

# **The Municipal Art Society of New York**

Independent Auditor's Report and Financial Statements

September 30, 2018 and 2017



**The Municipal Art Society of New York**  
**September 30, 2018 and 2017**

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## Independent Auditor's Report

Board of Directors  
The Municipal Art Society of New York  
New York, New York

We have audited the accompanying financial statements of The Municipal Art Society of New York, which comprise the statements of financial position as of September 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Municipal Art Society of New York as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Prior Year Audited by Other Auditors***

The 2017 financial statements were audited by other auditors, and their report thereon, dated May 7, 2018, expressed an unmodified opinion.

New York, New York  
February 13, 2019

**The Municipal Art Society of New York**  
**Statements of Financial Position**  
**September 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 14,582	\$ 6,766
Investments	9,143,790	9,298,819
Accounts receivable, net	26,055	27,674
Contributions receivable, net	143,925	594,910
Prepaid expenses and other current assets	130,411	83,960
Funds held as custodian for others	100,229	97,571
Security deposit	223,705	213,705
Property and equipment, net	210,482	172,898
Total assets	\$ 9,993,179	\$ 10,496,303
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 426,748	\$ 214,620
Funds held as custodian for others	100,229	97,571
Line of credit	125,000	-
Deferred rent	344,303	338,451
Total liabilities	996,280	650,642
 <b>Net Assets</b>		
Unrestricted	197,904	1,374,767
Temporarily restricted	2,823,420	2,495,319
Permanently restricted	5,975,575	5,975,575
Total net assets	8,996,899	9,845,661
Total liabilities and net assets	\$ 9,993,179	\$ 10,496,303

**The Municipal Art Society of New York**  
**Statements of Activities**  
**Years Ended September 30, 2018 and 2017**

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenue</b>								
Grants and contributions	\$ 659,243	\$ 248,475	\$ -	\$ 907,718	\$ 1,283,915	\$ 281,000	\$ -	\$ 1,564,915
Special events	1,059,465	33,400	-	1,092,865	33,800	-	-	33,800
Less direct costs of special events	(155,628)	-	-	(155,628)	(24,182)	-	-	(24,182)
Membership income	129,949	-	-	129,949	137,995	-	-	137,995
Tours and courses	159,097	-	-	159,097	166,039	-	-	166,039
Investment income	60,652	937,251	-	997,903	199,803	849,155	-	1,048,958
Registration fees and other income	20,383	-	-	20,383	1,392	-	-	1,392
Net assets released from restrictions	891,025	(891,025)	-	-	843,198	(843,198)	-	-
<b>Total support and revenue</b>	<u>2,824,186</u>	<u>328,101</u>	<u>-</u>	<u>3,152,287</u>	<u>2,641,960</u>	<u>286,957</u>	<u>-</u>	<u>2,928,917</u>
<b>Expenses</b>								
Program Services								
Education and public programs	1,487,721	-	-	1,487,721	1,493,095	-	-	1,493,095
Preservation	176,853	-	-	176,853	490,380	-	-	490,380
Planning	1,049,743	-	-	1,049,743	675,515	-	-	675,515
<b>Total program services</b>	<u>2,714,317</u>	<u>-</u>	<u>-</u>	<u>2,714,317</u>	<u>2,658,990</u>	<u>-</u>	<u>-</u>	<u>2,658,990</u>
Supporting Services								
Management and general	579,859	-	-	579,859	973,781	-	-	973,781
Fundraising	706,873	-	-	706,873	489,012	-	-	489,012
<b>Total expenses</b>	<u>4,001,049</u>	<u>-</u>	<u>-</u>	<u>4,001,049</u>	<u>4,121,783</u>	<u>-</u>	<u>-</u>	<u>4,121,783</u>
<b>Change in Net Assets</b>	(1,176,863)	328,101	-	(848,762)	(1,479,823)	286,957	-	(1,192,866)
<b>Net Assets, Beginning of Year</b>	<u>1,374,767</u>	<u>2,495,319</u>	<u>5,975,575</u>	<u>9,845,661</u>	<u>2,854,590</u>	<u>2,208,362</u>	<u>5,975,575</u>	<u>11,038,527</u>
<b>Net Assets, End of Year</b>	<u>\$ 197,904</u>	<u>\$ 2,823,420</u>	<u>\$ 5,975,575</u>	<u>\$ 8,996,899</u>	<u>\$ 1,374,767</u>	<u>\$ 2,495,319</u>	<u>\$ 5,975,575</u>	<u>\$ 9,845,661</u>

