	<u>\$12,525,719</u>	<u>\$11,992,450</u>

Investments included as pooled assets totaled \$7,424,372 and \$7,166,538 at September 30, 2014 and 2013, respectively.

Investment return for the years ended September 30, 2014 and 2013 are as follows:

	<b><u>2014</u></b>	<b><u>2013</u></b>
Interest and dividends	\$ 253,458	\$ 238,326
Realized gain on sale of investments	148,654	155,042
Unrealized gain on investments	780,987	1,059,283
Less: Advisory fees	<u>(82,543)</u>	<u>(68,881)</u>
	<u>\$1,100,556</u>	<u>\$1,383,770</u>

Investment return reported in the consolidated statement of activities is allocated as follows:

	<b><u>2014</u></b>	<b><u>2013</u></b>
Operating	\$ 382,494	\$ 318,466
Non-operating	<u>718,062</u>	<u>1,065,304</u>
	<u>\$1,100,556</u>	<u>\$1,383,770</u>

**THE MUNICIPAL ART SOCIETY OF NEW YORK**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014 AND 2013**

**Note 4 - Investments and Investment Return (continued)**

Operating investment income includes investment income transferred from the Municipal Art Society Endowment Fund and Board-Designated Endowment Fund and the Janet C. Ross Fund pursuant to the Society's spending rate policy or the donor's instructions.

**Note 5 - Promises to Give**

a - Unconditional Promises to Give

Unconditional promises to give are all due in one year. Uncollectible promises are expected to be insignificant.

b - Conditional Promises to Give

The Society received a conditional award of \$75,000 restricted for the Archive Project, which has not been recorded in the accompanying financial statements as of September 30, 2014.

**Note 6 - Leasehold Improvements, Equipment and Furniture**

Leasehold improvements, equipment and furniture at September 30, 2014 and 2013 consisted of the following:

	<u>Life</u>	<u>2014</u>	<u>2013</u>
Leasehold improvements and other construction costs	Life of lease	\$ 32,522	\$221,928
Equipment and furniture	3-5 years	720,337	168,034
Website and software	5 years	<u>12,186</u>	<u>9,036</u>
		765,045	398,998
Less: Accumulated depreciation		<u>(138,505)</u>	<u>(221,069)</u>
		<u>\$626,540</u>	<u>\$177,929</u>

During the year ended September 30, 2014, the Society moved its office location and abandoned approximately \$270,000 of assets and recorded a loss on abandonment of \$122,859.

**THE MUNICIPAL ART SOCIETY OF NEW YORK**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014 AND 2013**

**Note 7 - Funds Held as Custodian for Others**

The Society maintains funds as custodian for others over which the Society has no authority to disburse funds without the authorization of the organization whose funds are held. As custodian, the Society received and disbursed funds during the years ended September 30, 2014 and 2013 as follows:

	<u>2014</u>	<u>2013</u>
Funds held, beginning of year	\$896,310	\$1,146,476
Funds received	1,188	1,790
Interest income earned	89	282
Funds disbursed	(5,085)	(47,419)
Organizations no longer in existence; funds reclassified to income	<u>-</u>	<u>(204,819)</u>
Funds Held, End of Year	<u>\$892,502</u>	<u>\$ 896,310</u>

Custodial funds are held in short-term money fund investments. As of September 30, 2014 and 2013, the Society held funds as custodian for:

	<u>2014</u>	<u>2013</u>
Vietnam Memorial Fund	\$833,813	\$832,542
Korean Veterans Memorial Fund	58,689	58,683
Vanderbilt Mausoleum	<u>-</u>	<u>5,085</u>
	<u>\$892,502</u>	<u>\$896,310</u>

**Note 8 - Restrictions and Limitations on Net Assets**

a - Board-Designated Endowment

Included in unrestricted net assets is a Board-Designated Endowment Fund to be used for operations. During the years ended September 30, 2014 and 2013, \$108,786 and \$86,987, respectively, was withdrawn from this fund. The balance at September 30, 2014 and 2013 was \$3,593,071 and \$3,421,294, respectively.

