

**THE MUNICIPAL ART SOCIETY  
OF NEW YORK**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT**

**SEPTEMBER 30, 2017 AND 2016**

# **THE MUNICIPAL ART SOCIETY OF NEW YORK**

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## **Independent Auditor's Report**

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of The Municipal Art Society of New York, which comprise the statement of financial position as of September 30, 2017 and 2016, 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, 2017 and 2016, 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.

*Loeb & Troper LLP*

May 7, 2018

**EXHIBIT A****THE MUNICIPAL ART SOCIETY OF NEW YORK****STATEMENT OF FINANCIAL POSITION****SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,766	\$ 124,137
Investments (Note 3)	9,298,819	10,610,558
Accounts receivable - net (Note 2)	27,674	26,462
Contributions receivable - net (Note 4)	594,910	217,660
Prepaid expenses and other current assets	83,960	81,558
Funds held as custodian for others (Note 6)	97,571	95,892
Security deposit (Note 9)	213,705	213,705
Fixed assets - net (Note 5)	<u>172,898</u>	<u>338,887</u>
Total assets	<u>\$ 10,496,303</u>	<u>\$ 11,708,859</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 214,620	\$ 252,464
Funds held as custodian for others (Note 6)	97,571	95,892
Deferred rent (Note 9)	<u>338,451</u>	<u>321,976</u>
Total liabilities	<u>650,642</u>	<u>670,332</u>
Net assets (Exhibit B)		
Unrestricted (Note 2)	1,374,767	2,854,590
Temporarily restricted (Note 7)	2,495,319	2,208,362
Permanently restricted (Note 7)	<u>5,975,575</u>	<u>5,975,575</u>
Total net assets	<u>9,845,661</u>	<u>11,038,527</u>
Total liabilities and net assets	<u>\$ 10,496,303</u>	<u>\$ 11,708,859</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

THE MUNICIPAL ART SOCIETY OF NEW YORK

EXHIBIT B

STATEMENT OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue								
Grants and contributions	\$ 1,283,915	\$ 281,000		\$ 1,564,915	\$ 406,767	\$ 594,164		\$ 1,000,931
Bad debt loss						(35,525)		(35,525)
Special events	33,800			33,800	812,825			812,825
Less direct costs of special events	(24,182)			(24,182)	(116,276)			(116,276)
Membership income	137,995			137,995	111,002			111,002
Tours and courses	166,039			166,039	150,129			150,129
Investment income (Note 3)	199,803	849,155		1,048,958	317,143	581,233		898,376
Registration fees and other income	1,392			1,392	67,433			67,433
Net assets released from restrictions (Note 7)	843,198	(843,198)			1,088,052	(1,088,052)		
Total support and revenue	2,641,960	286,957		2,928,917	2,837,075	51,820		2,888,895
Expenses (Exhibit C)								
Program services								
Education and public programs	1,493,095			1,493,095	2,446,917			2,446,917
Preservation	490,380			490,380	718,057			718,057
Planning	675,515			675,515	205,542			205,542
Total program services	2,658,990			2,658,990	3,370,516			3,370,516
Supporting services								
Management and general	973,781			973,781	1,316,448			1,316,448
Fundraising	489,012			489,012	762,494			762,494
Total expenses	4,121,783			4,121,783	5,449,458			5,449,458
Change in net assets (Exhibit D)	(1,479,823)	286,957		(1,192,866)	(2,612,383)	51,820		(2,560,563)
Net assets - beginning of year	2,854,590	2,208,362	\$ 5,975,575	11,038,527	5,466,973	2,156,542	\$ 5,975,575	13,599,090
Net assets - end of year (Exhibit A)	\$ 1,374,767	\$ 2,495,319	\$ 5,975,575	\$ 9,845,661	\$ 2,854,590	\$ 2,208,362	\$ 5,975,575	\$ 11,038,527

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## THE MUNICIPAL ART SOCIETY OF NEW YORK

