



THE NEW-YORK HISTORICAL SOCIETY

Financial Statements and Schedule

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
The New-York Historical Society:

We have audited the accompanying financial statements of The New-York Historical Society, which comprise the balance sheets as of June 30, 2018 and 2017, and the related statements of activities 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 U.S. generally accepted accounting principles; 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.

Auditors' 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 auditors' 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 New-York Historical Society as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Other Matter

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

December 19, 2018

THE NEW-YORK HISTORICAL SOCIETY

Balance Sheets

June 30, 2018 and 2017

Assets	2018	2017
Cash and cash equivalents	\$ 2,311,950	2,752,061
Prepaid expenses	4,109,146	3,530,106
Other assets	2,479,709	1,247,532
Contributions and grants receivable (note 7)	22,332,806	26,048,221
Investments (note 4)	44,441,228	35,194,900
Fixed assets, net (note 5)	94,243,448	98,873,245
Collections (note 2 (d))	—	—
Total assets	\$ 169,918,287	167,646,065
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 6,767,893	8,611,258
Deferred revenue	1,920,528	1,207,288
Asset retirement obligation (note 9)	3,181,372	2,973,372
Total liabilities	11,869,793	12,791,918
Commitments (notes 10 and 12)		
Net assets:		
Unrestricted (note 11):		
Available for operations	495,179	455,433
Available for nonoperating projects and designated for fixed assets	98,409,727	101,418,876
Total unrestricted	98,904,906	101,874,309
Temporarily restricted (notes 8 and 11)	16,054,625	10,101,201
Permanently restricted (notes 8 and 11)	43,088,963	42,878,637
Total net assets	158,048,494	154,854,147
Total liabilities and net assets	\$ 169,918,287	167,646,065

See accompanying notes to financial statements.

THE NEW-YORK HISTORICAL SOCIETY

Statement of Activities

Year ended June 30, 2018

(with comparative summarized totals for the year ended June 30, 2017)

	2018						Total
	Available for operations	Unrestricted Available for nonoperating projects and designated for fixed assets	Total	Temporarily restricted	Permanently restricted	Total	Total 2017
Revenue, gains, and other support:							
Private contributions and grants	\$ 6,933,695	1,300,000	8,233,695	15,177,151	210,326	23,621,172	23,444,106
Government grants	234,505	—	234,505	835,810	—	1,070,315	12,082,238
Special events, net of expenses of \$1,063,353	5,308,524	—	5,308,524	—	—	5,308,524	4,772,770
Membership	1,449,709	—	1,449,709	—	—	1,449,709	1,093,096
Admissions	1,716,474	—	1,716,474	—	—	1,716,474	1,659,218
Fees and other	2,474,030	71,685	2,545,715	—	—	2,545,715	2,216,345
Auxiliary activities	2,527,270	—	2,527,270	—	—	2,527,270	2,316,899
Net investment return (notes 4 and 11)	2,236,289	(135,158)	2,101,131	2,740,931	—	4,842,062	4,554,229
	<u>22,880,496</u>	<u>1,236,527</u>	<u>24,117,023</u>	<u>18,753,892</u>	<u>210,326</u>	<u>43,081,241</u>	<u>52,138,901</u>
Net assets released from restrictions	7,751,536	5,048,932	12,800,468	(12,800,468)	—	—	—
Total revenue, gains, and other support	<u>30,632,032</u>	<u>6,285,459</u>	<u>36,917,491</u>	<u>5,953,424</u>	<u>210,326</u>	<u>43,081,241</u>	<u>52,138,901</u>
Expenses:							
Program services:							
Library services	5,054,364	904,887	5,959,251	—	—	5,959,251	5,800,488
Museum programs and exhibitions	13,201,343	5,214,595	18,415,938	—	—	18,415,938	13,503,248
Public and education programs	5,150,683	1,456,181	6,606,864	—	—	6,606,864	5,895,338
Auxiliary activities	2,355,740	1,619,901	3,975,641	—	—	3,975,641	3,401,945
Total program services	<u>25,762,130</u>	<u>9,195,564</u>	<u>34,957,694</u>	<u>—</u>	<u>—</u>	<u>34,957,694</u>	<u>28,601,019</u>
Supporting services:							
Management and general	2,996,681	58,801	3,055,482	—	—	3,055,482	2,702,428
Development	1,833,475	40,243	1,873,718	—	—	1,873,718	1,987,994
Total supporting services	<u>4,830,156</u>	<u>99,044</u>	<u>4,929,200</u>	<u>—</u>	<u>—</u>	<u>4,929,200</u>	<u>4,690,422</u>
Total expenses	<u>30,592,286</u>	<u>9,294,608</u>	<u>39,886,894</u>	<u>—</u>	<u>—</u>	<u>39,886,894</u>	<u>33,291,441</u>
Increase (decrease) in net assets	39,746	(3,009,149)	(2,969,403)	5,953,424	210,326	3,194,347	18,847,460
Net assets at beginning of year	455,433	101,418,876	101,874,309	10,101,201	42,878,637	154,854,147	136,006,687
Net assets at end of year	\$ <u>495,179</u>	<u>98,409,727</u>	<u>98,904,906</u>	<u>16,054,625</u>	<u>43,088,963</u>	<u>158,048,494</u>	<u>154,854,147</u>

See accompanying notes to financial statements.

