



THE NEW-YORK HISTORICAL SOCIETY

Financial Statements and Schedule

June 30, 2017 and 2016

(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, 2017 and 2016, 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, 2017 and 2016, 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 and Other 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, 2017

THE NEW-YORK HISTORICAL SOCIETY

Balance Sheets

June 30, 2017 and 2016

Assets	2017	2016
Cash and cash equivalents	\$ 2,752,061	3,003,630
Prepaid expenses	3,530,106	1,992,594
Other assets	1,247,532	934,046
Contributions and grants receivable (note 7)	26,048,221	17,107,442
Investments (note 4)	35,194,900	46,450,134
Fixed assets, net (note 5)	98,873,245	75,297,646
Collections (note 2 (d))	—	—
Total assets	\$ 167,646,065	144,785,492
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 8,611,258	4,960,127
Deferred revenue	1,207,288	981,305
Asset retirement obligation (note 9)	2,973,372	2,837,373
Total liabilities	12,791,918	8,778,805
Commitments (notes 10 and 12)		
Net assets:		
Unrestricted (note 11):		
Available for operations	455,433	424,377
Available for nonoperating projects	140,151	1,061,897
Designated for fixed assets	101,278,725	58,052,924
Total unrestricted	101,874,309	59,539,198
Temporarily restricted (notes 8 and 11)	10,101,201	39,512,481
Permanently restricted (notes 8 and 11)	42,878,637	36,955,008
Total net assets	154,854,147	136,006,687
Total liabilities and net assets	\$ 167,646,065	144,785,492

See accompanying notes to financial statements.

THE NEW-YORK HISTORICAL SOCIETY

Statement of Activities

Year ended June 30, 2017

(with comparative summarized totals for the year ended June 30, 2016)

	2017						
	Unrestricted						
	Available for	Available for	Total	Temporarily	Permanently	Total	Total
	operations	nonoperating		restricted	restricted		2016
		projects and					
		designated for					
		fixed assets					
Revenue, gains, and other support:							
Private contributions and grants	\$ 5,569,417	—	5,569,417	11,951,060	5,923,629	23,444,106	21,269,757
Government grants	306,217	—	306,217	11,776,021	—	12,082,238	1,311,562
Special events, net of expenses of \$1,009,326	4,772,770	—	4,772,770	—	—	4,772,770	4,896,927
Membership	1,093,096	—	1,093,096	—	—	1,093,096	1,098,350
Admissions	1,659,218	—	1,659,218	—	—	1,659,218	1,694,255
Fees and other	2,175,146	41,199	2,216,345	—	—	2,216,345	2,535,462
Auxiliary activities	2,316,899	—	2,316,899	—	—	2,316,899	2,648,944
Net investment return (notes 4 and 11)	2,204,865	746,264	2,951,129	1,603,100	—	4,554,229	(2,034,647)
	20,097,628	787,463	20,885,091	25,330,181	5,923,629	52,138,901	33,420,610
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	25,992,043	34,037,825	60,029,868	(13,814,596)	5,923,629	52,138,901	33,420,610
Expenses:							
Program services:							
Library services	5,112,177	688,311	5,800,488	—	—	5,800,488	5,802,544
Museum programs and exhibitions	9,847,764	3,655,484	13,503,248	—	—	13,503,248	14,985,109
Public and education programs	4,794,470	1,100,868	5,895,338	—	—	5,895,338	5,699,085
Auxiliary activities	2,064,845	1,337,100	3,401,945	—	—	3,401,945	3,487,714
Total program services	21,819,256	6,781,763	28,601,019	—	—	28,601,019	29,974,452
Supporting services:							
Management and general	2,639,598	62,830	2,702,428	—	—	2,702,428	2,513,167
Development	1,475,426	512,568	1,987,994	—	—	1,987,994	1,892,442
Total supporting services	4,115,024	575,398	4,690,422	—	—	4,690,422	4,405,609
Total expenses	25,934,280	7,357,161	33,291,441	—	—	33,291,441	34,380,061
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	(959,451)
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	(959,451)
Net assets at beginning of year	424,377	59,114,821	59,539,198	39,512,481	36,955,008	136,006,687	136,966,138
Net assets at end of year	\$ 455,433	101,418,876	101,874,309	10,101,201	42,878,637	154,854,147	136,006,687

See accompanying notes to financial statements.