## EXHIBIT C

## STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017								
	Program Services				Supporting Services		Direct Costs of Special Events		
	Education and Public Programs	Preservation	Planning	Total	Management and General	Fundraising		Total	2016
Personnel services									
Salaries	\$ 637,099	\$ 226,245	\$ 361,916	\$ 1,225,260	\$ 520,883	\$ 209,224		\$ 1,955,367	\$ 2,093,289
Fringe benefits and payroll taxes	109,740	38,962	62,340	211,042	89,722	36,039		336,803	292,667
Total personnel services	746,839	265,207	424,256	1,436,302	610,605	245,263		2,292,170	2,385,956
Other than personnel services (OTPS)									
Occupancy and other rentals (Note 9)	208,364	73,909	118,365	400,638	170,355	68,427		639,420	721,071
Insurance	6,994	2,481	3,973	13,448	5,719	2,297		21,464	22,254
Professional services	104,051	18,337	47,112	169,500	26,667	87,643		283,810	884,550
Professional services (Summit)	50,652			50,652				50,652	151,064
Grants and awards	27,340	12,608	5,791	45,739				45,739	398,783
Printing and graphic design	17,392	3,435	4,820	25,647	943	18,794		45,384	50,792
Video production	54,410	1,215		55,625				55,625	60,282
Restoration		70,875		70,875				70,875	69,000
Public relations									12,000
Tour and guides	39,175			39,175				39,175	38,838
Accounting and legal					31,000			31,000	33,226
Travel	23,425		468	23,893	3,778	6,412		34,083	37,350
Postage	1,628	233	1,127	2,988	2,097	5,251		10,336	9,400
Advertising	6,254			6,254	637	444		7,335	26,406
Telephone and information technology	19,325	6,855	10,978	37,158	15,800	6,346		59,304	46,157
Conferences, meetings, dues and subscriptions	87,937		2,210	90,147	5,386	15,522		111,055	159,417
Office expenses and miscellaneous	45,219	16,039	25,688	86,946	36,971	14,850		138,767	150,991
Catering and entertainment							\$ 24,182	24,182	116,276
Investment fees									48,473
Bad debt expense					19,600			19,600	1,185
Depreciation and amortization	54,090	19,186	30,727	104,003	44,223	17,763		165,989	190,736
Total	1,493,095	490,380	675,515	2,658,990	973,781	489,012	24,182	4,145,965	5,614,207
Less expenses deducted directly from revenues on the statement of activities									
Investment fees									(48,473)
Direct cost of special event							(24,182)	(24,182)	(116,276)
Total expenses reported by function on the statement of activities (Exhibit B)	\$ 1,493,095	\$ 490,380	\$ 675,515	\$ 2,658,990	\$ 973,781	\$ 489,012	\$ -	\$ 4,121,783	\$ 5,449,458

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**THE MUNICIPAL ART SOCIETY OF NEW YORK**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