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Statement of Activities

Year ended June 30, 2017

	2017					
	Unrestricted					
	Available for	Available for	Total	Temporarily	Permanently	Total
	operations	nonoperating projects and designated for fixed assets		restricted	restricted	
Revenue, gains, and other support:						
Private contributions and grants	\$ 5,569,417	—	5,569,417	11,951,060	5,923,629	23,444,106
Government grants	306,217	—	306,217	11,776,021	—	12,082,238
Special events, net of expenses of \$1,009,326	4,772,770	—	4,772,770	—	—	4,772,770
Membership	1,093,096	—	1,093,096	—	—	1,093,096
Admissions	1,659,218	—	1,659,218	—	—	1,659,218
Fees and other	2,175,146	41,199	2,216,345	—	—	2,216,345
Auxiliary activities	2,316,899	—	2,316,899	—	—	2,316,899
Net investment return (notes 4 and 11)	2,204,865	746,264	2,951,129	1,603,100	—	4,554,229
	<u>20,097,628</u>	<u>787,463</u>	<u>20,885,091</u>	<u>25,330,181</u>	<u>5,923,629</u>	<u>52,138,901</u>
Net assets released from restrictions (note 8)	5,894,415	33,250,362	39,144,777	(39,144,777)	—	—
Total revenue, gains, and other support	<u>25,992,043</u>	<u>34,037,825</u>	<u>60,029,868</u>	<u>(13,814,596)</u>	<u>5,923,629</u>	<u>52,138,901</u>
Expenses:						
Program services:						
Library services	5,112,177	688,311	5,800,488	—	—	5,800,488
Museum programs and exhibitions	9,847,764	3,655,484	13,503,248	—	—	13,503,248
Public and education programs	4,794,470	1,100,868	5,895,338	—	—	5,895,338
Auxiliary activities	2,064,845	1,337,100	3,401,945	—	—	3,401,945
Total program services	<u>21,819,256</u>	<u>6,781,763</u>	<u>28,601,019</u>	<u>—</u>	<u>—</u>	<u>28,601,019</u>
Supporting services:						
Management and general	2,639,598	62,830	2,702,428	—	—	2,702,428
Development	1,475,426	512,568	1,987,994	—	—	1,987,994
Total supporting services	<u>4,115,024</u>	<u>575,398</u>	<u>4,690,422</u>	<u>—</u>	<u>—</u>	<u>4,690,422</u>
Total expenses	<u>25,934,280</u>	<u>7,357,161</u>	<u>33,291,441</u>	<u>—</u>	<u>—</u>	<u>33,291,441</u>
Increase (decrease) in net assets before release of 2010 Fund	57,763	26,680,664	26,738,427	(13,814,596)	5,923,629	18,847,460
Net assets released from restrictions related to 2010 Fund (note 11)	(26,707)	15,623,391	15,596,684	(15,596,684)	—	—
Increase (decrease) in net assets	31,056	42,304,055	42,335,111	(29,411,280)	5,923,629	18,847,460
Net assets at beginning of year	424,377	59,114,821	59,539,198	39,512,481	36,955,008	136,006,687
Net assets at end of year	<u>\$ 455,433</u>	<u>101,418,876</u>	<u>101,874,309</u>	<u>10,101,201</u>	<u>42,878,637</u>	<u>154,854,147</u>

See accompanying notes to financial statements.