THE NEW-YORK HISTORICAL SOCIETY

Statement of Activities

Year ended June 30, 2016

	2016					
	Available for operations	Unrestricted Available for nonoperating projects and designated for fixed assets	Total	Temporarily restricted	Permanently restricted	Total
Revenue, gains, and other support:						
Private contributions and grants	\$ 6,924,203	—	6,924,203	11,668,999	2,676,555	21,269,757
Government grants	245,438	—	245,438	1,066,124	—	1,311,562
Special events, net of expenses of \$919,854	4,896,927	—	4,896,927	—	—	4,896,927
Membership	1,098,350	—	1,098,350	—	—	1,098,350
Admissions	1,694,255	—	1,694,255	—	—	1,694,255
Fees and other	2,524,748	10,714	2,535,462	—	—	2,535,462
Auxiliary activities	2,648,944	—	2,648,944	—	—	2,648,944
Net investment return (notes 4 and 11)	2,556,316	(1,257,477)	1,298,839	(3,333,486)	—	(2,034,647)
	22,589,181	(1,246,763)	21,342,418	9,401,637	2,676,555	33,420,610
Net assets released from restrictions	5,211,056	324,807	5,535,863	(5,535,863)	—	—
Total revenue, gains, and other support	27,800,237	(921,956)	26,878,281	3,865,774	2,676,555	33,420,610
Expenses:						
Program services:						
Library services	5,129,292	673,252	5,802,544	—	—	5,802,544
Museum programs and exhibitions	11,615,947	3,369,162	14,985,109	—	—	14,985,109
Public and education programs	4,640,314	1,058,771	5,699,085	—	—	5,699,085
Auxiliary activities	2,214,120	1,273,594	3,487,714	—	—	3,487,714
Total program services	23,599,673	6,374,779	29,974,452	—	—	29,974,452
Supporting services:						
Management and general	2,441,375	71,792	2,513,167	—	—	2,513,167
Development	1,718,374	174,068	1,892,442	—	—	1,892,442
Total supporting services	4,159,749	245,860	4,405,609	—	—	4,405,609
Total expenses	27,759,422	6,620,639	34,380,061	—	—	34,380,061
Increase (decrease) in net assets	40,815	(7,542,595)	(7,501,780)	3,865,774	2,676,555	(959,451)
Net assets at beginning of year	383,562	66,657,416	67,040,978	35,646,707	34,278,453	136,966,138
Net assets at end of year	\$ 424,377	59,114,821	59,539,198	39,512,481	36,955,008	136,006,687

See accompanying notes to financial statements.

THE NEW-YORK HISTORICAL SOCIETY

Statements of Cash Flows

Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 18,847,460	(959,451)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Contributions and grants restricted for capital expenditures	(15,970,354)	(4,748,149)
Contributions and grants restricted for permanently restricted endowment	(5,923,629)	(2,676,555)
Contributions and grants restricted for collection acquisitions	(242,723)	(33,800)
Collection acquisitions	213,548	143,991
Depreciation and amortization	6,522,010	6,267,546
Accretion of asset retirement obligation	135,999	69,501
Net realized and unrealized (gains) losses on investments	(4,446,506)	2,198,350
Changes in operating assets and liabilities:		
Prepaid expenses	(1,537,512)	329,080
Other assets	(313,486)	(238,888)
Contributions and grants receivable, net of amounts classified as financing activities	(626,082)	(1,510,125)
Accounts payable and accrued expenses	629,454	22,818
Deferred revenue	225,983	237,173
Net cash used in operating activities	<u>(2,485,838)</u>	<u>(898,509)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	24,528,988	9,748,434
Purchases of investments	(8,827,248)	(9,111,693)
Fixed asset additions	(27,075,932)	(6,893,543)
Collection acquisitions	(213,548)	(143,991)
Net cash used in investing activities	<u>(11,587,740)</u>	<u>(6,400,793)</u>
Cash flows from financing activities:		
Collection of contributions and grants restricted for capital expenditures	10,385,364	4,536,278
Collection of contributions and grants restricted for permanently restricted endowment	3,143,922	1,768,398
Collection of contributions restricted for collection acquisitions	292,723	83,800
Net cash provided by financing activities	<u>13,822,009</u>	<u>6,388,476</u>
Net decrease in cash and cash equivalents	(251,569)	(910,826)
Cash and cash equivalents at beginning of year	<u>3,003,630</u>	<u>3,914,456</u>
Cash and cash equivalents at end of year	\$ <u><u>2,752,061</u></u>	\$ <u><u>3,003,630</u></u>
Noncash item:		
Change in accounts payable related to construction	\$ 3,021,677	1,069,650

