

**The Municipal Art Society of New York**  
Independent Auditor's Report and Financial Statements  
September 30, 2019



**The Municipal Art Society of New York**  
**September 30, 2019**

**Contents**

**Independent Auditor’s Report ..... 1**

**Financial Statements**

Statement of Financial Position..... 3  
Statement of Activities ..... 4  
Statement of Functional Expenses..... 5  
Statement of Cash Flows ..... 6  
Notes to Financial Statements ..... 7

## 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 statement of financial position as of September 30, 2019, 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, 2019, 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.

***Emphasis of Matter***

As described in *Note 1* to the financial statements, in 2019, The Municipal Art Society of New York adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

*BKD, LLP*

New York, New York  
February 14, 2020

**The Municipal Art Society of New York**  
**Statement of Financial Position**  
**September 30, 2019**

**Assets**

Cash	\$ 98,446
Investments	11,492,956
Accounts receivable, net	14,153
Contributions receivable, net	61,900
Prepaid expenses and other current assets	38,591
Funds held as custodian for others	106,385
Security deposit	213,705
Property and equipment, net	<u>125,877</u>
Total assets	<u><u>\$ 12,152,013</u></u>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable and accrued expenses	\$ 306,189
Funds held as custodian for others	106,385
Deferred rent	<u>337,000</u>
Total liabilities	<u>749,574</u>

**Net Assets**

Without donor restrictions	2,527,539
With donor restrictions	<u>8,874,900</u>
Total net assets	<u>11,402,439</u>
Total liabilities and net assets	<u><u>\$ 12,152,013</u></u>

**The Municipal Art Society of New York**  
**Statement of Activities**  
**Year Ended September 30, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues and Other Support</b>			
Grants and contributions	\$ 4,755,492	\$ 398,600	\$ 5,154,092
Special events	724,128	-	724,128
Less direct costs of special events	(147,899)	-	(147,899)
Membership income	101,124	-	101,124
Tours and courses	202,033	-	202,033
Investment income	253,767	462,531	716,298
Registration fees and other income	86,015	-	86,015
Net assets released from restrictions	785,226	(785,226)	-
	<u>6,759,886</u>	<u>75,905</u>	<u>6,835,791</u>
<b>Expenses</b>			
Program services			
Education and public programs	1,388,794	-	1,388,794
Preservation	217,913	-	217,913
Planning	1,358,924	-	1,358,924
	<u>2,965,631</u>	<u>-</u>	<u>2,965,631</u>
Supporting services			
Management and general	753,942	-	753,942
Fundraising	710,678	-	710,678
	<u>1,464,620</u>	<u>-</u>	<u>1,464,620</u>
	<u>4,430,251</u>	<u>-</u>	<u>4,430,251</u>
<b>Change in Net Assets</b>	2,329,635	75,905	2,405,540
<b>Net Assets, Beginning of Year</b>	<u>197,904</u>	<u>8,798,995</u>	<u>8,996,899</u>
<b>Net Assets, End of Year</b>	<u>\$ 2,527,539</u>	<u>\$ 8,874,900</u>	<u>\$ 11,402,439</u>