THE NEW-YORK HISTORICAL SOCIETY

Statements of Cash Flows

Years ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Increase in net assets	\$ 3,194,347	18,847,460
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Contributions and grants restricted for capital expenditures	(6,629,191)	(15,970,354)
Contributions and grants restricted for permanently restricted endowment	(210,326)	(5,923,629)
Contributions and grants restricted for collection acquisitions	(72,450)	(242,723)
Collection acquisitions	173,682	213,548
Depreciation and amortization	8,856,314	6,522,010
Accretion of asset retirement obligation	208,000	135,999
Net realized and unrealized gains on investments	(4,741,582)	(4,446,506)
Changes in operating assets and liabilities:		
Prepaid expenses	(579,040)	(1,537,512)
Other assets	(1,232,177)	(313,486)
Contributions and grants receivable, net of amounts classified as financing activities	(1,853,258)	(626,082)
Accounts payable and accrued expenses	1,293,081	629,454
Deferred revenue	713,240	225,983
Net cash used in operating activities	(879,360)	(2,485,838)
Cash flows from investing activities:		
Proceeds from sales of investments	6,346,839	24,528,988
Purchases of investments	(10,851,585)	(8,827,248)
Purchases of fixed assets	(4,226,517)	(24,054,255)
Change in accounts payable related to construction	(3,136,446)	(3,021,677)
Collection acquisitions	(173,682)	(213,548)
Net cash used in investing activities	(12,041,391)	(11,587,740)
Cash flows from financing activities:		
Collection of contributions and grants restricted for capital expenditures	9,179,054	10,385,364
Collection of contributions and grants restricted for permanently restricted endowment	3,179,136	3,143,922
Collection of contributions restricted for collection acquisitions	122,450	292,723
Net cash provided by financing activities	12,480,640	13,822,009
Net decrease in cash and cash equivalents	(440,111)	(251,569)
Cash and cash equivalents at beginning of year	2,752,061	3,003,630
Cash and cash equivalents at end of year	\$ 2,311,950	2,752,061

See accompanying notes to financial statements.

THE NEW-YORK HISTORICAL SOCIETY

Notes to Financial Statements

June 30, 2018 and 2017

(1) Organization

The New-York Historical Society (the Society), founded in 1804, is organized as a not-for-profit institution to collect, preserve, and interpret historical artifacts, American art, and other materials documenting the history of the United States as seen through the prism of New York City and State. The Society's mission is to make its library and museum collections accessible to the broadest possible public through exhibitions, student and teacher education programs, adult public programs, and scholarly research. For more information, see the Society's website at www.nyhistory.org.

(2) Summary of Significant Accounting Policies

The Society's financial statements have been prepared on the accrual basis of accounting in accordance with standards established by the Financial Accounting Standards Board (FASB) for external financial reporting by not-for-profit organizations. All contributions are considered to be available for unrestricted use unless specifically restricted by donor or by law. Other significant accounting policies are as follows:

(a) Basis of Presentation

The Society's net assets and revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Society and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations or law

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations or law that will be met either by actions of the Society and/or the passage of time

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Society; generally, the donors of these assets permit the Society to use all or part of the income earned on related investments for general or specific purposes.

Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions or by law. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities, except gains and losses on investments of temporarily restricted net assets, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions, including unconditional promises to give (pledges), are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions.

THE NEW-YORK HISTORICAL SOCIETY

Notes to Financial Statements

June 30, 2018 and 2017

(b) Depreciation and Amortization of Fixed Assets

Fixed assets are depreciated using the straight-line method over their estimated useful lives ranging from 5 to 100 years.

	<u>Years</u>
Buildings (fully depreciated)	50–100
Building improvements	5–35
Equipment, furniture, and fixtures	5–10
Long-term exhibitions	5–20

(c) Exhibitions

The Society's museum presents both short-term and long-term exhibitions. The Society reports all costs of creating and building short-term exhibitions as prepaid expenses until the exhibitions open for public viewing. At that time, all accumulated costs are recognized as operating expenses. Additional costs of maintaining and dismantling these exhibitions are recognized as operating expenses as incurred.

For long-term exhibitions, the Society capitalizes the costs of creating and building the exhibitions as fixed assets and depreciates the accumulated costs over the estimated lives of the exhibitions. Periodic costs of maintaining long-term exhibitions are treated as operating costs as incurred.

(d) Collections

Collections are not capitalized in the Society's financial statements. Collections, including library holdings, are held for public exhibition, education, and research. The Society's board of trustees (the Board) has adopted a policy whereby any proceeds from the sale of collection items can be utilized only for acquisitions, direct care (e.g., conservation, preservation, rehousing, or storage) processing, and/or cataloging of the collections and collections management.

(e) Inventory

Inventory is stated at the lower of cost or net realizable value with cost determined on a weighted average basis.

(f) Investments

Investments in publicly traded securities and mutual funds are stated at fair value based upon quoted market prices. The reported values of investments in limited partnerships are based on net asset values provided by the fund managers based upon the underlying net assets of the funds as a practical expedient in determining fair value. These values are reviewed and evaluated by management.

THE NEW-YORK HISTORICAL SOCIETY

Notes to Financial Statements

June 30, 2018 and 2017

(g) Fair Value Measurements

Fair value is defined as 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. A three-level hierarchy is used for measuring fair value measurements based on the observable inputs to the valuation of an asset and liability at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Society has the ability to access at the measurement date

Level 2 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 Inputs that are unobservable; these prices are supported by little or no market activity and the unobservable inputs are significant to the fair value of the asset or liabilities.