See accompanying notes to financial statements.

THE NEW-YORK HISTORICAL SOCIETY

Notes to Financial Statements

June 30, 2017 and 2016

(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 Web site 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.

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Notes to Financial Statements

June 30, 2017 and 2016

(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.

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Notes to Financial Statements

June 30, 2017 and 2016

(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 \$829,000 and \$1,161,000 are held in separate accounts at June 30, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016

(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, 2017 and 2016 consist of the following:

	2017		2016	
	Cost	Fair value	Cost	Fair value
Cash equivalents	\$ 1,563,470	1,563,470	3,270,726	3,270,726
Equity securities:				
Domestic	5,750,940	8,411,647	5,810,538	7,474,861
International	1,086,397	1,097,072	1,867,532	2,628,036
Publicly traded mutual funds:				
Equity	2,501,559	2,641,975	7,205,516	5,576,314
Fixed income	952,515	1,000,034	4,148,999	4,251,355
	<u>11,854,881</u>	<u>14,714,198</u>	<u>22,303,311</u>	<u>23,201,292</u>
Alternative investments	<u>12,385,214</u>	<u>20,480,702</u>	<u>18,780,007</u>	<u>23,248,842</u>
	<u>\$ 24,240,095</u>	<u>35,194,900</u>	<u>41,083,318</u>	<u>46,450,134</u>

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Notes to Financial Statements

June 30, 2017 and 2016

The following table presents the Society's fair value hierarchy for those assets measured at fair value as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Investments (Level 1):		
Cash and cash equivalents	\$ 1,563,470	3,270,726
Equity securities:		
Domestic	8,411,647	7,474,861
International	1,097,072	2,628,036
Mutual funds:		
Equity – global international	2,641,975	5,576,314
Fixed income	1,000,034	4,251,355
	<u>14,714,198</u>	<u>23,201,292</u>
Investments measured at net asset value (or its equivalent):		
Alternative investments:		
Absolute return funds	3,720,816	8,002,802
Global equities funds	16,759,886	15,246,040
Total alternative investments	<u>20,480,702</u>	<u>23,248,842</u>
Total investments	\$ <u>35,194,900</u>	<u>46,450,134</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, 2017, the Society's alternative investments can be redeemed or sold as follows:

Quarterly redemption with 30 days' notice	\$ 6,871,267
Quarterly redemption with 90 days' notice	3,833,894
Payout over three quarters after 60 days' notice	3,650,879
Biannual redemption with 90 days' notice	409,349
Redemption in 1–2 years	3,311,466
Redemption in 1–3 years	2,403,847
	<u>\$ 20,480,702</u>

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Notes to Financial Statements

June 30, 2017 and 2016

For the years ended June 30, 2017 and 2016, net investment returns consist of returns as follows:

