

The Municipal Art Society of New York
Independent Auditor's Report and Financial Statements
September 30, 2020 and 2019



The Municipal Art Society of New York
September 30, 2020 and 2019

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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, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
The Municipal Art Society of New York
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Municipal Art Society of New York as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

New York, New York
March 4, 2021

The Municipal Art Society of New York
Statements of Financial Position
September 30, 2020 and 2019

	2020	2019
Assets		
Cash	\$ 31,258	\$ 98,446
Investments	11,079,535	11,492,956
Accounts receivable, net	375	14,153
Contributions receivable, net	190,970	61,900
Prepaid expenses and other current assets	81,387	38,591
Funds held as custodian for others	108,074	106,385
Security deposit	213,705	213,705
Property and equipment, net	93,372	125,877
Total assets	\$ 11,798,676	\$ 12,152,013
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 255,050	\$ 306,189
Funds held as custodian for others	108,074	106,385
Line of credit	100,000	-
Loan payable	434,407	-
Deferred rent	447,672	337,000
Total liabilities	1,345,203	749,574
 Net Assets		
Without donor restrictions	1,273,653	2,527,539
With donor restrictions	9,179,820	8,874,900
Total net assets	10,453,473	11,402,439
Total liabilities and net assets	\$ 11,798,676	\$ 12,152,013

The Municipal Art Society of New York
Statements of Activities
Years Ended September 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support						
Grants and contributions	\$ 759,654	\$ 292,360	\$ 1,052,014	\$ 4,755,492	\$ 398,600	\$ 5,154,092
Special events	932,814	-	932,814	724,128	-	724,128
Less direct costs of special events	(300)	-	(300)	(147,899)	-	(147,899)
Membership income	108,750	-	108,750	101,124	-	101,124
Tours and courses	123,063	-	123,063	202,033	-	202,033
Investment income	137,160	759,766	896,926	253,767	462,531	716,298
Registration fees and other income	41,617	-	41,617	86,015	-	86,015
Net assets released from restrictions	747,206	(747,206)	-	785,226	(785,226)	-
Total revenues and other support	<u>2,849,964</u>	<u>304,920</u>	<u>3,154,884</u>	<u>6,759,886</u>	<u>75,905</u>	<u>6,835,791</u>
Expenses						
Program services						
Education and public programs	1,156,310	-	1,156,310	1,388,794	-	1,388,794
Preservation	177,699	-	177,699	217,913	-	217,913
Planning	1,474,298	-	1,474,298	1,358,924	-	1,358,924
Total program services	<u>2,808,307</u>	<u>-</u>	<u>2,808,307</u>	<u>2,965,631</u>	<u>-</u>	<u>2,965,631</u>
Supporting services						
Management and general	608,385	-	608,385	753,942	-	753,942
Fundraising	687,158	-	687,158	710,678	-	710,678
Total supporting services	<u>1,295,543</u>	<u>-</u>	<u>1,295,543</u>	<u>1,464,620</u>	<u>-</u>	<u>1,464,620</u>
Total expenses	<u>4,103,850</u>	<u>-</u>	<u>4,103,850</u>	<u>4,430,251</u>	<u>-</u>	<u>4,430,251</u>
Change in Net Assets	(1,253,886)	304,920	(948,966)	2,329,635	75,905	2,405,540
Net Assets, Beginning of Year	<u>2,527,539</u>	<u>8,874,900</u>	<u>11,402,439</u>	<u>197,904</u>	<u>8,798,995</u>	<u>8,996,899</u>
Net Assets, End of Year	<u>\$ 1,273,653</u>	<u>\$ 9,179,820</u>	<u>\$ 10,453,473</u>	<u>\$ 2,527,539</u>	<u>\$ 8,874,900</u>	<u>\$ 11,402,439</u>

The Municipal Art Society of New York
Statements of Functional Expenses
Years Ended September 30, 2020 and 2019