**The Municipal Art Society of New York**  
**Statements of Functional Expenses**  
**Years Ended September 30, 2018 and 2017**

	2018							
	Program Services				Supporting Services		Direct Costs	
	Education and Public Programs	Preservation	Planning	Total	Management and General	Fundraising	of Special Events	Total
Personnel services								
Salaries	\$ 658,282	\$ 95,844	\$ 596,986	\$ 1,351,112	\$ 322,422	\$ 337,476	\$ -	\$ 2,011,010
Fringe benefits and payroll taxes	107,274	15,619	97,285	220,178	52,542	54,995	-	327,715
Total personnel services	<u>765,556</u>	<u>111,463</u>	<u>694,271</u>	<u>1,571,290</u>	<u>374,964</u>	<u>392,471</u>	<u>-</u>	<u>2,338,725</u>
Other than personnel services (OTPS)								
Occupancy and other rentals	212,120	30,884	192,369	435,373	103,895	108,746	-	648,014
Insurance	6,613	963	5,997	13,573	3,239	3,390	-	20,202
Professional services	129,196	-	273	129,469	12,391	142,143	-	284,003
Professional services (Summit)	148,399	-	-	148,399	-	-	-	148,399
Grants and awards	5,500	4,128	11,000	20,628	1,250	-	-	21,878
Printing and graphic design	8,756	-	1,016	9,772	5,232	9,135	-	24,139
Video production	3,382	-	25,000	28,382	-	-	-	28,382
Restoration	-	16,775	-	16,775	-	-	-	16,775
Tour and guides	45,980	-	-	45,980	-	-	-	45,980
Accounting and legal	-	-	38,206	38,206	31,000	-	-	69,206
Travel	5,335	-	280	5,615	940	56	-	6,611
Postage	906	-	-	906	3,707	3,521	-	8,134
Advertising	3,464	-	375	3,839	513	-	-	4,352
Telephone and information technology	18,200	2,650	16,506	37,356	8,914	9,331	-	55,601
Conferences, meetings, dues and subscriptions	65,694	-	2,220	67,914	205	399	-	68,518
Office expenses and miscellaneous	40,037	5,829	36,309	82,175	19,610	20,528	-	122,313
Catering and entertainment	-	-	-	-	-	-	155,628	155,628
Bad debt expense	-	-	-	-	-	2,500	-	2,500
Depreciation and amortization	28,583	4,161	25,921	58,665	13,999	14,653	-	87,317
Total	<u>1,487,721</u>	<u>176,853</u>	<u>1,049,743</u>	<u>2,714,317</u>	<u>579,859</u>	<u>706,873</u>	<u>155,628</u>	<u>4,156,677</u>
Less expenses deducted directly from revenues on the statements of activities								
Direct costs of special events	-	-	-	-	-	-	(155,628)	(155,628)
Total expenses reported by function on the statements of activities	<u>\$ 1,487,721</u>	<u>\$ 176,853</u>	<u>\$ 1,049,743</u>	<u>\$ 2,714,317</u>	<u>\$ 579,859</u>	<u>\$ 706,873</u>	<u>\$ -</u>	<u>\$ 4,001,049</u>

**The Municipal Art Society of New York**  
**Statements of Functional Expenses (continued)**  
**Years Ended September 30, 2018 and 2017**