**The Municipal Art Society of New York**  
**Statement of Functional Expenses**  
**Year Ended September 30, 2019**

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total
	Education and Public Programs	Preservation	Planning		Management and General	Fundraising		
Personnel services								
Salaries and wages	\$ 641,332	\$ 91,145	\$ 717,136	\$ 1,449,613	\$ 349,698	\$ 341,817	\$ 691,515	\$ 2,141,128
Fringe benefits and payroll taxes	104,919	14,911	117,320	237,150	57,209	55,920	113,129	350,279
Total personnel services	746,251	106,056	834,456	1,686,763	406,907	397,737	804,644	2,491,407
Other than personnel services (OTPS)								
Occupancy and other rentals	210,597	29,930	235,489	476,016	114,832	112,242	227,074	703,090
Insurance	7,522	1,069	8,411	17,002	4,102	4,010	8,112	25,114
Professional services	33,576	-	26,340	59,916	161,452	132,887	294,339	354,255
Professional services (Summit)	152,015	-	-	152,015	101	-	101	152,116
Grants and awards	5,450	-	31,000	36,450	1,295	-	1,295	37,745
Printing and graphic design	18,052	-	22,760	40,812	7,550	11,430	18,980	59,792
Video production	4,785	-	750	5,535	-	-	-	5,535
Restoration	-	68,835	-	68,835	-	-	-	68,835
Tour and guides	46,570	-	-	46,570	-	-	-	46,570
Accounting and legal	-	-	90,640	90,640	4,440	-	4,440	95,080
Travel	8,092	-	10,234	18,326	3,701	539	4,240	22,566
Postage	1,471	-	200	1,671	2,790	4,294	7,084	8,755
Advertising	8,983	-	250	9,233	120	1,507	1,627	10,860
Telephone and information technology	12,821	1,822	14,337	28,980	6,991	6,833	13,824	42,804
Conferences, meetings, dues and subscriptions	60,834	-	3,798	64,632	524	893	1,417	66,049
Office expenses and miscellaneous	44,368	6,306	49,612	100,286	24,192	23,648	47,840	148,126
Catering and entertainment	-	-	-	-	-	147,899	147,899	147,899
Bad debt expense	-	-	-	-	-	50	50	50
Depreciation and amortization	27,407	3,895	30,647	61,949	14,945	14,608	29,553	91,502
Total	1,388,794	217,913	1,358,924	2,965,631	753,942	858,577	1,612,519	4,578,150
Less expenses deducted directly from revenues on the statement of activities								
Direct costs of special events	-	-	-	-	-	(147,899)	(147,899)	(147,899)
Total expenses included in the expense section on the statement of activities	<u>\$ 1,388,794</u>	<u>\$ 217,913</u>	<u>\$ 1,358,924</u>	<u>\$ 2,965,631</u>	<u>\$ 753,942</u>	<u>\$ 710,678</u>	<u>\$ 1,464,620</u>	<u>\$ 4,430,251</u>

**The Municipal Art Society of New York**  
**Statement of Cash Flows**  
**Year Ended September 30, 2019**

<b>Operating Activities</b>	
Change in net assets	\$ 2,405,540
Items not requiring (providing) operating cash flows	
Depreciation and amortization	91,502
Unrealized loss on investments	1,556,083
Realized gain on sale of investments	(2,084,451)
Deferred rent	(7,303)
Changes in	
Accounts receivable	11,902
Contributions receivable	82,025
Prepaid expenses and other current assets	91,820
Security deposit	10,000
Accounts payable and accrued expenses	<u>(120,559)</u>
Net cash provided by operating activities	<u>2,036,559</u>
<b>Investing Activities</b>	
Purchases of investments	(19,514,029)
Proceeds from sale of investments	17,693,231
Purchase of property and equipment	<u>(6,897)</u>
Net cash used in investing activities	<u>(1,827,695)</u>
<b>Financing Activities</b>	
Payments on line of credit	<u>(125,000)</u>
Net cash used in financing activities	<u>(125,000)</u>
<b>Increase in Cash</b>	83,864
<b>Cash, Beginning of Year</b>	<u>14,582</u>
<b>Cash, End of Year</b>	<u><u>\$ 98,446</u></u>



# The Municipal Art Society of New York

## Notes to Financial Statements

### September 30, 2019

#### **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. However, the Society is subject to federal income tax on any unrelated business taxable income. The Society files tax returns in the U.S. federal jurisdiction. 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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

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

The Society considers all liquid investments with original maturities of three months or less to be cash equivalents.

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

Accounts receivable are stated at the amount billed to customers without any accrued and unpaid interest. 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 customer. As of September 30, 2019, there was no allowance for doubtful accounts.

##### ***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. 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, 2019

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 investment accounts, as adjusted for additions to or deductions from those accounts.