(h) Cash and Cash Equivalents

The Society considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents, except for those short-term instruments included in the endowment. In addition, donor-restricted funds of approximately \$435,000 and \$829,000 are held in separate accounts at June 30, 2018 and 2017, respectively.

(i) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed assets; the valuation of fixed assets, inventory, investments, contributions receivable, and asset retirement obligation; and reserves for other contingencies.

(j) Tax Status

The Society is a not-for-profit organization, exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) for related activities. Contributions to it are tax-deductible by donors as prescribed by the Code. In addition, the Society is tax-exempt from state and local income tax for related activities, property taxes, and sales tax. During the years ended June 30, 2018 and 2017, the Society was not subject to unrelated business income taxes. The Society recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. The Society has evaluated its tax positions and has determined that it is more likely than not that there are no significant uncertain tax positions and that it will continue to be exempt from taxes.

THE NEW-YORK HISTORICAL SOCIETY

Notes to Financial Statements

June 30, 2018 and 2017

(k) New Accounting Pronouncements Not Yet Adopted

The FASB issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which, among other things, changes how not-for-profit entities report net asset classes, expenses and liquidity in their financial statements. The significant requirements of the new ASU include the reduction of the number of net asset classes from three to two: with donor restrictions and without donor restrictions; the presentation of expenses by their function and their natural classification in one location; quantitative and qualitative information about the management of liquid resources and availability of financial assets to meet cash needs within one year of the date of the statement of activities; and retaining the option to present operating cash flows in the statement of cash flows using either the direct or indirect method. The Society plans to adopt ASU No. 2016-14 for the year ending June 30, 2019.

(3) Unrestricted Statement of Activities

The statement of activities distinguishes between revenue and expenses available for operations and designated for fixed assets and nonoperating projects. Operating activities are those designated by management for standard mission activities of the Society and are monitored by the annual operating-budget process. Nonoperating projects include, but are not limited to, unrestricted net assets invested in fixed assets, activity related to collection acquisitions funded through contributions and/or restricted endowment earnings, insurance proceeds and damages related to unusual situations and unrestricted contributions and grants designated by the Board for special projects, net of any deficit of earnings on the Society's endowment.

(4) Investments and Investment Returns

The cost and fair value of the Society's investments (excluding advance from 2010 Fund, see note 11) at June 30, 2018 and 2017 consist of the following:

	2018		2017	
	Cost	Fair value	Cost	Fair value
Cash equivalents	\$ 4,599,507	4,599,507	1,563,470	1,563,470
Equity securities:				
Domestic	6,071,491	9,907,679	5,750,940	8,411,647
International	1,677,569	1,770,700	1,086,397	1,097,072
Publicly traded mutual funds:				
Equity	4,606,528	4,757,707	2,501,559	2,641,975
Fixed income	981,641	997,950	952,515	1,000,034
	<u>17,936,736</u>	<u>22,033,543</u>	<u>11,854,881</u>	<u>14,714,198</u>
Alternative investments	<u>12,064,399</u>	<u>22,407,685</u>	<u>12,385,214</u>	<u>20,480,702</u>
	<u>\$ 30,001,135</u>	<u>44,441,228</u>	<u>24,240,095</u>	<u>35,194,900</u>

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Notes to Financial Statements

June 30, 2018 and 2017

The following table presents the Society's fair value hierarchy for those assets measured at fair value as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Investments (Level 1):		
Cash and cash equivalents	\$ 4,599,507	1,563,470
Equity securities:		
Domestic	9,907,679	8,411,647
International	1,770,700	1,097,072
Mutual funds:		
Equity – global international	4,757,707	2,641,975
Fixed income	997,950	1,000,034
	<u>22,033,543</u>	<u>14,714,198</u>
Investments measured at net asset value (or its equivalent):		
Alternative investments:		
Absolute return funds	3,816,841	3,720,816
Global equities funds	18,590,844	16,759,886
Total alternative investments	<u>22,407,685</u>	<u>20,480,702</u>
Total investments	\$ <u>44,441,228</u>	\$ <u>35,194,900</u>

The limitations and restrictions on the Society's ability to redeem or sell its alternative investments vary by investment and ranges from required notice periods to specified terms at inception. Based on the terms and conditions in effect at June 30, 2018, the Society's alternative investments can be redeemed or sold as follows:

Quarterly redemption with 30 days' notice	\$ 7,202,649
Quarterly redemption with 90 days' notice	4,307,219
Payout over three quarters after 60 days' notice	4,121,422
Biannual redemption with 90 days' notice	145,926
Redemption in 1–2 years	3,670,916
Redemption in 1–3 years	2,959,553
	<u>\$ 22,407,685</u>

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Notes to Financial Statements