**EXHIBIT C**

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	2016							
	Program Services				Supporting Services		Direct Costs of Special Events	Total
	Education and Public Programs	Preservation	Planning	Total	Management and General	Fundraising		
Personnel services								
Salaries	\$ 921,087	\$ 273,249	\$ 87,392	\$ 1,281,728	\$ 607,985	\$ 203,576		\$ 2,093,289
Fringe benefits and payroll taxes	128,781	38,200	12,219	179,200	85,004	28,463		292,667
Total personnel services	1,049,868	311,449	99,611	1,460,928	692,989	232,039		2,385,956
Other than personnel services (OTPS)								
Occupancy and other rentals (Note 9)	387,264	101,400	2,282	490,946	173,425	56,700		721,071
Insurance	9,669	3,870	87	13,626	6,464	2,164		22,254
Professional services	74,921	108,595	48,035	231,551	244,973	408,026		884,550
Professional services (Summit)	146,475		4,589	151,064				151,064
Grants and awards	354,426	32,857	11,500	398,783				398,783
Printing and graphic design	14,344	4,928	4,887	24,159	12,881	13,752		50,792
Video production	31,533	17,970	10,779	60,282				60,282
Restoration		69,000		69,000				69,000
Public relations			12,000	12,000				12,000
Tour and guides	38,838			38,838				38,838
Accounting and legal					33,226			33,226
Travel	24,326	4,016	90	28,432	6,681	2,237		37,350
Postage	824	16		840	4,736	3,824		9,400
Advertising	14,122		10,198	24,320	1,712	374		26,406
Telephone and information technology	20,054	8,028	180	28,262	13,406	4,489		46,157
Conferences, meetings, dues and subscriptions	131,685		46	131,731	20,070	7,616		159,417
Office expenses and miscellaneous	65,699	22,755	512	88,966	49,301	12,724		150,991
Catering and entertainment							\$ 116,276	116,276
Investment fees					48,473			48,473
Bad debt expense					1,185			1,185
Depreciation and amortization	82,869	33,173	746	116,788	55,399	18,549		190,736
Total	2,446,917	718,057	205,542	3,370,516	1,364,921	762,494	116,276	5,614,207
Less expenses deducted directly from revenues on the statement of activities								
Investment fees					(48,473)			(48,473)
Direct cost of special event							(116,276)	(116,276)
Total expenses reported by function on the statement of activities (Exhibit B)	\$ 2,446,917	\$ 718,057	\$ 205,542	\$ 3,370,516	\$ 1,316,448	\$ 762,494	\$ -	\$ 5,449,458

See independent auditor's report.

The accompanying notes are an integral part of these statements.



**EXHIBIT D****THE MUNICIPAL ART SOCIETY OF NEW YORK****STATEMENT OF CASH FLOWS****YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ (1,192,866)	\$ (2,560,563)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation and amortization	165,989	190,736
Unrealized loss (gain) on investments	(717,841)	1,475,180
Realized gain on sale of investments	(172,911)	(2,233,668)
Change in deferred rent	16,475	26,889
Decrease (increase) in assets		
Accounts receivable	(1,212)	30,453
Contributions receivable	(377,250)	1,003,811
Prepaid expenses and other current assets	(2,402)	150,109
Decrease in liabilities		
Accounts payable and accrued expenses	<u>(37,844)</u>	<u>(59,883)</u>
Net cash used by operating activities	<u>(2,319,862)</u>	<u>(1,976,936)</u>
Cash flows from investing activities		
Purchase of investments	(6,676,503)	(12,074,090)
Proceeds from sale of investments	8,878,994	13,803,469
Acquisition of fixed assets	<u>(24,793)</u>	<u>(24,793)</u>
Net cash provided by investing activities	<u>2,202,491</u>	<u>1,704,586</u>
Net change in cash and cash equivalents	(117,371)	(272,350)
Cash and cash equivalents - beginning of year	<u>124,137</u>	<u>396,487</u>
Cash and cash equivalents - end of year	<u>\$ 6,766</u>	<u>\$ 124,137</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

# THE MUNICIPAL ART SOCIETY OF NEW YORK

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

### NOTE 1 - NATURE OF ENTITY

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

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of accounting*** - The financial statements are prepared on the accrual basis of accounting.

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

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

***Investments*** - Investments are stated at fair value. The Society invests in various types of investment securities. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in the Society's financial statements.

***Accounts receivable*** - Accounts receivable are recorded when earned. Interest is not accrued or recorded on outstanding receivables.

***Fixed assets*** - Fixed assets are recorded at cost. Items with a cost in excess of \$1,000 with an estimated useful life of greater than one year are capitalized. Depreciation is recorded using the straight-line method over three to five years, the estimated useful lives of the assets. Leasehold improvements are amortized over the life of the lease or the useful lives of the assets, whichever is shorter.