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

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

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

Leasehold improvements	10 years
Furniture and fixtures	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 are 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 year ended September 30, 2019.

# The Municipal Art Society of New York

## Notes to Financial Statements

September 30, 2019

### Contributions

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

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Society 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 statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned 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, 2019

### **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 statement 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**

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for operation which consist of the unspent appreciation on these net assets and a portion of net assets received from an anonymous donor during the year (see *Note 8*). During the year ended September 30, 2019, \$2,121,799, was withdrawn from this fund. The balance remaining in the board-designated fund at September 30, 2019 was \$2,532,374.

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

Net assets with donor restrictions are subject to donor 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 stipulates that resources be maintained in perpetuity.

### **Functional Allocation of Expenses**

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on salary and fringes, the square footage and other methods.

# The Municipal Art Society of New York

## Notes to Financial Statements

September 30, 2019

### **Change in Accounting Principle**

In 2019, the Society adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes 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.

#### **Statement of Activities**

- Expenses are reported by both nature and function in one location.
- Interest and dividends are shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

#### **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.

### **Note 2: Contributions Receivable**

Contributions receivable consisted of the following:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Due within one year	\$ 21,900	\$ 20,000	\$ 41,900
Due in one to five years	-	20,000	20,000
	<u>\$ 21,900</u>	<u>\$ 40,000</u>	<u>\$ 61,900</u>

**The Municipal Art Society of New York**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note 3: Property and Equipment**

Property and equipment consist of:

Leasehold improvements	\$	38,691
Furniture and equipment		791,485
Website and software		<u>149,386</u>
		979,562
Less accumulated depreciation and amortization		<u>(853,685)</u>
	\$	<u><u>125,877</u></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 year ended September 30, 2019 as follows:

Funds held, beginning of year	\$	100,229
Funds received		3,863
Interest income earned		<u>2,293</u>
Funds held, end of year	\$	<u><u>106,385</u></u>

Custodial funds are held in money market mutual funds which are deemed to be Level 1 investments (see *Note 11*). As of September 30, 2019, the Society held funds as custodian for:

Vietnam Memorial Fund	\$	44,899
Korean Veterans Memorial Fund		<u>61,486</u>
	\$	<u><u>106,385</u></u>

**Note 5: Line of Credit**

The Society has an available \$400,000 revolving bank line of credit with no expiration date. At September 30, 2019, no amounts were outstanding. The line is collateralized by substantially all the Society's assets. Interest varies with the bank's prime rate, and was 11.38 percent at September 30, 2019. 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.

# The Municipal Art Society of New York

## Notes to Financial Statements

September 30, 2019

### Note 6: Retirement Plan

The Society has a tax-deferred 403(b) 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 year ended September 30, 2019 was \$69,106.

### Note 7: Net Assets

#### *Net Assets With Donor Restrictions*

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

Subject to expenditure for specified purpose	
Issues and advocacy projects	\$ 275,000
Public art restoration and maintenance	876,030
Public programs	39,810
	<hr/>
	1,190,840
	<hr/>
Subject to the passage of time	
Time restriction	15,000
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Endowments	
Subject to not-for-profit endowment spending policy and appropriation	
Restricted by donors for	
Municipal Art Society Endowment Fund	1,868,490
Janet C. Ross Fund	3,119,284
Doris C. Freedman Endowment Fund	235,868
Brendan Gill Prize Fund	182,829
Ralph C. Menapace Fellowship	497,398
Tucker Ashworth Fellowship	35,706
Woodruff/Worth Monument Fund	36,000
	<hr/>
	5,975,575
	<hr/>
Unappropriated investment income from endowments	
Operations	1,070,322
Public art restoration and maintenance	11,283
Issues and advocacy	611,880
	<hr/>
	1,693,485
	<hr/>
	\$ 8,874,900
	<hr/>

