

The Municipal Art Society of New York
Independent Auditor's Report and Financial Statements
September 30, 2021 and 2020



The Municipal Art Society of New York
September 30, 2021 and 2020

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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, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Municipal Art Society of New York as of September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in *Note 2* to the financial statements, in 2021, The Municipal Art Society of New York adopted new accounting guidance regarding recognition of revenue with customers. Our opinion is not modified with respect to this matter.

BKD, LLP

New York, New York
March 28, 2022

The Municipal Art Society of New York
Statements of Financial Position
September 30, 2021 and 2020

	2021	2020
Assets		
Cash	\$ 22,031	\$ 31,258
Investments	11,338,806	11,079,535
Accounts receivable, net	163	375
Contributions receivable, net	301,580	190,970
Prepaid expenses and other current assets	33,487	81,387
Funds held as custodian for others	106,279	108,074
Security deposit	213,705	213,705
Property and equipment, net	77,677	93,372
Total assets	\$ 12,093,728	\$ 11,798,676
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 237,686	\$ 255,050
Funds held as custodian for others	106,279	108,074
Line of credit	250,000	100,000
Loan payable	438,005	434,407
Deferred rent	290,560	447,672
Total liabilities	1,322,530	1,345,203
 Net Assets		
Without donor restrictions	598,853	1,273,653
With donor restrictions	10,172,345	9,179,820
Total net assets	10,771,198	10,453,473
Total liabilities and net assets	\$ 12,093,728	\$ 11,798,676

The Municipal Art Society of New York
Statements of Activities
Years Ended September 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support						
Grants and contributions	\$ 922,752	\$ 397,900	\$ 1,320,652	\$ 759,654	\$ 292,360	\$ 1,052,014
Special events	582,850	-	582,850	932,814	-	932,814
Less direct costs of special events	(136,852)	-	(136,852)	(300)	-	(300)
Membership income	112,531	-	112,531	108,750	-	108,750
Tours and courses	96,880	-	96,880	123,063	-	123,063
Investment income	284,172	1,487,609	1,771,781	137,160	759,766	896,926
Registration fees and other income	31,219	-	31,219	41,617	-	41,617
Forgiveness of debt	434,407	-	434,407	-	-	-
Net assets released from restrictions	892,984	(892,984)	-	747,206	(747,206)	-
Total revenues and other support	3,220,943	992,525	4,213,468	2,849,964	304,920	3,154,884
Expenses						
Program services						
Education and public programs	1,090,298	-	1,090,298	1,156,310	-	1,156,310
Preservation	125,624	-	125,624	177,699	-	177,699
Planning	1,359,443	-	1,359,443	1,474,298	-	1,474,298
Total program services	2,575,365	-	2,575,365	2,808,307	-	2,808,307
Supporting services						
Management and general	650,605	-	650,605	608,385	-	608,385
Fundraising	669,773	-	669,773	687,158	-	687,158
Total supporting services	1,320,378	-	1,320,378	1,295,543	-	1,295,543
Total expenses	3,895,743	-	3,895,743	4,103,850	-	4,103,850
Change in Net Assets	(674,800)	992,525	317,725	(1,253,886)	304,920	(948,966)
Net Assets, Beginning of Year	1,273,653	9,179,820	10,453,473	2,527,539	8,874,900	11,402,439
Net Assets, End of Year	\$ 598,853	\$ 10,172,345	\$ 10,771,198	\$ 1,273,653	\$ 9,179,820	\$ 10,453,473

The Municipal Art Society of New York
Statements of Functional Expenses
Years Ended September 30, 2021 and 2020