**THE MUNICIPAL ART SOCIETY OF NEW YORK**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014 AND 2013**

**Note 8 - Restrictions and Limitations on Net Assets (continued)**

**b - Temporarily Restricted Net Assets**

Temporarily restricted net assets contain donor-imposed restrictions that expire upon the passage of time or once specific actions are undertaken by the Society. These net assets are then released and reclassified to unrestricted support when they are expended. Temporarily restricted net assets as of September 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Purpose Restriction		
Operations	\$2,034,515	\$1,528,105
Public art restoration and maintenance	641,398	741,081
Issues and advocacy projects	433,348	399,356
Summit for New York City	5,267	181,250
Jane Jacobs Medal and Public Programs	92,000	271,500
Resilience and Programming	-	670,956
	<u>\$3,206,528</u>	<u>\$3,792,248</u>

Temporarily restricted net assets released from restrictions during the years ended September 30, 2014 and 2013 were for the following purposes:

	<u>2014</u>	<u>2013</u>
Summit for New York City	\$ 630,533	\$ 849,500
Issues and advocacy projects	489,045	603,372
Resilience and Programming	1,146,176	702,911
Jane Jacobs Medal and Public Programs	418,266	472,323
Operations	386,821	256,479
Public art restoration and maintenance	<u>162,582</u>	<u>171,798</u>
	<u>\$3,233,423</u>	<u>\$3,056,383</u>

**c - Permanently Restricted Net Assets**

Permanently restricted net assets represent gifts that have been restricted by the donor in perpetuity. The principal portions of permanently restricted net assets and the purpose for which income is restricted at September 30, 2014 and 2013 are as follows:

Operations	\$5,223,642
Programs	715,933
Public art restoration and maintenance	<u>36,000</u>
	<u>\$5,975,575</u>

**THE MUNICIPAL ART SOCIETY OF NEW YORK**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014 AND 2013**

**Note 8 - Restrictions and Limitations on Net Assets (continued)**

c - Permanently Restricted Net Assets (continued)

Permanently restricted net assets consist of the following:

Doris C. Freedman Endowment Fund

The investment income and capital appreciation from this fund are temporarily restricted for the support and maintenance of the Doris C. Freedman Gallery. Amounts received in excess of support and maintenance are available for unrestricted purposes. Net assets were \$235,868 at September 30, 2014 and 2013.

Municipal Art Society Endowment Fund

The investment income and capital appreciation earned from this fund may be used by the Society for its unrestricted purposes. Net assets were \$1,868,490 at September 30, 2014 and 2013.

Brendan Gill Prize Fund

This fund was established to generate investment income and capital appreciation that are temporarily restricted to provide an annual gift in recognition of an individual's artistic accomplishment in New York City that reflects creative work and the spirit of the City. Net assets were \$182,829 at September 30, 2014 and 2013.

Ralph C. Menapace Fellowship

The investment income and capital appreciation from this fund are temporarily restricted to pay the cost of a fellow to perform various legal services for the Society. Net assets were \$497,398 at September 30, 2014 and 2013.

Tucker Ashworth Fellowship

Investment income and capital appreciation from this fund are temporarily restricted for a fellowship to a college student or recent graduate to assist in a project using the Society's resources. Net assets were \$35,706 at September 30, 2014 and 2013.

Woodruff/Worth Monument Fund

The investment income and capital appreciation generated by this fund are temporarily restricted to provide maintenance for the General Worth monument located in Manhattan. Net assets were \$36,000 at September 30, 2014 and 2013.

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**Note 8 - Restrictions and Limitations on Net Assets (continued)**

c - Permanently Restricted Net Assets (continued)

Janet C. Ross Fund

The investment income and capital appreciation earned from this fund may be used by the Society for its unrestricted purposes. Per donor stipulation, on an annual basis, 4% of the average balance of the Janet C. Ross Fund for the twenty calendar quarters ended on the June 30 prior to the beginning of each fiscal year is to be used by the Society for unrestricted purposes. The Society is allowed to use the corpus of the fund when investment income and capital appreciation are insufficient to cover the spend rate policy. Net Assets were \$3,119,284 at September 30, 2014 and 2013.

**Note 9 - Endowments**

Return Objective and Risk Parameters

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while attempting to increase the value of endowment assets, including both donor-restricted and Board-designated funds.

Under this policy the endowment assets are invested in a manner that is intended to produce reasonable investment returns while assuming an appropriate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Society relies on a total return investment strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation over multiple asset classes to achieve its long-term return objective within prudent risk constraints. Target allocation percentages are established for various asset classes and are modified over time. Performance is measured against a composite benchmark of investment indices reflecting the target asset allocation.



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**Note 9 - Endowments (continued)**

*Interpretation of Relevant Law*

The Board of Directors has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Board classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board in a manner consistent with the standards of prudence prescribed by NYPMIFA.

*Spend Rate*

The Society utilizes various spending methods to determine its annual draw down from the endowment funds. The following are the Society's spending policies:

The Municipal Art Society Endowment Fund and the Board-Designated Endowment Fund use 4% of the average balance of these funds for the twenty calendar quarters ended June 30 prior to the beginning of each fiscal year.