**The Municipal Art Society of New York**  
**Notes to Financial Statements**  
**September 30, 2019**

***Net Assets Without Donor Restrictions***

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

Undesignated	\$	(4,835)
Designated by the Board for endowment		<u>2,532,374</u>
		<u>\$ 2,527,539</u>

***Net Assets Released from Restrictions***

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

Expiration of time restrictions	\$	15,000
Satisfaction or purpose restrictions		
Issues and advocacy projects		166,031
Public art restoration and maintenance		68,835
Public programs		152,872
Summit for New York City		13,488
Appropriation of investment income from endowments		<u>369,000</u>
		<u>\$ 785,226</u>

**Note 8: Endowments**

The Society's governing body is subject to the State of New York Prudent Management of Institutional Funds Act (NYPMIFA). As a result, the Society 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. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with NYPMIFA, the Society 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 Society 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 Society
7. Investment policies of the Society



# The Municipal Art Society of New York

## Notes to Financial Statements

September 30, 2019

The Society's endowment consists of approximately seven individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The principal portions of net assets with donor restrictions and the purpose for which income is restricted at September 30, 2019 in the amount of \$5,975,575 and the accumulated investment gains of \$1,693,485 are as follows:

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

The investment income and capital appreciation earned from this fund are donor restricted for the support and maintenance of the Doris C. Freedman Gallery. Amounts received in excess of support and maintenance are available for general purposes. Net assets were \$235,868 at September 30, 2019.

### ***Municipal Art Society Endowment Fund***

The investment income and capital appreciation earned from this fund may be used by the Society for its general purposes. Net assets were \$1,868,490 at September 30, 2019.

### ***Brendan Gill Prize Fund***

This fund was established to generate investment income and capital appreciation that are donor 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, 2019.

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

The investment income and capital appreciation earned from this fund are donor restricted to pay the cost of a fellow to perform various legal services for the Society. Net assets were \$497,398 at September 30, 2019.

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

Investment income and capital appreciation earned from this fund are donor 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, 2019.

### ***Woodruff/Worth Monument Fund***

The investment income and capital appreciation generated by this fund are donor restricted to provide maintenance for the General Worth monument located in Manhattan. Net assets were \$36,000 at September 30, 2019.

**The Municipal Art Society of New York**  
**Notes to Financial Statements**  
**September 30, 2019**

***Janet C. Ross Fund***

Per donor stipulation, on an annual basis, 4 percent 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 general purposes. Net assets were \$3,119,284 at September 30, 2019.

The composition of net assets by type of endowment fund at September 30, 2019 was:

	<b>2019</b>		<b>Total</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	
Board-designated endowment funds	\$ 2,532,374	\$ -	\$ 2,532,374
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	5,975,575	5,975,575
Accumulated investment gains	-	1,693,485	1,693,485
	<u>2,532,374</u>	<u>7,669,060</u>	<u>10,201,434</u>
Total endowment funds	<u>\$ 2,532,374</u>	<u>\$ 7,669,060</u>	<u>\$ 10,201,434</u>

Change in endowment net assets for the year ended September 30, 2019 was:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year, as previously reported	\$ 199,514	\$ 8,065,501	\$ 8,265,015
Revision		(400,000)	(400,000)
Endowment net assets, beginning of year, as revised	199,514	7,665,501	7,865,015
Investment return, net	254,659	422,875	677,534
Contributions	4,200,000	75,000	4,275,000
Appropriation of endowment assets for expenditures	(2,121,799)	(494,316)	(2,616,115)
Endowment net assets, end of year	<u>\$ 2,532,374</u>	<u>\$ 7,669,060</u>	<u>\$ 10,201,434</u>

# The Municipal Art Society of New York

## Notes to Financial Statements

### September 30, 2019

#### ***Revision***

The beginning of the year endowment net assets with donor restrictions have been revised to reflect funds of \$400,000 that were released from restrictions in the prior year but were excluded from the appropriation of endowment net assets in the table above. This revision had no effect on the previously reported net assets on the statement of financial position or the changes in net assets on the statement of activities.

