



THE NEW-YORK HISTORICAL SOCIETY

Financial Statements

June 30, 2019 and 2018

(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, 2019 and 2018, 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 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, 2019 and 2018, 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.



Emphasis of Matter

As discussed in Note 2(k) to the financial statements, The New-York Historical Society adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

KPMG LLP

February 10, 2020

THE NEW-YORK HISTORICAL SOCIETY

Balance Sheets

June 30, 2019 and 2018

Assets	2019	2018
Cash and cash equivalents	\$ 1,297,518	2,311,950
Prepaid expenses	2,903,112	4,109,146
Other assets	2,545,624	2,479,709
Contributions and grants receivable (note 7)	18,269,794	22,332,806
Investments (note 4)	50,825,451	44,441,228
Fixed assets, net (note 5)	105,245,294	94,243,448
Collections (note 2 (d))		
Total assets	\$ 181,086,793	169,918,287
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,770,994	6,767,893
Deferred revenue	1,425,868	1,920,528
Mortgage payable (note 5)	12,500,000	—
Asset retirement obligation (note 9)	3,315,373	3,181,372
Total liabilities	22,012,235	11,869,793
Commitments (notes 10 and 12)		
Net Assets:		
Without donor restrictions (note 11):		
Available for operations	555,326	495,179
Available for nonoperating projects and designated for fixed assets	90,106,767	98,524,772
Total net assets without donor restrictions	90,662,093	99,019,951
With donor restrictions (notes 8 and 11):		
Time or purpose	23,170,481	15,939,580
Endowment corpus	45,241,984	43,088,963
Total net assets with donor restrictions	68,412,465	59,028,543
Total net assets	159,074,558	158,048,494
Total liabilities and net assets	\$ 181,086,793	169,918,287

See accompanying notes to financial statements.

THE NEW-YORK HISTORICAL SOCIETY

Statement of Activities

Year ended June 30, 2019

(with comparative summarized totals for the year ended June 30, 2018)

	Without donor restrictions			With donor restrictions			Total 2019	Total 2018
	Available for operations	Available for nonoperating projects and designated for fixed assets	Total	Time or purpose	Endowment corpus	Total		
Revenue, gains, and other support:								
Private contributions and grants	\$ 6,515,754	—	6,515,754	14,100,097	2,153,021	16,253,118	22,768,872	23,621,172
Government grants	236,361	—	236,361	1,022,821	—	1,022,821	1,259,182	1,070,315
Special events, net of expenses of \$1,054,579	5,578,022	—	5,578,022	—	—	—	5,578,022	5,308,524
Membership	1,423,618	—	1,423,618	—	—	—	1,423,618	1,449,709
Admissions	3,525,576	—	3,525,576	—	—	—	3,525,576	1,716,474
Fees and other	2,920,324	398,115	3,318,439	—	—	—	3,318,439	2,545,715
Auxiliary activities	4,373,245	—	4,373,245	—	—	—	4,373,245	2,527,270
Net investment return (notes 4 and 11)	1,605,897	312,046	1,917,943	410,212	—	410,212	2,328,155	4,842,062
	<u>26,178,797</u>	<u>710,161</u>	<u>26,888,958</u>	<u>15,533,130</u>	<u>2,153,021</u>	<u>17,686,151</u>	<u>44,575,109</u>	<u>43,081,241</u>
Net assets released from restrictions	8,278,221	24,008	8,302,229	(8,302,229)	—	(8,302,229)	—	—
Total revenue, gains, and other support	<u>34,457,018</u>	<u>734,169</u>	<u>35,191,187</u>	<u>7,230,901</u>	<u>2,153,021</u>	<u>9,383,922</u>	<u>44,575,109</u>	<u>43,081,241</u>
Expenses:								
Program services:								
Library services	5,076,221	833,863	5,910,084	—	—	—	5,910,084	5,959,251
Museum programs and exhibitions	15,154,280	5,072,084	20,226,364	—	—	—	20,226,364	18,415,938
Public and education programs	6,087,357	1,560,899	7,648,256	—	—	—	7,648,256	6,606,864
Auxiliary activities	3,123,979	1,617,312	4,741,291	—	—	—	4,741,291	3,975,641
Total program services	<u>29,441,837</u>	<u>9,084,158</u>	<u>38,525,995</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>38,525,995</u>	<u>34,957,694</u>
Supporting services:								
Management and general	3,063,757	46,540	3,110,297	—	—	—	3,110,297	3,055,482
Development	1,891,277	21,476	1,912,753	—	—	—	1,912,753	1,873,718
Total supporting services	<u>4,955,034</u>	<u>68,016</u>	<u>5,023,050</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,023,050</u>	<u>4,929,200</u>
Total expenses	<u>34,396,871</u>	<u>9,152,174</u>	<u>43,549,045</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>43,549,045</u>	<u>39,886,894</u>
Increase (decrease) in net assets	60,147	(8,418,005)	(8,357,858)	7,230,901	2,153,021	9,383,922	1,026,064	3,194,347
Net assets at beginning of year	495,179	98,524,772	99,019,951	15,939,580	43,088,963	59,028,543	158,048,494	154,854,147
Net assets at end of year	<u>\$ 555,326</u>	<u>90,106,767</u>	<u>90,662,093</u>	<u>23,170,481</u>	<u>45,241,984</u>	<u>68,412,465</u>	<u>159,074,558</u>	<u>158,048,494</u>

See accompanying notes to financial statements.