June 30, 2018 and 2017

For the years ended June 30, 2018 and 2017, net investment returns consist of returns as follows:

	2018	2017
Returns by fund category:		
On nonendowment cash and cash equivalents:		
Interest and dividends	\$ 741	879
	741	879
On endowment investments:		
Interest and dividends	218,393	227,578
Net realized gains (losses)	1,256,293	(1,141,483)
Net unrealized gains	3,485,289	5,587,989
	4,959,975	4,674,084
Less investment management fees	(118,654)	(120,734)
	4,841,321	4,553,350
Net investment return	\$ 4,842,062	4,554,229

(5) Fixed Assets

At June 30, 2018 and 2017, fixed assets, at cost, consist of the following:

	2018	2017
Land	\$ 684,664	684,664
Building and building improvements	125,890,985	122,952,116
Long-term exhibitions	22,069,036	19,936,782
Equipment, furniture, and fixtures	8,054,375	7,998,304
Leasehold improvements	482,644	482,644
	157,181,704	152,054,510
Less accumulated depreciation and amortization	(65,420,817)	(56,564,503)
	91,760,887	95,490,007
Construction in progress	2,482,561	3,383,238
	\$ 94,243,448	98,873,245

Fixed assets include the costs of creating several long-term exhibitions or projects. These include the Society's fourth-floor open-storage exhibition space, a children's museum, history film, main lobby installations, and a new, recurring exhibition related to the Society's toy and train collection acquired in July 2014.

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Notes to Financial Statements

June 30, 2018 and 2017

In 2014, the Society began a new capital project to transform its fourth-floor open-storage space into new exhibition galleries. The new space includes a Women's History Center, revitalized exhibition galleries, a permanent collection gallery, and a new Technology Center. The 4th Floor Project was essentially completed and opened to the public in April of 2017.

The Society entered into a mortgage (the Mortgage) with the City of New York (The City) in 1996, which was amended in 1998, 2009 and 2017 (note 7). The Mortgage, as amended, requires the Society to complete the improvements within the terms and conditions of the contracts, and requires that for 20 years from the substantial date of completion of the projects, the Society continue to own and use its premises for a historical society, museum, gallery, and library or other ancillary uses as otherwise permitted under the Mortgage. During the Mortgage term, the Society shall not sell, assign, lease, license, or otherwise convey all or any portion of the premises, except as otherwise permitted under the Mortgage. It is management's intention to comply with all of the Society's obligations under the Mortgage, after which the Mortgage will, by its terms, be discharged and satisfied without any payment by the Society to the City. Accordingly, the mortgage is not included as a liability on the Society's balance sheets.

(6) Pension Plans

After one year and having completed 1,000 hours of continuous service and attaining age 21, all employees, except union security guards (see below), are covered by the Society's defined-contribution, noncontributory, single-employer pension plan administered by TIAA. Contributions for eligible nonunion employees were 7.5% of compensation paid under the Social Security cap and 10% of compensation paid over the Social Security cap. Employees covered by a union contract with United Auto Workers received 7.5% of an employee's compensation. Pension costs are funded as accrued and the employee is immediately vested. Total costs for the Society's TIAA plan were \$818,625 and \$807,064 for the years ended June 30, 2018 and 2017, respectively. The Society filed Form 5500 and the supporting audited financial statements for the plan years ended December 31, 2017 and 2016.

Most of the Society's security guards are members of the Allied International Union and are covered by a defined-benefit, noncontributory, multiemployer pension plan administered by the Allied International Union – Allied Security Pension Fund, EID # 11-2528660, Plan # 001. Based on information received from the union's staff, the plan's Pension Protection Act zone status was green, and the liabilities were fully funded at December 31, 2016. The Society contributed \$85 per month for each covered employee. Total costs for the Allied pension plan were \$11,050 and \$12,325 for the years ended June 30, 2018 and 2017, respectively. The union filed Form 5500 and the supporting audited financial statements for the plan years ended December 31, 2017 and 2016.

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Notes to Financial Statements

June 30, 2018 and 2017

(7) Contributions and Grants Receivable

At June 30, 2018 and 2017, contributions and grants receivable consist of the following:

	2018	2017
For nonoperating projects	\$ 10,986,130	13,615,184
For permanently restricted endowments	3,656,228	6,633,114
For operating projects	8,525,461	6,579,905
Total contributions and grants receivable	23,167,819	26,828,203
Less:		
Discount to present value (at discount rates ranging from 0.28% to 2.63%)	(455,013)	(333,982)
Allowance for doubtful accounts	(380,000)	(446,000)
	\$ 22,332,806	26,048,221

Contributions and grants receivable at June 30, 2018 are expected to be collected in the following fiscal years:

2019	\$ 15,364,495
2020	4,112,394
2021	2,393,430
2022	797,500
2023 and after	500,000
Total	\$ 23,167,819

As of June 30, 2018 and 2017, approximately 47% and 51% of gross contributions and grants receivable were due from five donors.