	2021							
	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	\$ 564,218	\$ 13,500	\$ 901,037	\$ 1,478,755	\$ 342,183	\$ 333,484	\$ 675,667	\$ 2,154,422
Fringe benefits and payroll taxes	96,065	2,299	153,413	251,777	58,261	56,780	115,041	366,818
Total personnel services	660,283	15,799	1,054,450	1,730,532	400,444	390,264	790,708	2,521,240
Other than personnel services (OTPS)								
Occupancy and other rentals	208,725	54,066	150,164	412,955	95,558	93,129	188,687	601,642
Insurance	8,758	2,099	5,829	16,686	3,709	3,615	7,324	24,010
Professional services	37,429	-	27,649	65,078	38,292	134,170	172,462	237,540
Professional services (Summit)	20,939	-	-	20,939	-	-	-	20,939
Grants and awards	4,977	-	18,232	23,209	309	-	309	23,518
Printing and graphic design	878	-	-	878	-	9,010	9,010	9,888
Video production	6,940	-	-	6,940	-	-	-	6,940
Restoration	-	33,967	-	33,967	-	-	-	33,967
Tour and guides	35,331	-	-	35,331	1,250	-	1,250	36,581
Accounting and legal	-	-	44,068	44,068	35,620	-	35,620	79,688
Travel	317	-	3,123	3,440	468	-	468	3,908
Postage	100	-	-	100	1,025	3,487	4,512	4,612
Advertising	15,733	-	610	16,343	-	1,781	1,781	18,124
Telephone and information technology	25,938	6,719	18,661	51,318	11,875	11,573	23,448	74,766
Conferences, meetings, dues and subscriptions	13,397	-	623	14,020	2,625	397	3,022	17,042
Office expenses and miscellaneous	39,422	10,091	28,026	77,539	17,834	17,380	35,214	112,753
Catering and entertainment	-	-	-	-	-	136,852	136,852	136,852
Bad debt expense	-	-	-	-	36,500	-	36,500	36,500
Depreciation and amortization	11,131	2,883	8,008	22,022	5,096	4,967	10,063	32,085
Total	1,090,298	125,624	1,359,443	2,575,365	650,605	806,625	1,457,230	4,032,595
Less expenses deducted directly from revenues on the statements of activities								
Direct costs of special events	-	-	-	-	-	(136,852)	(136,852)	(136,852)
Total expenses included in the expense section on the statements of activities	<u>\$ 1,090,298</u>	<u>\$ 125,624</u>	<u>\$ 1,359,443</u>	<u>\$ 2,575,365</u>	<u>\$ 650,605</u>	<u>\$ 669,773</u>	<u>\$ 1,320,378</u>	<u>\$ 3,895,743</u>

The Municipal Art Society of New York
Statements of Functional Expenses (Continued)
Years Ended September 30, 2021 and 2020

	2020							Total
	Program Services			Supporting Services				
	Education and Public Programs	Preservation	Planning	Total Program Services	Management and General	Fundraising	Total Supporting Services	
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 Cash Flows
Years Ended September 30, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 317,725	\$ (948,966)
Items not requiring (providing) operating cash flows		
Depreciation and amortization	32,085	38,505
Unrealized gain on investments	(930,533)	(894,401)
Realized (gain) loss on sale of investments	(729,383)	157,715
Bad debt	(36,500)	(1,450)
Gain on forgiveness of debt	(434,407)	-
Deferred rent	(157,112)	110,672
Changes in		
Accounts receivable	212	13,778
Contributions receivable	(74,110)	(127,620)
Prepaid expenses and other current assets	47,900	(42,796)
Accounts payable and accrued expenses	(17,364)	(51,139)
Net cash used in operating activities	(1,981,487)	(1,745,702)
Investing Activities		
Purchases of investments	(1,962,318)	(45,305)
Proceeds from sale of investments	3,362,963	1,195,412
Purchase of property and equipment	(16,390)	(6,000)
Net cash provided by investing activities	1,384,255	1,144,107
Financing Activities		
Proceeds from loan payable	438,005	434,407
Proceeds from line of credit	150,000	100,000
Net cash provided by financing activities	588,005	534,407
Net Change in Cash	(9,227)	(67,188)
Cash, Beginning of Year	31,258	98,446
Cash, End of Year	\$ 22,031	\$ 31,258

The Municipal Art Society of New York

Notes to Financial Statements

September 30, 2021 and 2020

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 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 of consideration from customers of which the Society has an unconditional right to receive 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, 2021 and 2020, 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, 2021 and 2020

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

Contract Assets

Amounts related to services provided to customers which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. There were no contract assets at September 30, 2021 or October 1, 2020.