	<u>2017</u>	<u>2016</u>
Returns by fund category:		
On nonendowment cash and cash equivalents:		
Interest and dividends	\$ 879	2,039
	<u>879</u>	<u>2,039</u>
On endowment investments:		
Interest and dividends	227,578	285,292
Net realized losses	(1,141,483)	(106,348)
Net unrealized gains (losses)	5,587,989	(2,092,002)
	<u>4,674,084</u>	<u>(1,913,058)</u>
Less investment management fees	<u>(120,734)</u>	<u>(123,628)</u>
	<u>4,553,350</u>	<u>(2,036,686)</u>
Net investment return	\$ <u>4,554,229</u>	<u>(2,034,647)</u>

(5) Fixed Assets

At June 30, 2017 and 2016, fixed assets, at cost, consist of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 684,664	684,664
Building and building improvements	122,952,116	82,864,641
Long-term exhibitions	19,936,782	18,632,496
Equipment, furniture, and fixtures	7,998,304	7,917,711
Leasehold improvements	482,644	482,644
	<u>152,054,510</u>	<u>110,582,156</u>
Less accumulated depreciation and amortization	<u>(56,564,503)</u>	<u>(50,042,493)</u>
	95,490,007	60,539,663
Construction in progress	3,383,238	14,757,983
	\$ <u>98,873,245</u>	<u>75,297,646</u>

Fixed assets include the costs of creating several long-term exhibitions or projects. These include the Society's fourth-floor open-storage exhibition space (through late 2014), 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, 2017 and 2016

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 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 \$807,064 and \$680,441 for the years ended June 30, 2017 and 2016, respectively. The Society filed Form 5500 and the supporting audited financial statements for the plan years ended December 31, 2016 and 2015.

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, 2015. The Society contributed \$85 per month for each covered employee. Total costs for the Allied pension plan were \$12,325 and \$13,175 for the years ended June 30, 2017 and 2016, respectively. The union filed Form 5500 and the supporting audited financial statements for the plan years ended December 31, 2016 and 2015.

THE NEW-YORK HISTORICAL SOCIETY

Notes to Financial Statements

June 30, 2017 and 2016

(7) Contributions and Grants Receivable

At June 30, 2017 and 2016, contributions and grants receivable consist of the following:

	2017	2016
For nonoperating projects	\$ 13,615,184	7,758,057
For permanently restricted endowments	6,633,114	3,780,212
For operating projects	6,579,905	5,939,797
Total contributions and grants receivable	26,828,203	17,478,066
Less:		
Discount to present value (at discount rates ranging from 0.15% to 1.79%)	(333,982)	(100,624)
Allowance for doubtful accounts	(446,000)	(270,000)
	\$ 26,048,221	17,107,442

Contributions and grants receivable at June 30, 2017 are expected to be collected in the following fiscal years:

2018	\$ 18,828,831
2019	3,951,992
2020	2,307,704
2021	739,676
2022 and after	1,000,000
Total	\$ 26,828,203

As of June 30, 2017 and 2016, approximately 51% and 34% of gross contributions and grants receivable were due from five donors. Approximately half of the 2017 receivable is attributed to the City of New York to cover the 4th floor capital project.

In 2017, The City of New York spent \$4,439,620 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, 2017 and 2016

(8) Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 and 2016 were available for the following projects:

	<u>2017</u>	<u>2016</u>
Library services	\$ 3,758,785	3,655,148
Museum programs and exhibitions	2,466,497	1,687,910
Public and education programs	1,045,868	808,697
Collection acquisition	290,868	248,580
Capital projects (a)	2,315,351	17,827,455
2010 Fund (note 11)	—	14,878,491
Future periods	223,832	406,200
Total	<u>\$ 10,101,201</u>	<u>39,512,481</u>

(a) Net assets were released from restriction in connection with the 4th Floor renovation project that was placed into service in 2017.

The investment income earned on the balances of the permanently restricted net assets is restricted to the following uses as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Library services	\$ 3,469,804	2,507,805
Museum programs and exhibitions	7,792,324	7,292,665
Public and education programs	11,741,943	10,744,942
Collection acquisition	230,100	230,100
General operating	19,644,466	16,179,496
Total	<u>\$ 42,878,637</u>	<u>36,955,008</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 \$135,999 and \$69,501 during the years ended June 30, 2017 and 2016, representing inflation factors of 4.8% and 2.5%, respectively.