In 2018 and 2017, The City spent \$4,494,932 and \$4,439,620, respectively, relating to the 4th Floor Capital Project. The City's investment of capital funding obligated the Society to operate the facility and/or maintain equipment for the respective bonding term as a nonprofit entity, open to and used and maintained for the benefit of the people of the City of New York for cultural, educational, or artistic uses and/or related purposes approved by the City of New York, as described in note 5.

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Notes to Financial Statements

June 30, 2018 and 2017

(8) Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 and 2017 were available for the following projects:

	<u>2018</u>	<u>2017</u>
Library services	\$ 4,172,025	3,758,785
Museum programs and exhibitions	2,976,332	2,466,497
Public and education programs	3,450,768	1,045,868
Collection acquisition	245,885	290,868
Capital projects	4,851,262	2,315,351
Future periods	<u>358,353</u>	<u>223,832</u>
Total	<u>\$ 16,054,625</u>	<u>10,101,201</u>

The investment income earned on the balances of the permanently restricted net assets is restricted to the following uses as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Library services	\$ 3,472,340	3,469,804
Museum programs and exhibitions	7,793,658	7,792,324
Public and education programs	11,744,527	11,741,943
Collection acquisition	230,100	230,100
General operating	<u>19,848,338</u>	<u>19,644,466</u>
Total	<u>\$ 43,088,963</u>	<u>42,878,637</u>

(9) Asset Retirement Obligation

In accordance with the FASB guidance on Accounting for Conditional Asset Retirement Obligations, organizations must accrue for costs related to legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets. In 2006, management identified asbestos abatement as a conditional asset retirement obligation and estimated that the cost of remediation was \$2,750,000 and, since that time, has increased the liability by current inflation rates. In keeping with this policy, the liability was increased \$208,000 and \$135,999 during the years ended June 30, 2018 and 2017, representing inflation factors of 7.0% and 4.8%, respectively.

(10) Line of Credit

During the years ended June 30, 2018 and 2017, the Society had a \$2 million line of credit (the LOC) available with a financial institution. Borrowings under the LOC can be used for the normal short-term working capital needs of the Society and bear interest at LIBOR. As of June 30, 2018 and 2017, there were no outstanding borrowings on the line.

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Notes to Financial Statements

June 30, 2018 and 2017

(11) Endowment

At June 30, 2018, the Society's endowment fund consists of approximately 50 individual donor-restricted funds, a board-designated fund (2010 Fund), and the accumulated, unused returns on the fund's investment assets, net of any deficit of these returns.

The endowment fund net assets as of June 30, 2018 and 2017 were as follows:

	June 30	
	2018	2017
Contributions and grants receivable, net	\$ 3,543,274	6,512,084
Loan receivable from unrestricted net assets (a)	2,275,000	2,275,000
Advance from 2010 Fund (b)	11,318,679	14,902,565
Investments	44,441,228	35,194,900
Total	\$ 61,578,181	58,884,549

- (a) In connection with the renovation project, the Society received permission from a donor to borrow against an endowment gift to fund current construction costs. The funds from the endowment will be repaid as the Society collects on outstanding pledges relating to the project.
- (b) Also in connection with the renovation project, in 2017 the Society's Board of Trustees approved spending from the 2010 Fund to cover certain capital expenditures while awaiting receipt of funds from grants awarded by the City of New York and funds pledged from individual donors.

The Society manages its endowment in accordance with the New York Prudent Management of Institutional Funds Act (NYPMIFA). The Society has interpreted NYPMIFA as requiring the preservation of the fair value of donor-restricted endowment funds absent explicit donor stipulations to the contrary. In accordance with NYPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the fund
- the purposes of the Society and the donor-restricted endowment fund
- general economic conditions
- the possible effect of inflation and deflation
- the expected total return from income and the appreciation of investments
- other resources of the Society
- where appropriate and the circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect such alternatives may have on the Society
- the investment policies of the Society

THE NEW-YORK HISTORICAL SOCIETY

Notes to Financial Statements

June 30, 2018 and 2017

In compliance with NYPMIFA, the Investment Committee adopted a revised statement of investment policies for its endowment investments in May 2011. The statement provides the Investment Committee with a framework to prudently manage and invest the Society's investment assets in order to further the Society's goals and mission. To this end, the Society has established the following as its key investment objectives:

- Manage the Society's assets with the objective of earning a "real" total rate of return averaging at least 5% per annum.
- Follow prudent standards for preservation of capital and maintenance of liquidity.
- Achieve the highest possible rate of return consistent with the Fund's tolerance for risk as determined by the Investment Committee in its role as fiduciary.