	2020							
	Program Services				Supporting Services			
	Education and Public Programs	Preservation	Planning	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Personnel services								
Salaries and wages	\$ 646,630	\$ 85,544	\$ 825,805	\$ 1,557,979	\$ 350,691	\$ 361,313	\$ 712,004	\$ 2,269,983
Fringe benefits and payroll taxes	127,889	16,919	163,326	308,134	69,358	71,459	140,817	448,951
Total personnel services	774,519	102,463	989,131	1,866,113	420,049	432,772	852,821	2,718,934
Other than personnel services (OTPS)								
Occupancy and other rentals	179,145	23,699	228,784	431,628	97,157	100,099	197,256	628,884
Insurance	5,799	767	7,405	13,971	3,145	3,240	6,385	20,356
Professional services	14,123	-	22,706	36,829	14,269	107,822	122,091	158,920
Professional services (Summit)	35,673	-	1,450	37,123	-	-	-	37,123
Grants and awards	100	-	69,676	69,776	750	-	750	70,526
Printing and graphic design	9,124	-	7,809	16,933	2,024	7,510	9,534	26,467
Video production	1,650	-	-	1,650	-	-	-	1,650
Restoration	-	43,164	-	43,164	-	-	-	43,164
Tour and guides	24,905	-	-	24,905	-	-	-	24,905
Accounting and legal	-	-	70,703	70,703	34,770	-	34,770	105,473
Travel	5,742	-	754	6,496	533	79	612	7,108
Postage	349	-	115	464	2,301	1,921	4,222	4,686
Advertising	4,560	-	1,250	5,810	-	203	203	6,013
Telephone and information technology	12,747	1,686	16,279	30,712	6,913	7,122	14,035	44,747
Conferences, meetings, dues and subscriptions	41,587	-	1,090	42,677	753	1,387	2,140	44,817
Office expenses and miscellaneous	35,318	4,469	43,138	82,925	18,323	18,874	37,197	120,122
Catering and entertainment	-	-	-	-	-	300	300	300
Bad debt expense	-	-	-	-	1,450	-	1,450	1,450
Depreciation and amortization	10,969	1,451	14,008	26,428	5,948	6,129	12,077	38,505
Total	1,156,310	177,699	1,474,298	2,808,307	608,385	687,458	1,295,843	4,104,150
Less expenses deducted directly from revenues on the statements of activities								
Direct costs of special events	-	-	-	-	-	(300)	(300)	(300)
Total expenses included in the expense section on the statements of activities	<u>\$ 1,156,310</u>	<u>\$ 177,699</u>	<u>\$ 1,474,298</u>	<u>\$ 2,808,307</u>	<u>\$ 608,385</u>	<u>\$ 687,158</u>	<u>\$ 1,295,543</u>	<u>\$ 4,103,850</u>

The Municipal Art Society of New York
Statements of Functional Expenses (Continued)
Years Ended September 30, 2020 and 2019

	2019							
	Program Services				Supporting Services			
	Education and Public Programs	Preservation	Planning	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
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 statements of activities								
Direct costs of special events	-	-	-	-	-	(147,899)	(147,899)	(147,899)
Total expenses included in the expense section on the statements 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
Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	\$ (948,966)	\$ 2,405,540
Items not requiring (providing) operating cash flows		
Depreciation and amortization	38,505	91,502
Unrealized loss on investments	(894,401)	1,556,083
Realized gain on sale of investments	157,715	(2,084,451)
Deferred rent	110,672	(7,303)
Changes in		
Accounts receivable	13,778	11,902
Contributions receivable	(129,070)	82,025
Prepaid expenses and other current assets	(42,796)	91,820
Security deposit	-	10,000
Accounts payable and accrued expenses	(51,139)	(120,559)
Net cash (used in) provided by operating activities	(1,745,702)	2,036,559
Investing Activities		
Purchases of investments	(45,305)	(19,514,029)
Proceeds from sale of investments	1,195,412	17,693,231
Purchase of property and equipment	(6,000)	(6,897)
Net cash provided by (used in) investing activities	1,144,107	(1,827,695)
Financing Activities		
Proceeds from loan payable	434,407	-
Proceeds from line of credit	100,000	-
Payments on line of credit	-	(125,000)
Net cash provided by (used in) financing activities	534,407	(125,000)
Increase in Cash	(67,188)	83,864
Cash, Beginning of Year	98,446	14,582
Cash, End of Year	\$ 31,258	\$ 98,446

The Municipal Art Society of New York

Notes to Financial Statements

September 30, 2020 and 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 (GAAP) 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.