(10) Line of Credit

During the years ended June 30, 2017 and 2016, 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, 2017 and 2016, there were no outstanding borrowings on the line.

THE NEW-YORK HISTORICAL SOCIETY

Notes to Financial Statements

June 30, 2017 and 2016

(11) Endowment

At June 30, 2017, the Society's endowment fund consists of approximately 53 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, 2017 and 2016 were as follows:

	June 30	
	2017	2016
Contributions and grants receivable, net	\$ 6,512,084	3,732,377
Loan receivable from unrestricted net assets (a)	2,275,000	2,275,000
Advance from 2010 Fund (b)	14,902,565	—
Investments	35,194,900	46,450,134
Total	\$ 58,884,549	52,457,511

- (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, 2017 and 2016

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, 2017 and 2016, certain donor-restricted funds were below their historic value. The aggregate amount of this deficiency was \$594,106 and \$1,300,203, 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 addition, as of June 30, 2017, the Society transferred the residual funds from the board designated 2011 renovation project fund and made them available for construction projects. These funds are reported in unrestricted net assets available for nonoperating projects.

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.

THE NEW-YORK HISTORICAL SOCIETY

Notes to Financial Statements

June 30, 2017 and 2016

The components of endowment net assets, including contributions and loans receivable, as of June 30, 2017 and 2016 were as follows:

		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>

		2016			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$	(1,300,203)	156,530	36,955,008	35,811,335
Board-designated fund		1,767,685	14,878,491	—	16,646,176
Total endowment net assets	\$	<u>467,482</u>	<u>15,035,021</u>	<u>36,955,008</u>	<u>52,457,511</u>

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

		Unrestricted	Temporarily restricted	Permanently restricted	Total
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		13,788,831	(15,596,683)	—	(1,807,852)
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>

THE NEW-YORK HISTORICAL SOCIETY

Notes to Financial Statements

June 30, 2017 and 2016

The following table presents the changes in the net assets of the endowment fund for the year ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets at June 30, 2015	\$ 1,724,960	18,381,032	34,278,453	54,384,445
Contributions	—	—	2,676,555	2,676,555
Appropriation of endowment return for expenditure in operating fund	(182,371)	(2,384,432)	—	(2,566,803)
Investment net gains, net of expenses	<u>(1,075,107)</u>	<u>(961,579)</u>	<u>—</u>	<u>(2,036,686)</u>
Endowment net assets at June 30, 2016	<u>\$ 467,482</u>	<u>15,035,021</u>	<u>36,955,008</u>	<u>52,457,511</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, 2017 and 2016 were \$85,441 and \$83,766, respectively.

Future minimum rentals under the noncancelable operating lease as of June 30, 2017 are as follows:

	<u>Amount</u>
Year ending:	
June 30, 2018	\$ 450,000
June 30, 2019	450,000
June 30, 2020	450,000
June 30, 2021	455,250
June 30, 2022	503,370
Thereafter	<u>1,617,534</u>
	<u>\$ 3,926,154</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.

(13) Subsequent Events

In connection with the preparation of the financial statements, the Society evaluated events after the balance sheet date of June 30, 2017 and through December 19, 2017, which was the date the financial statements were issued, and noted no additional items that would require adjustment to, or disclosure, in the 2017 financial statements.

THE NEW-YORK HISTORICAL SOCIETY

Schedule of Functional Expenses

Year ended June 30, 2017

(with comparative summarized totals for the year ended June 30, 2016)