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**THE MUNICIPAL ART SOCIETY OF NEW YORK****NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2017 AND 2016****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Grants and contributions*** - Unconditional grants and contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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

***Contributions receivable*** - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received, if material. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Interest is not charged or recorded on outstanding receivable.

***Allowance for doubtful accounts*** - Accounts receivable and contributions receivable are charged to bad debt when they are determined to be uncollectible based upon a periodic review of the receivables by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year end, historical information and other factors. The allowance for doubtful accounts was \$20,785 and \$36,710 as of September 30, 2017 and 2016, respectively.

***Grants and awards*** - Grants and awards expenses are recorded when approved by management and the Board of Directors.

***Operating leases*** - Rent expense is recorded on the straight line basis over the term of the lease. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense.

***Membership income*** - Membership income is recognized as revenue in the applicable period.

***Tours and courses*** - Tours and courses are recognized as revenue when tours and courses take place.

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**THE MUNICIPAL ART SOCIETY OF NEW YORK****NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2017 AND 2016****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Registration fees** - Registration fees are nonrefundable and are recognized as revenue when received.

**Net assets** - Unrestricted net assets include board designated funds and funds having no restriction as to use or purpose imposed by donors. Included in unrestricted net assets is a board-designated fund to be used for operations which consists of the unspent unrestricted appreciation on the endowment funds (see Note 7). During the years ended September 30, 2017 and 2016, \$2,170,591 and \$1,453,349, respectively, was withdrawn from this fund. The balance remaining in the board-designated fund at September 30, 2017 and 2016 was \$863,393 and \$2,834,692, respectively. Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

**Advertising** - Advertising costs are expensed as incurred.

**Functional expenses** - The costs of providing the Society's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

***Fair Value Measurements***

*Fair Value Measurements* establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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**THE MUNICIPAL ART SOCIETY OF NEW YORK****NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2017 AND 2016****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*****Fair Value Measurements (continued)***

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the methodology used at September 30, 2017, as compared to that used at September 30, 2016 (see Note 3).

***Mutual funds*** - Valued at the net asset value ("NAV") of shares held by the Society at year end.

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

***Uncertainty in income taxes*** - The Society has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending September 30, 2014 and subsequent remain subject to examination by applicable taxing authorities.

***Subsequent events*** - Subsequent events have been evaluated through May 7, 2018, which is the date the financial statements were available to be issued.

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**THE MUNICIPAL ART SOCIETY OF NEW YORK**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017 AND 2016**

**NOTE 3 - INVESTMENTS AND INVESTMENT INCOME**

Investments at September 30, 2017 and 2016 are summarized as follows according to the fair value hierarchy:

	<b>Level 1</b>	
	<b>2017</b>	<b>2016</b>
Mutual funds		
Money market	\$ 214,803	\$ 192,523
Equity	4,756,157	7,538,719
Bond	<u>4,327,859</u>	<u>2,879,316</u>
	\$ <u>9,298,819</u>	\$ <u>10,610,558</u>

Investment income for the years ended September 30, 2017 and 2016 is as follows:

	<b>2017</b>	<b>2016</b>
Interest and dividends	\$ 158,206	\$ 188,361
Realized gain on sale of investments	172,911	2,233,668
Unrealized gain (loss) on investments	717,841	(1,475,180)
Less: advisory fees	<u>                    </u>	<u>(48,473)</u>
	\$ <u>1,048,958</u>	\$ <u>898,376</u>

**NOTE 4 - CONTRIBUTIONS RECEIVABLE**

Unconditional promises to give are due as follows as of September 30, 2017:

2018 and prior	\$ 589,510
2019	15,000
2020	5,000
2021	<u>5,000</u>
	614,510
Less allowance for doubtful accounts	<u>(19,600)</u>
	\$ <u>594,910</u>

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**THE MUNICIPAL ART SOCIETY OF NEW YORK**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017 AND 2016**