	2017							
	Program Services				Supporting Services		Direct Costs	
	Education and Public Programs	Preservation	Planning	Total	Management and General	Fundraising	of Special Events	Total
Personnel services								
Salaries	\$ 637,099	\$ 226,245	\$ 361,916	\$ 1,225,260	\$ 520,883	\$ 209,224	\$ -	\$ 1,955,367
Fringe benefits and payroll taxes	109,740	38,962	62,340	211,042	89,722	36,039	-	336,803
Total personnel services	<u>746,839</u>	<u>265,207</u>	<u>424,256</u>	<u>1,436,302</u>	<u>610,605</u>	<u>245,263</u>	<u>-</u>	<u>2,292,170</u>
Other than personnel services (OTPS)								
Occupancy and other rentals	208,364	73,909	118,365	400,638	170,355	68,427	-	639,420
Insurance	6,994	2,481	3,973	13,448	5,719	2,297	-	21,464
Professional services	104,051	18,337	47,112	169,500	26,667	87,643	-	283,810
Professional services (Summit)	50,652	-	-	50,652	-	-	-	50,652
Grants and awards	27,340	12,608	5,791	45,739	-	-	-	45,739
Printing and graphic design	17,392	3,435	4,820	25,647	943	18,794	-	45,384
Video production	54,410	1,215	-	55,625	-	-	-	55,625
Restoration	-	70,875	-	70,875	-	-	-	70,875
Tour and guides	39,175	-	-	39,175	-	-	-	39,175
Accounting and legal	-	-	-	-	31,000	-	-	31,000
Travel	23,425	-	468	23,893	3,778	6,412	-	34,083
Postage	1,628	233	1,127	2,988	2,097	5,251	-	10,336
Advertising	6,254	-	-	6,254	637	444	-	7,335
Telephone and information technology	19,325	6,855	10,978	37,158	15,800	6,346	-	59,304
Conferences, meetings, dues and subscriptions	87,937	-	2,210	90,147	5,386	15,522	-	111,055
Office expenses and miscellaneous	45,219	16,039	25,688	86,946	36,971	14,850	-	138,767
Catering and entertainment	-	-	-	-	-	-	24,182	24,182
Bad debt expense	-	-	-	-	19,600	-	-	19,600
Depreciation and amortization	54,090	19,186	30,727	104,003	44,223	17,763	-	165,989
Total	<u>1,493,095</u>	<u>490,380</u>	<u>675,515</u>	<u>2,658,990</u>	<u>973,781</u>	<u>489,012</u>	<u>24,182</u>	<u>4,145,965</u>
Less expenses deducted directly from revenues on the statements of activities								
Direct costs of special events	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,182)</u>	<u>(24,182)</u>
Total expenses reported by function on the statements of activities	<u>\$ 1,493,095</u>	<u>\$ 490,380</u>	<u>\$ 675,515</u>	<u>\$ 2,658,990</u>	<u>\$ 973,781</u>	<u>\$ 489,012</u>	<u>\$ -</u>	<u>\$ 4,121,783</u>



**The Municipal Art Society of New York**  
**Statements of Cash Flows**  
**Years Ended September 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Operating Activities</b>		
Change in net assets	\$ (848,762)	\$ (1,192,866)
Items not requiring (providing) operating cash flows		
Depreciation and amortization	87,317	165,989
Unrealized gain on investments	(733,621)	(717,841)
Realized gain on sale of investments	(103,736)	(172,911)
Loss on disposal of property and equipment	8,198	-
Deferred rent	5,852	16,475
Changes in		
Accounts receivable	1,619	(1,212)
Contributions receivable	450,985	(377,250)
Prepaid expenses and other current assets	(46,451)	(2,402)
Security deposit	(10,000)	-
Accounts payable and accrued expenses	212,128	(37,844)
Net cash used in operating activities	(976,471)	(2,319,862)
<b>Investing Activities</b>		
Purchase of investments	(1,025,547)	(6,676,503)
Proceeds from sale of investments	2,017,933	8,878,994
Acquisition of property and equipment	(133,099)	-
Net cash provided by investing activities	859,287	2,202,491
<b>Financing Activities</b>		
Proceeds from line of credit	125,000	-
Net cash provided by financing activities	125,000	-
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	7,816	(117,371)
<b>Cash and Cash Equivalents, Beginning of Year</b>	6,766	124,137
<b>Cash and Cash Equivalents, End of Year</b>	\$ 14,582	\$ 6,766