Contract Liabilities

Contract liabilities, also known as deferred dues and fees, represent membership dues collected prior to year-end, but membership benefits are not fully received by the customer. As of September 30, 2021 and October 1, 2020, contract liabilities equal \$2,770 and \$5,565, respectively.

Refund Liabilities

The consideration the Society has received from customers for which it does not expect to be entitled is recorded as a refund liability. As of September 30, 2021, there were \$2,120 of refunds due to customers.

The Municipal Art Society of New York

Notes to Financial Statements

September 30, 2021 and 2020

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, 2021 and 2020.

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.

The Municipal Art Society of New York

Notes to Financial Statements

September 30, 2021 and 2020

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.

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.

Revenues

Revenue is recognized as the Society satisfies its performance obligations under its contracts with members and customers. Revenue includes membership dues, tours and courses. Revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Society expects to be entitled for the provision of services. The Society determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided in accordance with the Society's policy. Variable consideration includes discounts provided to members during the year.

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 operations which consist of the unspent appreciation on these net assets and a portion of net assets received from an anonymous donor during the years ended September 30, 2021 and 2020 (see *Note 11*). During the years ended September 30, 2021 and 2020, \$986,623 and \$895,305 was withdrawn from this fund, respectively. The balance remaining in the board-designated fund at September 30, 2021 and 2020 was \$540,596 and \$1,243,653, 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.

The Municipal Art Society of New York

Notes to Financial Statements

September 30, 2021 and 2020

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.

Note 2: Changes in Accounting Principles

On October 1, 2020, the Society adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* (Topic 606), using a modified retrospective method of adoption to all contracts not completed at October 1, 2020. The core guidance in Topic 606 is to recognize revenue to depict the transfer of promised goods and services to customers in amounts that reflect the consideration to which the Society expects to be entitled in exchange for those goods and services. The amount to which the Society expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods and services.

Adoption of Topic 606 did not result in changes in presentation of financial statements or timing of revenue recognition, but it did result in additional related disclosures in the notes to the financial statements.

Note 3: Revenue from Contracts with Customers

Membership, Tours and Courses Income

Revenue from contracts with members for annual dues is reported at the amount that reflects the consideration to which the Society expects to be entitled in exchange for providing discounted tours and courses, recognition on the Society printed material as well as on website. These amounts are due from members and others and includes variable consideration such as price concessions to members.

Revenue is recognized as performance obligations are satisfied, which is ratably over the membership term. Dues have annual terms and are paid by individuals and corporations.

Special Events Revenue

Revenue from special events is reported at the amount that reflects the consideration to which the Society expects to be entitled in exchange for the benefits received by the participant at the event.

Performance obligations are determined based on the nature of the services provided by the Society. Revenue for performance obligations satisfied over a period of time is generally recognized when goods are provided to donors over a period of time and the Society does not believe it is required to provide additional goods or services.

The Municipal Art Society of New York

Notes to Financial Statements

September 30, 2021 and 2020

Transaction Price and recognition

The Society determines the transaction price based on standard charges for goods and services provided. For the year ended September 30, 2021, the Society recognized revenue of \$269,041 from goods and services that transfer to the customer over a period of time.

Financing Component

The Society has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from customers and third parties for the effects of a significant financing component due to the Society's expectation that the period between the time the service is provided to a customer and the time the customer or a third-party payor pays for that service will be one year or less.