Uninvested cash and cash equivalents included in investment accounts are not considered to be cash and 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, 2020 and 2019, there was no allowance for doubtful accounts for account receivables.

Investments and Net Investment Return

The Society measures securities at fair value.

The Municipal Art Society of New York

Notes to Financial Statements

September 30, 2020 and 2019

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as revenue with donor restrictions and then released from restriction. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

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 years ended September 30, 2020 and 2019.

The Municipal Art Society of New York

Notes to Financial Statements

September 30, 2020 and 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:

Nature of the Gift	Value Recognized
<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 statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income 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, 2020 and 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 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 they are 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 ended September 30, 2019 (see *Note 10*). During the years ended September 30, 2020 and 2019, \$895,305 and \$2,121,799, was withdrawn from this fund, respectively. The balance remaining in the board-designated fund at September 30, 2020 and 2019 was \$1,243,653 and \$2,532,374, respectively.

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 statements of activities. The statements 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.

Reclassification

Immaterial reclassification has been made to the 2019 financial statements to conform to the 2020 financial statement presentation. This reclassification had no effect on previously reported changes in net assets.

The Municipal Art Society of New York

Notes to Financial Statements

September 30, 2020 and 2019

Note 2: Change in Accounting Principles

ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

During 2020, the Society adopted Financial Accounting Standards (FASB) Accounting Standards Update (ASU) 2018-08, (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contribution Received and Contributions Made*. The core guidance in ASU 2018-08 is to clarify existing guidance on determining whether a transaction with a resource provider, *e.g.*, the receipts of funds under a government grant or contract, is a contributions or exchange transaction. As a result of adoption of the standard, there was no change on the previously reported net assets or change in net assets.

Note 3: Contributions Receivable

Contributions receivable at September 30, 2020 and 2019 consisted of the following:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 92,470	\$ 100,000	\$ 192,470
Due in one to five years	-	-	-
	92,470	100,000	192,470
Less allowance of doubtful receivable	(1,500)	-	(1,500)
	<u>\$ 90,970</u>	<u>\$ 100,000</u>	<u>\$ 190,970</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
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, 2020 and 2019

Note 4: Property and Equipment

Property and equipment at September 30, 2020 and 2019 consist of:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 38,691	\$ 38,691
Furniture and equipment	791,485	791,485
Website and software	<u>155,386</u>	<u>149,386</u>
	985,562	979,562
Less accumulated depreciation and amortization	<u>(892,190)</u>	<u>(853,685)</u>
	<u>\$ 93,372</u>	<u>\$ 125,877</u>

Note 5: 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, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Funds held, beginning of year	\$ 106,385	\$ 100,229
Funds received	321	3,863
Interest income earned	<u>1,368</u>	<u>2,293</u>
Funds held, end of year	<u>\$ 108,074</u>	<u>\$ 106,385</u>

Custodial funds are held in money market mutual funds which are deemed to be Level 1 investments (see *Note 13*). As of September 30, 2020 and 2019, the Society held funds as custodian for:

	<u>2020</u>	<u>2019</u>
Vietnam Memorial Fund	\$ 46,146	\$ 44,899
Korean Veterans Memorial Fund	<u>61,928</u>	<u>61,486</u>
	<u>\$ 108,074</u>	<u>\$ 106,385</u>

The Municipal Art Society of New York

Notes to Financial Statements

September 30, 2020 and 2019

Note 6: Line of Credit

The Society has an available \$400,000 revolving bank line of credit with no expiration date. During 2020, there was \$100,000 borrowed against this line. The line is collateralized by substantially all the Society's assets. Interest is charged at 6.38 percent per year above prime rate and the interest rate charged was 9.63 and 11.38 percent at September 30, 2020 and 2019, respectively. 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 7: Loan Payable

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act*. During April 2020, the Society received a loan in the amount of \$434,407 pursuant to the Paycheck Protection Program (PPP). The Society has elected to account for the funding as a loan in accordance with Accounting Standards Codification (ASC) Topic 470, *Debt*. The loan is due two years from the date of the first disbursement under the loan and has a fixed interest rate of 1 percent per year. Any forgiveness of the loan will be recognized as a gain in the financial statements in the period the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration or lender; as a result of such audit, adjustments could be required to any gain recognized.