# The Municipal Art Society of New York

## Notes to Financial Statements

September 30, 2018 and 2017

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### ***Nature of Operations***

The Municipal Art Society of New York (the Society) founded in 1893, is a not-for-profit 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. Primary sources of support are grants, contributions, special events, membership, tours and courses, and investment income.

#### ***Basis of Accounting***

The financial statements have been prepared on the accrual basis of accounting.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

#### ***Cash and Cash Equivalents***

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.

#### ***Accounts Receivable***

Accounts receivable and allowance for doubtful accounts are stated at the amount billed to the consumer. Interest is not accrued or recorded on outstanding receivables. The Society provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the consumer. The allowance for doubtful accounts was \$1,185 and \$20,785 as of September 30, 2018 and 2017, respectively.

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

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or 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.

# The Municipal Art Society of New York

## Notes to Financial Statements

September 30, 2018 and 2017

The Society 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.

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

Property and equipment are stated at cost less accumulated depreciation. Items with a cost in excess of \$1,000 with an estimated useful life of greater than one year are capitalized. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated over the shorter of the lease or their respective estimated useful lives.

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

Leasehold improvements	10 years
Furniture and equipment	3-5 years
Website and software	3-5 years

### ***Long-Lived Asset Impairment***

The Society 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 September 30, 2018 and 2017.

### ***Grants and Contributions***

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. 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. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

# The Municipal Art Society of New York

## Notes to Financial Statements

September 30, 2018 and 2017

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

### ***Special Events***

The Society conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special events revenues in the accompanying statements of activities.

### ***Grants and Awards***

Grants and awards expenses are recorded as an expense when approved by management and the Board of Directors.

### ***Revenue Recognition***

Membership income, tours and courses and registration fees are recognized as revenue in the period in which it is earned.

### ***Net Assets***

Unrestricted net assets include board designated funds and funds having no restriction as to use or purpose imposed by donors. Included in unrestricted net assets is a board-designated fund to be used for operations which consists of the unspent unrestricted appreciation on the endowment funds (see Note 6). During the years ended September 30, 2018 and 2017, \$725,000 and \$2,170,591, respectively, was withdrawn from this fund. The balance remaining in the board-designated fund at September 30, 2018 and 2017 was \$199,514 and \$863,393, respectively.

Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

### ***Advertising***

Advertising costs are expensed as incurred.

# The Municipal Art Society of New York

## Notes to Financial Statements

September 30, 2018 and 2017

### **Functional Expenses**

The costs of supporting the various programs and other activities 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 fund raising categories based on salary and fringes, the square footage 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 actual transfer date.

### **Uncertainty in Income Taxes**

The Society has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending September 30, 2015 and subsequent remain subject to examination by applicable taxing authorities.

## **Note 2: Contributions Receivable**

Contributions receivable consisted of the following:

	<b>September 30, 2018</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Due within one year	\$ 15,450	\$ 118,475	\$ -	\$ 133,925
Due in one to five years	-	10,000	-	10,000
Due in more than five years	-	-	-	-
	<u>\$ 15,450</u>	<u>\$ 128,475</u>	<u>\$ -</u>	<u>\$ 143,925</u>

  

	<b>September 30, 2017</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Due within one year	\$ 557,950	\$ 31,560	\$ -	\$ 589,510
Due in one to five years	-	25,000	-	25,000
Due in more than five years	-	-	-	-
Less	557,950	56,560	-	614,510
Allowance for uncollectible contributions	-	(19,600)	-	(19,600)
	<u>\$ 557,950</u>	<u>\$ 36,960</u>	<u>\$ -</u>	<u>\$ 594,910</u>