#### ***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 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 the Society must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds.

Under the Society's policies, 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 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). The Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

#### ***Spending Rate***

The Society appropriates a percentage of its endowment funds' average fair value over the prior twenty quarters ending with the third fiscal quarter preceding the year in which appropriation is planned. The percentage is approved by the Board of Directors each year, and any expenditure higher than 4 percent of the Janet C. Ross fund is also approved by the donor. In the year ended September 30, 2019, the Society approved a spending rate of 6 percent of all its endowment funds.

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

There were no funds with deficiencies.

**The Municipal Art Society of New York**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note 9: 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 \$546,852 for the year ended September 30, 2019. Deferred rent was \$337,000 as of September 30, 2019. Minimum annual lease payments under this agreement are as follows:

2020	\$ 586,942
2021	594,193
2022	606,077
2023	618,199
2024	630,562
Thereafter	<u>267,543</u>
	<u>\$ 3,303,516</u>

At September 30, 2019, a security deposit in the amount of \$213,705 is retained for the occupied premises at 488 Madison Avenue, New York.

**Note 10: Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position as of September 30, 2019, comprise the following:

Cash and cash equivalents	\$ 98,446
Investments	11,492,956
Accounts receivable, net	14,153
Contributions receivable, net	<u>41,900</u>
Total financial assets	11,647,455
Board-designated	(2,532,374)
Donor-imposed restrictions	
Restricted funds	<u>(8,874,900)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 240,181</u>

The Society's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The Society's board-designated funds are held as a strategic reserve and are available for operations, if necessary.

# The Municipal Art Society of New York

## Notes to Financial Statements

September 30, 2019

The Society 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.

### **Note 11: Disclosures About Fair Value of Assets**

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. The hierarchy comprises 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 that are significant to the fair value of the assets or liabilities

# The Municipal Art Society of New York

## Notes to Financial Statements

September 30, 2019

### Recurring Measurements

The following table presents 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 September 30, 2019:

	<b>Total Fair Value</b>	<b>Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)</b>
Mutual funds	\$ 4,455,228	\$ 4,455,228
Stocks	4,513,890	4,513,890
Corporate fixed income bonds	686,272	686,272
Exchange-traded and closed-end funds	<u>1,072,565</u>	<u>1,072,565</u>
Total investments reported on the fair value hierarchy	10,727,955	<u>\$ 10,727,955</u>
Cash and cash equivalents	<u>765,001</u>	
Total investments	<u>\$ 11,492,956</u>	

The following is a description of the valuation methodology and inputs used for assets 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 pursuant to the valuation hierarchy. There has been no significant change in the valuation techniques during the year ended September 30, 2019.

*Mutual funds, stocks, corporate fixed income bonds and exchange-traded and closed-end:*

Valued at the closing price reported on the active market on which the individual securities are traded.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Society believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

### Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. At September 30, 2019, all of the Society's investments were classified as Level 1.

# The Municipal Art Society of New York

## Notes to Financial Statements

September 30, 2019

### **Note 12: 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***

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

#### ***Contributions***

During the year ended September 30, 2019, the Society received approximately 86 percent of all contributions from two donors.

### **Note 13: Subsequent Events**

Subsequent events have been evaluated through February 14, 2020, which is the date the financial statements were available to be issued.

# The Municipal Art Society of New York

## Notes to Financial Statements

### September 30, 2019

#### Note 14: Future Change in Accounting Principle

##### ***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 (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. The Society is in the process of evaluating the impact the amendment will have on the financial statements.

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

On June 21, 2018, FASB issued Accounting Standard Update (ASU) 2018-08. This standard clarifies 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 nonexchange, 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 generally accepted accounting principles. 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.



**The Municipal Art Society of New York**  
**Notes to Financial Statements**  
**September 30, 2019**

***Accounting for Leases***

FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2020 and any interim periods within annual reporting periods that begin after December 15, 2021. The Society is evaluating the effect the standard will have on the financial statements.