	Library services	Museum programs and exhibitions	Public and education programs	Auxiliary activities	Total program services	Management and general	Development	Total supporting services	2017 Total expenses	2016 Total expenses
Available for operations:										
Salaries, benefits, and payroll taxes	\$ 3,305,436	4,699,425	2,900,371	1,162,723	12,067,955	1,920,237	930,309	2,850,546	14,918,501	15,612,063
Fees for services:										
Accounting	—	—	—	—	—	194,339	—	194,339	194,339	173,954
Legal	—	27,983	—	—	27,983	31,983	—	31,983	59,966	53,622
Other	269,091	415,018	440,903	34,675	1,159,687	119,455	22,402	141,857	1,301,544	1,281,877
Advertising and promotion	7,053	573,753	10,409	27,516	618,731	17,418	4,470	21,888	640,619	728,001
Office expenses	37,601	145,189	155,096	44,091	381,977	31,095	110,645	141,740	523,717	567,871
Information technology	63,202	73,708	68,160	15,257	220,327	10,727	40,358	51,085	271,412	395,121
Occupancy:										
Space rentals	134,412	342,542	2,940	630	480,524	—	—	—	480,524	336,192
Utilities	531,114	513,941	209,650	94,637	1,349,342	55,907	27,953	83,860	1,433,202	1,423,139
Property insurance	41,616	38,027	16,428	6,571	102,642	4,077	2,190	6,267	108,909	100,738
Travel and meals	5,969	40,558	83,703	16,552	146,782	19,802	12,422	32,224	179,006	158,427
Conferences and meetings	3,941	6,971	47,200	1,288	59,400	54	1,626	1,680	61,080	10,546
Insurance (other than property)	107,135	115,363	19,347	7,739	249,584	5,159	2,580	7,739	257,323	251,232
Cost of sales	—	—	—	402,506	402,506	—	—	—	402,506	566,755
Other:										
Exhibition costs	16,790	1,695,117	112,794	383	1,825,084	1,261	1,665	2,926	1,828,010	1,996,540
Equipment rental and repair	312,276	443,226	176,480	62,458	994,440	90,157	32,613	122,770	1,117,210	1,215,880
Printing and publication	22,538	95,221	217,399	10,827	345,985	18,508	58,409	76,917	422,902	385,914
Other supplies (other than office)	51,001	114,273	197,626	20,390	383,290	44,748	164,326	209,074	592,364	804,630
Agency temporary staff	134,795	439,582	75,978	129,916	780,271	16,195	10,630	26,825	807,096	701,806
Other	68,207	67,867	59,986	26,686	222,746	58,476	52,828	111,304	334,050	995,114
	<u>5,112,177</u>	<u>9,847,764</u>	<u>4,794,470</u>	<u>2,064,845</u>	<u>21,819,256</u>	<u>2,639,598</u>	<u>1,475,426</u>	<u>4,115,024</u>	<u>25,934,280</u>	<u>27,759,422</u>
Available for nonoperating projects and designated for fixed assets:										
Salaries, benefits, and payroll taxes	—	—	—	—	—	—	83,585	83,585	83,585	40,750
Fees for services	—	—	—	—	—	—	398,464	398,464	398,464	97,985
Insurance	—	—	—	—	—	—	—	—	—	—
Collection acquisitions	67,555	145,993	—	—	213,548	—	—	—	213,548	143,991
Depreciation of fixed assets	568,898	3,461,292	1,080,468	1,328,940	6,439,598	57,390	25,022	82,412	6,522,010	6,267,545
Loss on write-off of fixed assets	—	—	—	—	—	—	—	—	—	—
Accretion of asset retirement obligation	51,680	47,600	20,400	8,159	127,839	5,440	2,720	8,160	135,999	69,500
Other	178	599	—	1	778	—	2,777	2,777	3,555	868
	<u>688,311</u>	<u>3,655,484</u>	<u>1,100,868</u>	<u>1,337,100</u>	<u>6,781,763</u>	<u>62,830</u>	<u>512,568</u>	<u>575,398</u>	<u>7,357,161</u>	<u>6,620,639</u>
Total	<u>\$ 5,800,488</u>	<u>13,503,248</u>	<u>5,895,338</u>	<u>3,401,945</u>	<u>28,601,019</u>	<u>2,702,428</u>	<u>1,987,994</u>	<u>4,690,422</u>	<u>33,291,441</u>	<u>34,380,061</u>

See accompanying independent auditors' report.