# The Municipal Art Society of New York

## Notes to Financial Statements

September 30, 2018 and 2017

### Note 3: Property and Equipment

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 38,691	\$ 38,691
Furniture and equipment	789,488	776,464
Website and software	144,486	44,405
	<u>972,665</u>	<u>859,560</u>
Accumulated depreciation and amortization	<u>(762,183)</u>	<u>(686,662)</u>
	<u>\$ 210,482</u>	<u>\$ 172,898</u>

### Note 4: Funds Held as Custodian for Others

The Society maintains funds as custodian for others. 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, 2018 and 2017 as follows:

	<u>2018</u>	<u>2017</u>
Funds held, beginning of year	\$ 97,571	\$ 95,892
Funds received	1,174	1,100
Interest income earned	<u>1,484</u>	<u>579</u>
Funds held, end of year	<u>\$ 100,229</u>	<u>\$ 97,571</u>

Custodial funds are held in money market mutual funds which are deemed to be Level 1 investments. As of September 30, 2018 and 2017, the Society held funds as custodian for:

	<u>2018</u>	<u>2017</u>
Vietnam Memorial Fund	\$ 40,094	\$ 38,333
Korean Veterans Memorial Fund	<u>60,135</u>	<u>59,238</u>
	<u>\$ 100,229</u>	<u>\$ 97,571</u>

# The Municipal Art Society of New York

## Notes to Financial Statements

September 30, 2018 and 2017

### Note 5: Line of Credit

During the year ended September 30, 2018, the Society obtained a \$400,000 revolving bank line of credit with no expiration date. At September 30, 2018, there was \$125,000 outstanding against this line. As of September 30, 2017, no amounts were outstanding. The line is collateralized by substantially all of the Society's assets. Interest is variable, calculated as the bank's prime rate plus 6.38% totaling 11.38% annually on September 30, 2018. Interest is payable monthly and the principal is required to be paid in full for 30 days during each 12-month period. Borrowing occurs only after approval by the Board of Directors.

### Note 6: Restricted Net Assets

Temporarily restricted net assets are available for the following purpose or time restriction as of September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Issues and advocacy projects	\$ 693,324	\$ 547,727
Public art restoration and maintenance	885,333	783,186
Public programs	84,163	5,263
Summit for New York City	23,378	-
Time restriction	-	30,000
Unappropriated investment income from endowments - time restrictions	<u>1,137,222</u>	<u>1,129,143</u>
	<u>\$ 2,823,420</u>	<u>\$ 2,495,319</u>

Net assets were released from donor restrictions during the years ended September 30, 2018 and 2017 by incurring expenses satisfying the following restricted purposes or time restriction:

	<u>2018</u>	<u>2017</u>
Issues and advocacy projects	\$ 34,636	\$ 44,955
Public art restoration and maintenance	21,153	95,375
Public programs	130,000	274,167
Summit for New York City	-	27,060
Unappropriated investment income from endowments	705,236	301,641
Time restriction	-	75,000
Website	-	25,000
	<u>\$ 891,025</u>	<u>\$ 843,198</u>

# The Municipal Art Society of New York

## Notes to Financial Statements

September 30, 2018 and 2017

The principal portions of permanently restricted net assets and the purpose for which income is restricted at September 30, 2018 and 2017 in the amount of \$5,975,575 are as follows:

### ***Doris C. Freedman Endowment Fund***

The investment income and capital appreciation earned 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, 2018 and 2017.

### ***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, 2018 and 2017.

### ***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, 2018 and 2017.

### ***Ralph C. Menapace Fellowship***

The investment income and capital appreciation earned 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, 2018 and 2017.

### ***Tucker Ashworth Fellowship***

Investment income and capital appreciation earned 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, 2018 and 2017.

### ***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, 2018 and 2017.

### ***Janet C. Ross Fund***

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, 2018 and 2017.



# The Municipal Art Society of New York

## Notes to Financial Statements

September 30, 2018 and 2017

### ***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.

### ***Interpretation of Relevant Law***

The Board of Directors has interpreted New York Prudent Management of Institutional Funds Act (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.