Janet C. Ross Fund (Note 8c).

Other permanently restricted funds are limited to investment income and capital appreciation.

As of September 30, 2014 and 2013, the Society's invested endowment funds composition, by type of fund and net asset classification, are summarized as follows:

	<b>2014</b>			
	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Donor restricted funds	\$ -	\$2,274,675	\$5,975,575	\$ 8,250,250
Board-designated funds	<u>3,593,071</u>	-	-	<u>3,593,071</u>
Total Funds	<u>\$3,593,071</u>	<u>\$2,274,675</u>	<u>\$5,975,575</u>	<u>\$11,843,321</u>
	<b>2013</b>			
	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Donor restricted funds	\$ -	\$1,781,014	\$5,975,575	\$ 7,756,589
Board-designated funds	<u>3,421,294</u>	-	-	<u>3,421,294</u>
Total Funds	<u>\$3,421,294</u>	<u>\$1,781,014</u>	<u>\$5,975,575</u>	<u>\$11,177,883</u>

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**Note 9 - Endowments (continued)**

Changes in endowment funds for the years ended September 30, 2014 and 2013 are summarized as follows:

	<b>2014</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Balance, October 1, 2013	\$3,421,294	\$1,781,014	\$5,975,575	\$11,177,883
Interest and dividends	89,551	150,975	-	240,526
Realized gains (losses)	(2,760)	153,278	-	150,518
Unrealized appreciation	193,772	559,426	-	753,198
Investment advisory fees	-	(82,543)	-	(82,543)
Appropriation for expenditure	<u>(108,786)</u>	<u>(287,475)</u>	<u>-</u>	<u>(396,261)</u>
Balance, September 30, 2014	<u>\$3,593,071</u>	<u>\$2,274,675</u>	<u>\$5,975,575</u>	<u>\$11,843,321</u>
	<b>2013</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Balance, October 1, 2012	\$3,221,620	\$ 978,017	\$5,975,575	\$10,175,212
Interest and dividends	84,913	136,786	-	221,699
Realized gains	35,181	112,660	-	147,841
Unrealized appreciation	166,567	864,911	-	1,031,478
Investment advisory fees	-	(68,881)	-	(68,881)
Appropriation for expenditure	<u>(86,987)</u>	<u>(242,479)</u>	<u>-</u>	<u>(329,466)</u>
Balance, September 30, 2013	<u>\$3,421,294</u>	<u>\$1,781,014</u>	<u>\$5,975,575</u>	<u>\$11,177,883</u>

**Note 10 - Retirement Plan**

The Society has defined contribution (money purchase) retirement plans covering substantially all of its employees. Retirement plan expense for the years ended September 30, 2014 and 2013 amounted to \$27,977 and \$18,083, respectively.

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**Note 11 - Operating Leases**

The Society occupied premises at 111 West 57<sup>th</sup> Street, New York, NY (“Steinway Building”) under a lease which was due to expire on January 31, 2021. In September 2013, the Society entered into an agreement with the owner of the Steinway Building to vacate the premises by August 31, 2014. The Society was paid \$1,625,000 during the year ended September 30, 2013. An additional payment of \$1,628,877 was received when the Society vacated the premises in accordance with the agreement. In addition, the Society received a base rent credit of approximately \$398,000 for the twelve months ended August 31, 2014.

In 2014, the Society entered into an operating lease for new office space at 488 Madison Avenue and occupied the premises on September 1, 2014. The operating lease expires February 28, 2025. Minimum annual lease payments under this agreement are as follows:

<u>Year Ending September 30,</u>	
2015	\$ 510,501
2016	520,711
2017	531,125
2018	541,748
2019	554,556
Thereafter, through February 28, 2025	3,303,517

Generally accepted accounting principles require that the rent over the lifetime of a lease is expensed on a straight line basis notwithstanding the actual cash payments required under the lease with the difference between the straight line expense and the actual rent payments shown as deferred rent liability on the statement of financial position. Accordingly, \$45,633, representing the excess of straight line rent expense over actual cash rent payments, is reported as deferred rent at September 30, 2014.

**Note 12 - Restricted Cash and Deposits**

Restricted cash and deposits at September 30, 2014 includes a certificate of deposit of \$196,547 pledged as collateral for an irrevocable letter of credit maintained as security for the Steinway Building lease. The letter of credit expired on December 31, 2014. In addition, a security deposit in the amount of \$213,705 is retained for the occupied premises at 488 Madison Avenue.