**NOTE 5 - FIXED ASSETS**

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 38,691	\$ 38,691
Equipment and furniture	776,464	776,464
Website and software	<u>44,405</u>	<u>44,405</u>
	859,560	859,560
Accumulated depreciation and amortization	<u>(686,662)</u>	<u>(520,673)</u>
	<u>\$ 172,898</u>	<u>\$ 338,887</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, 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>
Funds held, beginning of year	\$ 95,892	\$ 451,037
Funds received	1,100	458
Interest income earned	579	709
Funds disbursed	<u>          </u>	<u>(356,312)</u>
Funds held, end of year	<u>\$ 97,571</u>	<u>\$ 95,892</u>

Custodial funds are held in money market mutual funds which are deemed to be Level 1 investments. As of September 30, 2017 and 2016, the Society held funds as custodian for:

	<u>2017</u>	<u>2016</u>
Vietnam Memorial Fund	\$ 38,333	\$ 37,008
Korean Veterans Memorial Fund	<u>59,238</u>	<u>58,884</u>
	<u>\$ 97,571</u>	<u>\$ 95,892</u>

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**THE MUNICIPAL ART SOCIETY OF NEW YORK**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017 AND 2016**

**NOTE 7 - RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purpose or time restriction as of September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Issues and advocacy projects	\$ 547,727	\$ 410,406
Public art restoration and maintenance	783,186	624,432
Public programs	5,263	258,085
Summit for New York City		11,560
Time restriction	30,000	85,000
Unappropriated investment income from endowments - time restrictions	1,129,143	793,879
Website	<u>                    </u>	<u>25,000</u>
	<u>\$ 2,495,319</u>	<u>\$ 2,208,362</u>

Net assets were released from donor restrictions during the years ended September 30, 2017 and 2016 by incurring expenses satisfying the following restricted purposes or time restriction:

	<u>2017</u>	<u>2016</u>
Issues and advocacy projects	\$ 44,955	\$ 67,844
Public art restoration and maintenance	95,375	92,500
Public programs	274,167	522,033
Resilience and Programming		5,000
Summit for New York City	27,060	12,500
Unappropriated investment income from endowments	301,641	303,175
Time restriction	75,000	
Website	<u>25,000</u>	<u>85,000</u>
	<u>\$ 843,198</u>	<u>\$ 1,088,052</u>

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**THE MUNICIPAL ART SOCIETY OF NEW YORK****NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2017 AND 2016****NOTE 7 - RESTRICTED NET ASSETS (continued)**

The principal portions of permanently restricted net assets and the purpose for which income is restricted at September 30, 2017 and 2016 in the amount of \$5,975,575 are as follows:

**Doris C. Freedman Endowment Fund**

The investment income and capital appreciation earned from this fund are temporarily restricted for the support and maintenance of the Doris C. Freedman Gallery. Amounts received in excess of support and maintenance are available for unrestricted purposes. Net assets were \$235,868 at September 30, 2017 and 2016.

**Municipal Art Society Endowment Fund**

The investment income and capital appreciation earned from this fund may be used by the Society for its unrestricted purposes. Net assets were \$1,868,490 at September 30, 2017 and 2016.

**Brendan Gill Prize Fund**

This fund was established to generate investment income and capital appreciation that are temporarily restricted to provide an annual gift in recognition of an individual's artistic accomplishment in New York City that reflects creative work and the spirit of the City. Net assets were \$182,829 at September 30, 2017 and 2016.

**Ralph C. Menapace Fellowship**

The investment income and capital appreciation earned from this fund are temporarily restricted to pay the cost of a fellow to perform various legal services for the Society. Net assets were \$497,398 at September 30, 2017 and 2016.

**Tucker Ashworth Fellowship**

Investment income and capital appreciation earned from this fund are temporarily restricted for a fellowship to a college student or recent graduate to assist in a project using the Society's resources. Net assets were \$35,706 at September 30, 2017 and 2016.