In accordance with accounting guidance issued with the adoption of NYPMIFA, the fair value of each donor-restricted endowment is reported in various net asset classifications for financial reporting purposes. The portion representing the historic value of original gifts (and any subsequent donations) is reported as permanently restricted net assets. The difference between the fair value of a donor-restricted endowment fund and the historic value is classified as one of the following net assets as of the balance sheet dates:

- Temporarily restricted if the fair value of the fund is higher than the historic value
- Unrestricted if the fair value is below the fund's historic value.

At June 30, 2018 and 2017, certain donor-restricted funds were below their historic value. The aggregate amount of this deficiency was \$115,045 and \$594,106, respectively.

In March 2010, the Society and the Attorney General of the State of New York (AG) entered into a letter agreement vacating a previously existing agreement from 1994 establishing a new fund restricted solely for the acquisition, direct care, and management of the Society's collections. The initial value of the 2010 Fund was \$14,202,262. In September 2010, the Board formally designated that it be treated as endowment by amending the Society's By-Laws. This fund was classified as a board-designated temporarily restricted net assets due to the restricted purpose of the fund's principal balance. In September 2016, having determined that it is in the best interest of the Society, the Board approved a resolution authorizing the Society to "spend principal from the 1994 fund to cover certain capital expenditures, while awaiting the receipt of funds from grants awarded by the City of New York and funds from individuals donors." Therefore, the 2010 Fund's were released from restriction as the use of the funds satisfied the purpose restriction, and simultaneously, a board-designated endowment was created for the amount of the advance.

In accordance with NYPMIFA and the Investment Policy Guidelines, the Investment Committee and the Board establish an annual endowment draw as part of the budget process based on a trailing 12-quarter average of the market value of the endowment's investments.

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Notes to Financial Statements

June 30, 2018 and 2017

The components of endowment net assets, including contributions and loans receivable, as of June 30, 2018 and 2017 were as follows:

		2018			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$	(115,045)	3,621,800	43,088,963	46,595,718
Board-designated fund		14,982,463	—	—	14,982,463
Total endowment net assets	\$	<u>14,867,418</u>	<u>3,621,800</u>	<u>43,088,963</u>	<u>61,578,181</u>

		2017			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$	(594,106)	1,003,335	42,878,637	43,287,866
Board-designated fund		15,596,683	—	—	15,596,683
Total endowment net assets	\$	<u>15,002,577</u>	<u>1,003,335</u>	<u>42,878,637</u>	<u>58,884,549</u>

The following table presents the changes in the net assets of the endowment fund for the year ended June 30, 2018:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at June 30, 2017	\$	15,002,577	1,003,335	42,878,637	58,884,549
Contributions		—	—	210,326	210,326
Appropriation of endowment return for expenditure in operating fund		(709,680)	(1,648,336)	—	(2,358,016)
Investment net gains, net of expenses		574,521	4,266,801	—	4,841,322
Transfers and other releases		—	—	—	—
Endowment net assets at June 30, 2018	\$	<u>14,867,418</u>	<u>3,621,800</u>	<u>43,088,963</u>	<u>61,578,181</u>

THE NEW-YORK HISTORICAL SOCIETY

Notes to Financial Statements

June 30, 2018 and 2017

The following table presents the changes in the net assets of the endowment fund for the year ended June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets at June 30, 2016	\$ 467,482	15,035,021	36,955,008	52,457,511
Contributions	—	—	5,923,629	5,923,629
Appropriation of endowment return for expenditure in operating fund	(21,651)	(2,220,436)	—	(2,242,087)
Investment net gains, net of expenses	767,915	3,785,433	—	4,553,348
Transfers and other releases	<u>13,788,831</u>	<u>(15,596,683)</u>	<u>—</u>	<u>(1,807,852)</u>
Endowment net assets at June 30, 2017	\$ <u>15,002,577</u>	<u>1,003,335</u>	<u>42,878,637</u>	<u>58,884,549</u>

(12) Commitments and Contingencies

In October 2014, the Society extended its operating lease for warehouse storage space in New Jersey to November 30, 2019. Base rent payments for the each of the years ended June 30, 2018 and 2017 were \$79,827 and \$85,441, respectively.

Future minimum rentals under the noncancelable operating lease as of June 30, 2018 are as follows:

	<u>Amount</u>
Year ending:	
June 30, 2019	\$ 450,000
June 30, 2020	450,000
June 30, 2021	455,250
June 30, 2022	503,370
June 30, 2023	434,627
Thereafter	<u>1,182,907</u>
	\$ <u>3,476,154</u>

The Society is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, all claims have been accrued or will be covered by insurance.