Note 4: Contributions Receivable

Contributions receivable at September 30, 2021 and 2020 consisted of the following:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 288,080	\$ 25,000	\$ 313,080
Less allowance of doubtful receivable	(11,500)	-	(11,500)
	<u>\$ 276,580</u>	<u>\$ 25,000</u>	<u>\$ 301,580</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 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>

The Municipal Art Society of New York

Notes to Financial Statements

September 30, 2021 and 2020

Note 5: Property and Equipment

Property and equipment at September 30, 2021 and 2020 consist of:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 38,691	\$ 38,691
Furniture and equipment	807,875	791,485
Website and software	<u>155,386</u>	<u>155,386</u>
	1,001,952	985,562
Less accumulated depreciation and amortization	<u>(924,275)</u>	<u>(892,190)</u>
	<u>\$ 77,677</u>	<u>\$ 93,372</u>

Note 6: 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, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Funds held, beginning of year	\$ 108,074	\$ 106,385
Funds received	-	321
Funds disbursed	(1,807)	-
Interest income earned	<u>12</u>	<u>1,368</u>
Funds held, end of year	<u>\$ 106,279</u>	<u>\$ 108,074</u>

Custodial funds are held in money market mutual funds which are deemed to be Level 1 investments (see *Note 14*). As of September 30, 2021 and 2020, the Society held funds as custodian for:

	<u>2021</u>	<u>2020</u>
Vietnam Memorial Fund	\$ 46,341	\$ 46,146
Korean Veterans Memorial Fund	<u>59,938</u>	<u>61,928</u>
	<u>\$ 106,279</u>	<u>\$ 108,074</u>

The Municipal Art Society of New York

Notes to Financial Statements

September 30, 2021 and 2020

Note 7: Line of Credit

The Society has an available \$400,000 revolving bank line of credit with no expiration date. During 2021 and 2020, there was \$250,000 and \$100,000 borrowed against this line, respectively. The line is collateralized by substantially all the Society's assets. Interest is charged at 6.38 percent per year above prime rate and is payable monthly. The interest rate charged at September 30, 2021 and 2020 was 9.63 percent.

Note 8: 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 elected to account for the funding as a loan under ASC Topic 470, *Debt*. The loan was due two years from the date of the first disbursement under the loan and has a fixed interest rate of 1 percent per year.

During 2021, the PPP loan was fully forgiven and was recognized as forgiveness of debt in the statements of activities.

On January 22, 2021, the Society received a second PPP loan in the amount of \$438,005. The Society has elected to account for the funding as a loan in accordance with ASC Topic 470, *Debt*. The loan is due five 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 (SBA) or lender; as a result of such audit, adjustments could be required to any gain recognized. On December 14, 2021, the loan in the amount of \$438,005 was forgiven in full by the SBA.

Note 9: 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, 2021 and 2020 was \$83,970 and \$76,591, respectively.

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Note 10: Net Assets

Net Assets With Donor Restrictions

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

	2021	2020
Subject to expenditure for specified purpose		
Issues and advocacy projects	\$ 285,000	\$ 297,324
Public art restoration and maintenance	997,522	921,524
Public programs	34,452	23,529
	1,316,974	1,242,377
Subject to the passage of time		
Time restriction	5,000	5,000
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	2,008,704	1,267,865
Public art restoration and maintenance	11,627	11,623
Issues and advocacy	854,465	677,380
	2,874,796	1,956,868
	\$ 10,172,345	\$ 9,179,820

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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>2021</u>	<u>2020</u>
Designated by the Board for endowment	<u>\$ 540,596</u>	<u>\$ 1,243,653</u>

In December 2021, the Board released all funds that were held as designated by the Board for endowment.

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>2021</u>	<u>2020</u>
Expiration of time restrictions	\$ 5,000	\$ 10,000
Satisfaction of purpose restrictions		
Issues and advocacy projects	378,160	232,440
Public art restoration and maintenance	65,743	37,164
Public programs	87,127	94,738
Summit for New York City	-	11,620
Appropriation of investment income from endowments	<u>356,954</u>	<u>361,244</u>
	<u>\$ 892,984</u>	<u>\$ 747,206</u>

Note 11: 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, 2021 and 2020 in the amount of \$5,975,575 each year and the accumulated investment gains of \$2,874,797 and \$1,956,868, 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, 2021 and 2020.

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, 2021 and 2020.

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, 2021 and 2020.

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, 2021 and 2020.

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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, 2021 and 2020.

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, 2021 and 2020.

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 20 calendar quarters ended on 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, 2021 and 2020 and include a board designated emergency reserve of \$400,000 to support the line of credit.