**Woodruff/Worth Monument Fund**

The investment income and capital appreciation generated by this fund are temporarily restricted to provide maintenance for the General Worth monument located in Manhattan. Net assets were \$36,000 at September 30, 2017 and 2016.

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**THE MUNICIPAL ART SOCIETY OF NEW YORK****NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2017 AND 2016****NOTE 7 - RESTRICTED NET ASSETS (continued)**Janet C. Ross Fund

Per donor stipulation, on an annual basis, 4% of the average balance of the Janet C. Ross Fund for the twenty calendar quarters ended on the June 30 prior to the beginning of each fiscal year is to be used by the Society for unrestricted purposes. The Society is allowed to use the corpus of the fund when investment income and capital appreciation are insufficient to cover the spend rate policy. Net assets were \$3,119,284 at September 30, 2017 and 2016.

**Return Objective and Risk Parameters**

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

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

**Strategies Employed for Achieving Objectives**

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

**Interpretation of Relevant Law**

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

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**THE MUNICIPAL ART SOCIETY OF NEW YORK**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017 AND 2016**

**NOTE 7 - RESTRICTED NET ASSETS (continued)**

**Spending Rate**

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

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

**Funds with Deficiencies**

There were no funds with deficiencies.

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

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

Changes in endowment funds for the year ended September 30, 2016 are summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, October 1, 2015	\$ 3,969,701	\$ 964,449	\$ 5,975,575	\$ 10,909,725
Interest and dividends	63,329	115,943	-	179,272
Realized gains	548,260	1,606,968	-	2,155,228
Unrealized loss	(293,250)	(1,136,390)	-	(1,429,640)
Investment advisory fees	-	(48,473)	-	(48,473)
Appropriation for expenditure	<u>(1,453,348)</u>	<u>(318,314)</u>	<u>-</u>	<u>(1,771,662)</u>
Balance, September 30, 2016	\$ <u>2,834,692</u>	\$ <u>1,184,183</u>	\$ <u>5,975,575</u>	\$ <u>9,994,450</u>

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**THE MUNICIPAL ART SOCIETY OF NEW YORK**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017 AND 2016**

**NOTE 8 - RETIREMENT PLAN**

The Society has defined contribution (money purchase) retirement plans covering substantially all of its employees. An employee must be employed full-time for two years to meet the eligibility requirements for an employer matching contribution. The amount of any employer matching contribution made by the Society is determined each year and the Society may elect to not make an employer matching contribution in certain years. Retirement plan expense for the years ended September 30, 2017 and 2016 were \$38,175 and \$32,351, respectively.

**NOTE 9 - OPERATING LEASES**

In 2014, the Society entered into an operating lease for new office space at 488 Madison Avenue and occupied the premises on September 1, 2014. The operating lease expires on February 28, 2025. Rent expense was \$547,600 for each of the years ended September 30, 2017 and 2016. Deferred rent was \$338,451 and \$321,976 as of September 30, 2017 and 2016, respectively. Minimum annual lease payments under this agreement are as follows:

<u>Year Ending September 30,</u>	
2018	\$ 541,748
2019	554,556
2020	586,942
2021	594,193
2022	606,077
Thereafter	<u>1,516,305</u>
	<u>\$ 4,399,821</u>

At September 30, 2017 and 2016 a security deposit in the amount of \$213,705 is retained for the occupied premises at 488 Madison Avenue.

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**THE MUNICIPAL ART SOCIETY OF NEW YORK****NOTES TO FINANCIAL STATEMENTS****SEPTEMBER 30, 2017 AND 2016****NOTE 10 - 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.

During the years ended September 30, 2017 and 2016, the Society received approximately 54% from four private foundations and 42% of its grants and contributions from three private foundations, respectively.

As of September 30, 2017, 84% of the contributions receivable was from one donor. There was no contributions receivable concentration as of September 30, 2016.