THE NEW-YORK HISTORICAL SOCIETY

Statement of Activities

Year ended June 30, 2018

	Without donor restrictions			With donor restrictions			Total 2018
	Available for operations	Available for nonoperating projects and designated for fixed assets	Total	Time or purpose	Endowment corpus	Total	
Revenue, gains, and other support:							
Private contributions and grants	\$ 6,933,695	1,300,000	8,233,695	15,177,151	210,326	15,387,477	23,621,172
Government grants	234,505	—	234,505	835,810	—	835,810	1,070,315
Special events, net of expenses of \$1,063,353	5,308,524	—	5,308,524	—	—	—	5,308,524
Membership	1,449,709	—	1,449,709	—	—	—	1,449,709
Admissions	1,716,474	—	1,716,474	—	—	—	1,716,474
Fees and other	2,474,030	71,685	2,545,715	—	—	—	2,545,715
Auxiliary activities	2,527,270	—	2,527,270	—	—	—	2,527,270
Net investment return (notes 4 and 11)	2,236,289	(614,219)	1,622,070	3,219,992	—	3,219,992	4,842,062
	22,880,496	757,466	23,637,962	19,232,953	210,326	19,443,279	43,081,241
Net assets released from restrictions	7,751,536	5,048,932	12,800,468	(12,800,468)	—	(12,800,468)	—
Total revenue, gains, and other support	30,632,032	5,806,398	36,438,430	6,432,485	210,326	6,642,811	43,081,241
Expenses:							
Program services:							
Library services	5,054,364	904,887	5,959,251	—	—	—	5,959,251
Museum programs and exhibitions	13,201,343	5,214,595	18,415,938	—	—	—	18,415,938
Public and education programs	5,150,683	1,456,181	6,606,864	—	—	—	6,606,864
Auxiliary activities	2,355,740	1,619,901	3,975,641	—	—	—	3,975,641
Total program services	25,762,130	9,195,564	34,957,694	—	—	—	34,957,694
Supporting services:							
Management and general	2,996,681	58,801	3,055,482	—	—	—	3,055,482
Development	1,833,475	40,243	1,873,718	—	—	—	1,873,718
Total supporting services	4,830,156	99,044	4,929,200	—	—	—	4,929,200
Total expenses	30,592,286	9,294,608	39,886,894	—	—	—	39,886,894
Increase (decrease) in net assets	39,746	(3,488,210)	(3,448,464)	6,432,485	210,326	6,642,811	3,194,347
Net assets at beginning of year	455,433	102,012,982	102,468,415	9,507,095	42,878,637	52,385,732	154,854,147
Net assets at end of year	\$ 495,179	98,524,772	99,019,951	15,939,580	43,088,963	59,028,543	158,048,494

See accompanying notes to financial statements.

THE NEW-YORK HISTORICAL SOCIETY

Statement of Functional Expenses

Year ended June 30, 2019

(with comparative summarized totals for the year ended June 30, 2018)