The composition of net assets by type of endowment fund at September 30, 2021 and 2020 was:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 540,596	\$ -	\$ 540,596
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	-	2,874,797	2,874,797
	<u>\$ 540,596</u>	<u>\$ 8,850,372</u>	<u>\$ 9,390,968</u>

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	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	\$ 1,243,653	\$ 7,932,443	\$ 9,176,096

Change in endowment net assets for the years ended September 30, 2021 and 2020 was:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,243,653	\$ 7,932,443	\$ 9,176,096
Investment return, net	283,566	1,369,695	1,653,261
Contributions	-	-	-
Appropriation of endowment assets for expenditures	(986,623)	(451,766)	(1,438,389)
Endowment net assets, end of year	\$ 540,596	\$ 8,850,372	\$ 9,390,968

	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	(1,471,613)	(433,793)	(1,905,406)
Endowment net assets, end of year	\$ 1,243,653	\$ 7,932,443	\$ 9,176,096

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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 20 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, 2021 and 2020, 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 12: Operating Leases

In 2014, the Society entered into an operating lease for new office space at 488 Madison Avenue, New York, NY. The operating lease expires on February 28, 2025. Rent expense was \$546,852 and \$549,251 for the years ended September 30, 2021 and 2020, respectively. Deferred rent was \$290,560 and \$447,672 as of September 30, 2021 and 2020, respectively. Minimum annual lease payments under this agreement are as follows:

2022	\$	606,077
2023		618,199
2024		630,562
2025		<u>267,543</u>
	\$	<u><u>2,122,381</u></u>

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At September 30, 2021 and 2020, security deposit in the amount of \$213,705 is retained for the occupied premises at 488 Madison Avenue, New York, NY.

Note 13: 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, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 22,031	\$ 31,258
Investments	11,338,806	11,079,535
Accounts receivable, net	163	375
Contributions receivable, net	<u>301,580</u>	<u>190,970</u>
 Total financial assets	 11,662,580	 11,302,138
 Board designated	 (540,596)	 (1,243,653)
Donor-imposed restrictions		
Restricted funds	<u>(10,172,345)</u>	<u>(9,179,820)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 949,639</u>	 <u>\$ 878,665</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 14: 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

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- 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

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, 2021 and 2020:

	2021		2020	
	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	\$ 3,112,337	\$ 3,112,337	\$ 2,798,218	\$ 2,798,218
Stocks	5,294,186	5,294,186	5,278,307	5,278,307
Corporate fixed income bonds	1,026,037	1,026,037	1,460,016	1,460,016
Exchange-traded and closed-end funds	<u>1,536,238</u>	<u>1,536,238</u>	<u>1,257,026</u>	<u>1,257,026</u>
Total investments reported on the fair value hierarchy	10,968,798	<u>\$ 10,968,798</u>	10,793,567	<u>\$ 10,793,567</u>
Cash and cash equivalents	<u>370,008</u>		<u>285,968</u>	
Total investments	<u>\$ 11,338,806</u>		<u>\$ 11,079,535</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, 2021 and 2020.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. At September 30, 2021 and 2020, all of the Society's investments were classified as Level 1.

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Note 15: Conditional Gift

As of September 30, 2021, 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 years ended September 30, 2021 and 2020, the Society has satisfied conditions to recognize \$25,000 and \$25,000, respectively, of the promise to give, which has been recognized in the financial statements. The remaining \$25,000 will be recognized in the future upon satisfaction of the condition.

Note 16: 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 statements of financial position.

Contributions

During the years ended September 30, 2021 and 2020, the Society received approximately 50 and 29 percent of all contributions from two donors, respectively.

Special Events

Revenue from one special event represents 27 percent and 52 percent of total special event revenue in 2021 and 2020, respectively.

Note 17: Subsequent Events

Subsequent events have been evaluated through March 28, 2022, which is the date the financial statements were available to be issued.

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Note 18: Future Changes in Accounting Principles

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, 2021 and any interim periods within annual reporting periods that begin after December 15, 2022. 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.