The required principal payments for the next two years are as follows:

2021	\$	280,397
2022		<u>154,010</u>
	\$	<u><u>434,407</u></u>

Note 8: 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 years ended September 30, 2020 and 2019 was \$76,591 and \$69,106, respectively.

The Municipal Art Society of New York
Notes to Financial Statements
September 30, 2020 and 2019

Note 9: Net Assets

Net Assets With Donor Restrictions

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

	2020	2019
Subject to expenditure for specified purpose		
Issues and advocacy projects	\$ 297,324	\$ 275,000
Public art restoration and maintenance	921,524	876,030
Public programs	23,529	39,810
	1,242,377	1,190,840
Subject to the passage of time		
Time restriction	5,000	15,000
Endowments		
Subject to not-for-profit endowment spending policy and appropriation		
Restricted by donors for		
Municipal Art Society Endowment Fund	1,868,490	1,868,490
Janet C. Ross Fund	3,119,284	3,119,284
Doris C. Freedman Endowment Fund	235,868	235,868
Brendan Gill Prize Fund	182,829	182,829
Ralph C. Menapace Fellowship	497,398	497,398
Tucker Ashworth Fellowship	35,706	35,706
Woodruff/Worth Monument Fund	36,000	36,000
	5,975,575	5,975,575
Unappropriated investment income from endowments		
Operations	1,267,865	1,070,322
Public art restoration and maintenance	11,623	11,283
Issues and advocacy	677,380	611,880
	1,956,868	1,693,485
	\$ 9,179,820	\$ 8,874,900

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Net Assets Without Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Undesignated	\$ -	\$ (4,835)
Designated by the Board for endowment	<u>1,243,653</u>	<u>2,532,374</u>
	<u>\$ 1,243,653</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:

	<u>2020</u>	<u>2019</u>
Expiration of time restrictions	\$ 10,000	\$ 15,000
Satisfaction of purpose restrictions		
Issues and advocacy projects	232,440	166,031
Public art restoration and maintenance	37,164	68,835
Public programs	94,738	152,872
Summit for New York City	11,620	13,488
Appropriation of investment income from endowments	<u>361,244</u>	<u>369,000</u>
	<u>\$ 747,206</u>	<u>\$ 785,226</u>

Note 10: 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

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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 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 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, 2020 and 2019 in the amount of \$5,975,575 each year and the accumulated investment gains of \$1,956,866 and \$1,693,485, respectively, 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, 2020 and 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, 2020 and 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, 2020 and 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, 2020 and 2019.

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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, 2020 and 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, 2020 and 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, 2020 and 2019.

The composition of net assets by type of endowment fund at September 30, 2020 and 2019 was:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 1,243,653	\$ -	\$ 1,243,653
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	-	1,956,868	1,956,868
Total endowment funds	<u>\$ 1,243,653</u>	<u>\$ 7,932,443</u>	<u>\$ 9,176,096</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
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
Total endowment funds	<u>\$ 2,532,374</u>	<u>\$ 7,669,060</u>	<u>\$ 10,201,434</u>

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Change in endowment net assets for the years ended September 30, 2020 and 2019 was:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,532,374	\$ 7,669,060	\$ 10,201,434
Investment return, net	137,587	697,176	834,763
Contributions	45,305	-	45,305
Appropriation of endowment assets for expenditures	<u>(1,471,613)</u>	<u>(433,793)</u>	<u>(1,905,406)</u>
Endowment net assets, end of year	<u>\$ 1,243,653</u>	<u>\$ 7,932,443</u>	<u>\$ 9,176,096</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 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	<u>(2,121,799)</u>	<u>(494,316)</u>	<u>(2,616,115)</u>
Endowment net assets, end of year	<u>\$ 2,532,374</u>	<u>\$ 7,669,060</u>	<u>\$ 10,201,434</u>

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.