### ***Spending Rate***

The Society utilizes the following method to determine its annual withdrawal from endowment funds: A percentage of each endowment fund's fair market value averaged over the twenty quarters prior to the beginning of each fiscal year is appropriated for expenditure. The percentage is approved by the Board of Directors and is consistent with guidance issued under NYPMIFA. In the years ended 9/30/2017 and 9/30/2018 the percentage was 4%.

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

There were no funds with deficiencies.

# The Municipal Art Society of New York

## Notes to Financial Statements

September 30, 2018 and 2017

Changes in endowment funds for the year ended September 30, 2018 are summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, October 1, 2017	\$ 863,893	\$ 1,666,557	\$ 5,975,575	\$ 8,506,025
Interest and dividends	9,317	137,160	-	146,477
Realized gains	11,231	84,525	-	95,756
Unrealized gain	40,073	642,556	-	682,629
Appropriation for expenditure	<u>(725,000)</u>	<u>(440,872)</u>	<u>-</u>	<u>(1,165,872)</u>
Balance, September 30, 2018	<u>\$ 199,514</u>	<u>\$ 2,089,926</u>	<u>\$ 5,975,575</u>	<u>\$ 8,265,015</u>

Changes in endowment funds for the year ended September 30, 2017 are summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, October 1, 2016	\$ 2,834,692	\$ 1,184,183	\$ 5,975,575	\$ 9,994,450
Interest and dividends	30,671	118,423	-	149,094
Realized gains	38,785	120,918	-	159,703
Unrealized gain	130,336	555,130	-	685,466
Appropriation for expenditure	<u>(2,170,591)</u>	<u>(312,097)</u>	<u>-</u>	<u>(2,482,688)</u>
Balance, September 30, 2017	<u>\$ 863,893</u>	<u>\$ 1,666,557</u>	<u>\$ 5,975,575</u>	<u>\$ 8,506,025</u>

### Note 7: Retirement Plan

The Society has a tax-deferred 403b defined contribution retirement plan available for all employees who choose to participate. After two years of full time employment, the Society provides a matching contribution. From time to time, the Society may choose to alter the matching contribution in accordance with regulations or agreements with the plan provider. Retirement plan expense for the years ended September 30, 2018 and 2017 were \$53,131 and \$38,175, respectively.

# The Municipal Art Society of New York

## Notes to Financial Statements

September 30, 2018 and 2017

### Note 8: Operating Leases

In 2014, the Society entered into an operating lease for new office space at 488 Madison Avenue, New York. The operating lease expires on February 28, 2025. Rent expense was \$547,600 for each of the years ended September 30, 2018 and 2017. Deferred rent was \$344,303 and \$338,451 as of September 30, 2018 and 2017, respectively. Minimum annual lease payments under this agreement are as follows:

<u>Year Ending September 30,</u>	
2019	\$ 554,556
2020	586,942
2021	594,193
2022	606,077
2023	618,199
Thereafter	<u>898,106</u>
	<u>\$ 3,858,073</u>

At September 30, 2018 and 2017 a security deposit in the amount of \$213,705 is retained for the occupied premises at 488 Madison Avenue, New York.

### Note 9: Significant Estimates and Concentrations

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.

Investments are stated at fair value. The Society invests in various types of investment securities. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility 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, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in the Society's financial statements.

During the years ended September 30, 2018 and 2017, the Society received approximately 47% and 54% from four private foundations and 54% and 42% of its grants and contributions from three private foundations, respectively.

As of September 30, 2018 and 2017, 35% and 84% of the contributions receivable was from one donor, respectively.

# The Municipal Art Society of New York

## Notes to Financial Statements

September 30, 2018 and 2017

### Note 10: Fair Value Measurements and Disclosures

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 value:

- 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 the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

#### **Recurring Measurements**

The following table presents 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 September 30, 2018 and 2017:

	<b>Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	
	<b>2018</b>	<b>2017</b>
Mutual funds		
Money market	\$ 231,505	\$ 214,803
Equity	5,179,084	4,756,157
Bond	3,733,201	4,327,859
	<u>\$ 9,143,790</u>	<u>\$ 9,298,819</u>

Following is a description of the valuation methodologies and inputs used for assets 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 pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended September 30, 2018.