	<u>Library services</u>	<u>Museum programs and exhibitions</u>	<u>Public and education programs</u>	<u>Auxiliary activities</u>	<u>Total program services</u>	<u>Management and general</u>	<u>Development</u>	<u>Total supporting services</u>	<u>2019 Total expenses</u>	<u>2018 Total expenses</u>
Available for operations:										
Salaries, benefits, and payroll taxes	\$ 3,172,357	7,634,596	3,657,309	1,368,839	15,833,101	2,080,893	1,124,885	3,205,778	19,038,879	17,426,505
Fees for services:										
Accounting	—	—	—	—	—	206,124	—	206,124	206,124	183,350
Legal	483	1,024	378	76	1,961	51,453	25	51,478	53,439	99,217
Other	172,848	579,287	968,042	40,631	1,760,808	176,355	624,345	800,700	2,561,508	1,837,482
Advertising and promotion	9,491	818,167	10,608	12,130	850,396	32,568	24,493	57,061	907,457	768,630
Office expenses	9,255	276,318	106,990	93,334	485,897	84,357	181,455	265,812	751,709	641,536
Information technology	58,602	121,304	74,033	37,473	291,412	27,578	75,074	102,652	394,064	278,326
Occupancy:										
Space rental	151,729	816,021	23,668	305	991,723	203	30,035	30,238	1,021,961	853,477
Utilities	515,151	480,024	216,906	91,738	1,303,819	54,226	27,113	81,339	1,385,158	1,367,452
Travel and meals	10,893	148,115	98,861	15,239	273,108	30,975	7,595	38,570	311,678	288,249
Conferences and meetings	1,165	1,772	8,486	143	11,566	5,562	10,976	16,538	28,104	79,931
Insurance	128,968	116,643	54,303	20,363	320,277	14,444	6,788	21,232	341,509	305,516
Cost of sales	—	—	—	1,128,080	1,128,080	—	—	—	1,128,080	511,459
Other:										
Exhibition costs	38,172	2,327,372	41,787	646	2,407,977	—	28,880	28,880	2,436,857	2,165,204
Equipment rental and building maintenance	402,343	690,643	182,242	99,751	1,374,979	108,411	62,669	171,080	1,546,059	1,530,651
Printing and publication	49,031	189,995	170,038	6,843	415,907	13,394	72,129	85,523	501,430	496,351
Other supplies (other than office)	84,787	213,864	268,460	58,382	625,493	52,228	677,971	730,199	1,355,692	1,100,634
Agency temporary staff	199,577	570,995	156,917	107,021	1,034,510	67,666	20,240	87,906	1,122,416	1,118,460
Other	71,369	168,140	48,329	42,985	330,823	57,320	(28,817)	28,503	359,326	603,209
	<u>5,076,221</u>	<u>15,154,280</u>	<u>6,087,357</u>	<u>3,123,979</u>	<u>29,441,837</u>	<u>3,063,757</u>	<u>2,945,856</u>	<u>6,009,613</u>	<u>35,451,450</u>	<u>31,655,639</u>
Available for nonoperating projects and designated for fixed assets:										
Salaries, benefits, and payroll taxes	—	68	—	—	68	—	—	—	68	16,117
Fees for services	—	350	—	—	350	—	—	—	350	23,432
Collection acquisitions	22,168	45,240	—	—	67,408	—	—	—	67,408	173,682
Depreciation of fixed assets	760,775	4,980,841	1,539,451	1,609,263	8,890,330	41,171	18,796	59,967	8,950,297	8,856,314
Accretion of asset retirement obligation	50,920	45,560	21,440	8,040	125,960	5,360	2,680	8,040	134,000	208,000
Other	—	25	8	9	42	9	—	9	51	17,063
	<u>833,863</u>	<u>5,072,084</u>	<u>1,560,899</u>	<u>1,617,312</u>	<u>9,084,158</u>	<u>46,540</u>	<u>21,476</u>	<u>68,016</u>	<u>9,152,174</u>	<u>9,294,608</u>
Total expenses	<u>5,910,084</u>	<u>20,226,364</u>	<u>7,648,256</u>	<u>4,741,291</u>	<u>38,525,995</u>	<u>3,110,297</u>	<u>2,967,332</u>	<u>6,077,629</u>	<u>44,603,624</u>	<u>40,950,247</u>
Less: special events expenses	—	—	—	—	—	—	(1,054,579)	(1,054,579)	(1,054,579)	(1,063,353)
Total expenses, excluding special events expenses	<u>\$ 5,910,084</u>	<u>20,226,364</u>	<u>7,648,256</u>	<u>4,741,291</u>	<u>38,525,995</u>	<u>3,110,297</u>	<u>1,912,753</u>	<u>5,023,050</u>	<u>43,549,045</u>	<u>39,886,894</u>

See accompanying independent auditors' report.

