

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.

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

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------------|-----------------------------|
| 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 | <u>93,372</u> | <u>125,877</u> |
| Total assets | <u><u>\$ 11,798,676</u></u> | <u><u>\$ 12,152,013</u></u> |
| 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 | <u>447,672</u> | <u>337,000</u> |
| Total liabilities | <u>1,345,203</u> | <u>749,574</u> |
| Net Assets | | |
| Without donor restrictions | 1,273,653 | 2,527,539 |
| With donor restrictions | <u>9,179,820</u> | <u>8,874,900</u> |
| Total net assets | <u>10,453,473</u> | <u>11,402,439</u> |
| Total liabilities and net assets | <u><u>\$ 11,798,676</u></u> | <u><u>\$ 12,152,013</u></u> |

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 | 2,849,964 | 304,920 | 3,154,884 | 6,759,886 | 75,905 | 6,835,791 |
| 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 | 2,808,307 | - | 2,808,307 | 2,965,631 | - | 2,965,631 |
| 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 | 1,295,543 | - | 1,295,543 | 1,464,620 | - | 1,464,620 |
| Total expenses | 4,103,850 | - | 4,103,850 | 4,430,251 | - | 4,430,251 |
| Change in Net Assets | (1,253,886) | 304,920 | (948,966) | 2,329,635 | 75,905 | 2,405,540 |
| Net Assets, Beginning of Year | 2,527,539 | 8,874,900 | 11,402,439 | 197,904 | 8,798,995 | 8,996,899 |
| 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 | \$ 1,156,310 | \$ 177,699 | \$ 1,474,298 | \$ 2,808,307 | \$ 608,385 | \$ 687,158 | \$ 1,295,543 | \$ 4,103,850 |

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

| | <u>2020</u> | <u>2019</u> |
|--|--------------------|--------------------|
| 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) |
| | <u>(1,745,702)</u> | <u>2,036,559</u> |
| Net cash (used in) provided by operating activities | | |
| | <u>(1,745,702)</u> | <u>2,036,559</u> |
| 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) |
| | <u>1,144,107</u> | <u>(1,827,695)</u> |
| Net cash provided by (used in) investing activities | | |
| | <u>1,144,107</u> | <u>(1,827,695)</u> |
| Financing Activities | | |
| Proceeds from loan payable | 434,407 | - |
| Proceeds from line of credit | 100,000 | - |
| Payments on line of credit | - | (125,000) |
| | <u>534,407</u> | <u>(125,000)</u> |
| Net cash provided by (used in) financing activities | | |
| | <u>534,407</u> | <u>(125,000)</u> |
| Increase in Cash | (67,188) | 83,864 |
| Cash, Beginning of Year | <u>98,446</u> | <u>14,582</u> |
| Cash, End of Year | <u>\$ 31,258</u> | <u>\$ 98,446</u> |

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><u>\$ 93,372</u></u> | <u><u>\$ 125,877</u></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><u>\$ 108,074</u></u> | <u><u>\$ 106,385</u></u> |

Custodial funds are held in money market mutual funds which are deemed to be Level 1 investments (see *Note 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><u>\$ 108,074</u></u> | <u><u>\$ 106,385</u></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:

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| 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 | <u>23,529</u> | <u>39,810</u> |
| | <u>1,242,377</u> | <u>1,190,840</u> |
| Subject to the passage of time | | |
| Time restriction | <u>5,000</u> | <u>15,000</u> |
| 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 | <u>36,000</u> | <u>36,000</u> |
| | <u>5,975,575</u> | <u>5,975,575</u> |
| Unappropriated investment income from endowments | | |
| Operations | 1,267,865 | 1,070,322 |
| Public art restoration and maintenance | 11,623 | 11,283 |
| Issues and advocacy | <u>677,380</u> | <u>611,880</u> |
| | <u>1,956,868</u> | <u>1,693,485</u> |
| | <u>\$ 9,179,820</u> | <u>\$ 8,874,900</u> |

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September 30, 2020 and 2019

Net Assets Without Donor Restrictions

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

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

| | 2020 | 2019 |
|---|-------------------|-------------------|
| 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 | 361,244 | 369,000 |
| | <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

The Municipal Art Society of New York

Notes to Financial Statements

September 30, 2020 and 2019

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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September 30, 2020 and 2019

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 | (1,471,613) | (433,793) | (1,905,406) |
| 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 | (2,121,799) | (494,316) | (2,616,115) |
| Endowment net assets, end of year | <u>\$ 2,532,374</u> | <u>\$ 7,669,060</u> | <u>\$ 10,201,434</u> |

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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Notes to Financial Statements

September 30, 2020 and 2019

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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Notes to Financial Statements

September 30, 2020 and 2019

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:

| | 2020 | 2019 |
|--|-------------------|-------------------|
| Cash and cash equivalents | \$ 31,258 | \$ 98,446 |
| Investments | 11,079,535 | 11,492,956 |
| Accounts receivable, net | 375 | 14,153 |
| Contributions receivable, net | 190,970 | 61,900 |
| Total financial assets | 11,302,138 | 11,667,455 |
| Board-designated | (1,243,653) | (2,532,374) |
| Donor-imposed restrictions | | |
| Restricted funds | (9,179,820) | (8,874,900) |
| 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 | 1,257,026 | 1,257,026 | 1,072,565 | 1,072,565 |
| 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 | 285,968 | | 765,001 | |
| 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

September 30, 2020 and 2019

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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Notes to Financial Statements

September 30, 2020 and 2019

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.