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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 years ended September 30, 2020 and 2019, the Society approved a spending rate of 6 percent of all its donor-restricted endowment funds.

Funds with Deficiencies

There were no funds with deficiencies.

Note 11: 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 \$549,251 and \$546,852 for the years ended September 30, 2020 and 2019, respectively. Deferred rent was \$447,672 and \$337,000 as of September 30, 2020 and 2019, respectively. Minimum annual lease payments under this agreement are as follows:

2021	\$	594,193
2022		606,077
2023		618,199
2024		630,562
Thereafter		<u>267,543</u>
	\$	<u><u>2,716,574</u></u>

At September 30, 2020 and 2019, a security deposit in the amount of \$213,705 is retained for the occupied premises at 488 Madison Avenue, New York.

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Note 12: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position as of September 30, 2020 and 2019, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 31,258	\$ 98,446
Investments	11,079,535	11,492,956
Accounts receivable, net	375	14,153
Contributions receivable, net	<u>190,970</u>	<u>61,900</u>
 Total financial assets	 11,302,138	 11,667,455
 Board-designated	 (1,243,653)	 (2,532,374)
Donor-imposed restrictions		
Restricted funds	<u>(9,179,820)</u>	<u>(8,874,900)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 878,665</u>	 <u>\$ 260,181</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 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 13: 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

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Level 3 Unobservable inputs supported by little or no market activity and that 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, 2020 and 2019:

	2020		2019	
	Total	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Total	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)
Mutual funds	\$ 2,798,218	\$ 2,798,218	\$ 4,455,228	\$ 4,455,228
Stocks	5,278,307	5,278,307	4,513,890	4,513,890
Corporate fixed income bonds	1,460,016	1,460,016	686,272	686,272
Exchange-traded and closed-end funds	<u>1,257,026</u>	<u>1,257,026</u>	<u>1,072,565</u>	<u>1,072,565</u>
Total investments reported on the fair value hierarchy	10,793,567	<u>\$ 10,793,567</u>	10,727,955	<u>\$ 10,727,955</u>
Cash and cash equivalents	<u>285,968</u>		<u>765,001</u>	
Total investments	<u>\$ 11,079,535</u>		<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 statements 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 years ended September 30, 2020 and 2019.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. At September 30, 2020 and 2019, all of the Society's investments were classified as Level 1.

Note 14: Conditional Gift

As of September 30, 2020, the Society received a \$75,000 conditional promise to give. The Society recognizes contribution income and a related receivable upon meeting conditions of the agreement. During the year ended September 30, 2020, the Society has satisfied conditions to recognize \$25,000 of the promise to give, which has been recognized in the financial statements. The remaining \$50,000 will be recognized in the future upon satisfaction of the condition.

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Notes to Financial Statements

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Note 15: 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 years ended September 30, 2020 and 2019, the Society received approximately 29 and 86 percent of all contributions from two donors, respectively.

Note 16: Economic Uncertainties

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

Note 17: Subsequent Events

Subsequent events have been evaluated through March 4, 2021, which is the date the financial statements were available to be issued.

On February 11, 2021, the Society was notified that their PPP loan in the amount of \$434,407 was forgiven by the Small Business Administration.

On February 22, 2021, the Society received a second loan in the amount of \$438,005 pursuant to the PPP. The loan is due two years from the date of the first disbursement under the loan and has a fixed interest rate of 1 percent per year. A portion of the loan may be forgiven; however, as of the date of this report any amount of forgiveness is unable to be determined.

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Note 18: Future Changes in Accounting Principle

Revenue Recognition

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 the fiscal year ended September 30, 2021.

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 the fiscal year ended September 30, 2023. The Society is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.