THE NEW-YORK HISTORICAL SOCIETY

Notes to Financial Statements

June 30, 2018 and 2017

(13) Subsequent Events

In connection with the preparation of the financial statements, the Society evaluated events after the balance sheet date of June 30, 2018 and through December 19, 2018, which was the date the financial statements were issued, and noted no additional items that would require adjustment to, or disclosure in, the 2018 financial statements.

THE NEW-YORK HISTORICAL SOCIETY

Schedule of Functional Expenses

Year ended June 30, 2018

(with comparative summarized totals for the year ended June 30, 2017)

	Library services	Museum programs and exhibitions	Public and education programs	Auxiliary activities	Total program services	Management and general	Development	Total supporting services	2018 Total expenses	2017 Total expenses
Available for operations:										
Salaries, benefits, and payroll taxes	\$ 3,293,363	6,574,287	3,160,325	1,261,916	14,289,891	2,075,590	1,038,147	3,113,737	17,403,628	14,918,501
Fees for services:										
Accounting	—	—	—	—	—	183,350	—	183,350	183,350	194,339
Legal	—	—	—	—	—	99,217	—	99,217	99,217	59,966
Other	171,879	540,026	543,883	26,648	1,282,436	130,351	71,111	201,462	1,483,898	1,301,544
Advertising and promotion	13,914	662,488	20,273	24,634	721,309	34,900	12,421	47,321	768,630	640,619
Office expenses	32,805	153,770	172,605	53,900	413,080	63,057	143,769	206,826	619,906	523,717
Information technology	52,097	91,429	54,955	18,907	217,388	22,949	37,989	60,938	278,326	271,412
Occupancy:										
Space rentals	131,475	718,012	3,660	330	853,477	—	—	—	853,477	480,524
Utilities	507,865	488,495	200,473	90,430	1,287,263	53,459	26,730	80,189	1,367,452	1,433,202
Property insurance	13,986	12,882	5,521	2,208	34,597	1,472	736	2,208	36,805	108,909
Travel and meals	7,782	101,085	107,290	11,173	227,330	24,315	12,417	36,732	264,062	179,006
Conferences and meetings	2,610	1,454	68,003	2,210	74,277	1,954	3,700	5,654	79,931	61,080
Insurance (other than property)	89,039	114,664	35,147	14,059	252,909	11,116	4,686	15,802	268,711	257,323
Cost of sales	—	—	—	511,459	511,459	—	—	—	511,459	402,506
Other:										
Exhibition costs	4,460	2,077,347	80,002	2,820	2,164,629	383	192	575	2,165,204	1,828,010
Equipment rental and repair	390,755	585,486	166,811	108,053	1,251,105	98,970	31,738	130,708	1,381,813	1,117,210
Printing and publication	17,926	155,209	182,799	5,018	360,952	26,097	59,628	85,725	446,677	422,902
Other supplies (other than office)	42,944	169,424	207,495	27,337	447,200	50,571	263,822	314,393	761,593	592,364
Agency temporary staff	216,236	551,885	112,477	162,621	1,043,219	44,609	26,940	71,549	1,114,768	807,096
Other	65,228	203,400	28,964	32,017	329,609	74,321	99,449	173,770	503,379	334,050
	<u>5,054,364</u>	<u>13,201,343</u>	<u>5,150,683</u>	<u>2,355,740</u>	<u>25,762,130</u>	<u>2,996,681</u>	<u>1,833,475</u>	<u>4,830,156</u>	<u>30,592,286</u>	<u>25,934,280</u>
Available for nonoperating projects and designated for fixed assets:										
Salaries, benefits, and payroll taxes	—	16,117	—	—	16,117	—	—	—	16,117	83,585
Fees for services	—	10,375	—	—	10,375	—	13,057	13,057	23,432	398,464
Collection acquisitions	55,348	118,334	—	—	173,682	—	—	—	173,682	213,548
Depreciation of fixed assets	770,499	4,979,906	1,424,981	1,607,421	8,782,807	50,481	23,026	73,507	8,856,314	6,522,010
Accretion of asset retirement obligation	79,040	72,800	31,200	12,480	195,520	8,320	4,160	12,480	208,000	135,999
Other	—	17,063	—	—	17,063	—	—	—	17,063	3,555
	<u>904,887</u>	<u>5,214,595</u>	<u>1,456,181</u>	<u>1,619,901</u>	<u>9,195,564</u>	<u>58,801</u>	<u>40,243</u>	<u>99,044</u>	<u>9,294,608</u>	<u>7,357,161</u>
Total	\$ <u>5,959,251</u>	<u>18,415,938</u>	<u>6,606,864</u>	<u>3,975,641</u>	<u>34,957,694</u>	<u>3,055,482</u>	<u>1,873,718</u>	<u>4,929,200</u>	<u>39,886,894</u>	<u>33,291,441</u>

See accompanying independent auditors' report.