At September 30, 2018 and 2017, the Society's investments included mutual funds that were valued at the net asset value of shares held by the Society in the mutual fund at year end.

# The Municipal Art Society of New York

## Notes to Financial Statements

September 30, 2018 and 2017

### **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 would be classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities would be classified within Level 3 of the hierarchy. At June 30, 2018, the Society did not have any securities classified as Level 2 or Level 3 investments of the valuation hierarchy.

Investment income for the years ended September 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 160,546	\$ 158,206
Realized gain on sale of investments	103,736	172,911
Unrealized gain on investments	<u>733,621</u>	<u>717,841</u>
	<u>\$ 997,903</u>	<u>\$ 1,048,958</u>

### **Note 11: Subsequent Event**

Subsequent events have been evaluated through February 13, 2019, which is the date the financial statements were available to be issued. Subsequent to year end September 30, 2018, the Society received an anonymous unrestricted gift of \$4 million. Additionally, the percentage of annual withdrawal from endowment funds increased from 4% to 6%.

### **Note 12: Future Changes in Accounting Principles**

#### ***NFP Accounting Standard for Financial Reporting***

Accounting Standards Update (ASU) 2016-14 changes requirements for financial statements and notes of all not-for-profit (NFP) entities and is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted and should be applied on a retrospective basis; however, NFPs have the option in the year adopted to omit certain disclosures shown in comparative financials.

# The Municipal Art Society of New York

## Notes to Financial Statements

September 30, 2018 and 2017

A summary of the changes by financial statement area is as follows:

### ***Statement of financial position:***

- The NFP statement of financial position will distinguish between two new classes of net assets, those with donor-imposed restrictions and those without. The ASU retains the current requirements to provide information on the nature and amount of different types of donor restrictions in the notes to the financial statements.
- Underwater donor-restricted endowment funds are to be shown within the donor-restricted fund class. This is a change from the previously required classification as unrestricted.

### ***Statement of activities:***

- The standard requires NFPs to report expenses by both nature and function, either on the face of the statement of activities, as a separate statement or within the notes.
- NFPs are required to use the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset, in the absence of explicit donor stipulations. This eliminates the option to release the donor-imposed restriction over the estimated useful life of the acquired asset.
- Investment income will be 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:***

- An NFP can continue to choose to either use the indirect or direct method of reporting to present operating cash flows. If the direct method is used, there is no longer a requirement to present or disclose cash flows using the indirect (reconciliation) method.

### ***Notes to the financial statements:***

- The standard requires enhanced quantitative and qualitative disclosures to provide additional information useful in assessing liquidity and cash flows.
- Provide disclosures on amounts and purposes of governing board or self-imposed designations and appropriations as of the end of the period.
- For many NFPs, adoption of the ASU will result in significant changes to financial reporting and disclosures which likely will require significant hours to implement correctly. Management should examine its current reporting system to identify what changes are necessary to comply with the new standard for both its internal and external reporting requirements.

# The Municipal Art Society of New York

## Notes to Financial Statements

September 30, 2018 and 2017

### ***Revenue Recognition***

The Financial Accounting Standards Board 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 (December 15, 2017, for not-for-profits that are conduit debt obligors), and any interim periods within annual reporting periods that begin after December 15, 2019, for nonpublic entities (December 15, 2018, for not-for-profits that are conduit debt obligors). The Society is in the process of evaluating the impact the amendment will have on the financial statements.

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

The Financial Accounting Standards Board 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 annual periods beginning after December 15, 2019 (2018 for not-for-profits that are conduit debt obligors), and any interim periods within annual reporting periods that begin after December 15, 2020 (2018 for not-for-profits that are conduit debt obligors). The Society is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.