THE NEW-YORK HISTORICAL SOCIETY

Statement of Functional Expenses

Year ended June 30, 2018

	<u>Library services</u>	<u>Museum programs and exhibitions</u>	<u>Public and education programs</u>	<u>Auxiliary activities</u>	<u>Total program services</u>	<u>Management and general</u>	<u>Development</u>	<u>Total supporting services</u>	<u>2018 Total expenses</u>
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	1,061,024	3,136,614	17,426,505
Fees for services:									
Accounting	—	—	—	—	—	183,350	—	183,350	183,350
Legal	—	—	—	—	—	99,217	—	99,217	99,217
Other	171,879	540,026	543,883	26,648	1,282,436	130,351	424,695	555,046	1,837,482
Advertising and promotion	13,914	662,488	20,273	24,634	721,309	34,900	12,421	47,321	768,630
Office expenses	32,805	153,770	172,605	53,900	413,080	63,057	165,399	228,456	641,536
Information technology	52,097	91,429	54,955	18,907	217,388	22,949	37,989	60,938	278,326
Occupancy:									
Space rentals	131,475	718,012	3,660	330	853,477	—	—	—	853,477
Utilities	507,865	488,495	200,473	90,430	1,287,263	53,459	26,730	80,189	1,367,452
Travel and meals	7,782	101,085	107,290	11,173	227,330	24,315	36,604	60,919	288,249
Conferences and meetings	2,610	1,454	68,003	2,210	74,277	1,954	3,700	5,654	79,931
Insurance	103,025	127,546	40,668	16,267	287,506	12,588	5,422	18,010	305,516
Cost of sales	—	—	—	511,459	511,459	—	—	—	511,459
Other:									
Exhibition costs	4,460	2,077,347	80,002	2,820	2,164,629	383	192	575	2,165,204
Equipment rental and repair	390,755	585,486	166,811	108,053	1,251,105	98,970	180,576	279,546	1,530,651
Printing and publication	17,926	155,209	182,799	5,018	360,952	26,097	109,302	135,399	496,351
Other supplies (other than office)	42,944	169,424	207,495	27,337	447,200	50,571	602,863	653,434	1,100,634
Agency temporary staff	216,236	551,885	112,477	162,621	1,043,219	44,609	30,632	75,241	1,118,460
Other	65,228	203,400	28,964	32,017	329,609	74,321	199,279	273,600	603,209
	<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>2,896,828</u>	<u>5,893,509</u>	<u>31,655,639</u>
Available for nonoperating projects and designated for fixed assets:									
Salaries, benefits, and payroll taxes	—	16,117	—	—	16,117	—	—	—	16,117
Fees for services	—	10,375	—	—	10,375	—	13,057	13,057	23,432
Collection acquisitions	55,348	118,334	—	—	173,682	—	—	—	173,682
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
Accretion of asset retirement obligation	79,040	72,800	31,200	12,480	195,520	8,320	4,160	12,480	208,000
Other	—	17,063	—	—	17,063	—	—	—	17,063
	<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>
Total expenses	<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>2,937,071</u>	<u>5,992,553</u>	<u>40,950,247</u>
Less: special events expenses	—	—	—	—	—	—	(1,063,353)	(1,063,353)	(1,063,353)
Total expenses, excluding special events expenses	\$ <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>

See accompanying independent auditors' report.

THE NEW-YORK HISTORICAL SOCIETY

Statements of Cash Flows

Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Increase in net assets	\$ 1,026,064	3,194,347
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Contributions and grants restricted for capital expenditures	(6,734,455)	(6,629,191)
Contributions and grants restricted for endowment corpus	(2,153,021)	(210,326)
Contributions and grants restricted for collection acquisitions	(54,725)	(72,450)
Collection acquisitions	67,408	173,682
Depreciation and amortization	8,950,297	8,856,314
Accretion of asset retirement obligation	134,001	208,000
Net realized and unrealized gains on investments	(2,197,673)	(4,741,582)
Changes in operating assets and liabilities:		
Prepaid expenses	1,206,034	(579,040)
Other assets	(65,915)	(1,232,177)
Contributions and grants receivable, net of amounts classified as financing activities	2,012,436	(1,853,258)
Accounts payable and accrued expenses	(855,582)	1,293,081
Deferred revenue	(494,660)	713,240
Net cash provided by (used in) operating activities	<u>840,209</u>	<u>(879,360)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	7,441,827	6,346,839
Purchases of investments	(11,628,377)	(10,851,585)
Purchases of fixed assets	(7,452,143)	(4,226,517)
Change in accounts payable related to construction	(1,141,317)	(3,136,446)
Collection acquisitions	(67,408)	(173,682)
Net cash used in investing activities	<u>(12,847,418)</u>	<u>(12,041,391)</u>
Cash flows from financing activities:		
Working capital borrowings on line of credit	2,000,000	1,500,000
Working capital repayments of line of credit	(2,000,000)	(1,500,000)
Collection of contributions and grants restricted for capital expenditures	7,922,040	9,179,054
Collection of contributions and grants restricted for endowment corpus	3,026,012	3,179,136
Collection of contributions restricted for collection acquisitions	44,725	122,450
Net cash provided by financing activities	<u>10,992,777</u>	<u>12,480,640</u>
Net decrease in cash and cash equivalents	(1,014,432)	(440,111)
Cash and cash equivalents at beginning of year	<u>2,311,950</u>	<u>2,752,061</u>
Cash and cash equivalents at end of year	\$ <u><u>1,297,518</u></u>	\$ <u><u>2,311,950</u></u>
Supplemental disclosure of cash flow information:		
Increase in mortgage payable - loan from seller	\$ 12,500,000	—

See accompanying notes to financial statements.

THE NEW-YORK HISTORICAL SOCIETY

Notes to Financial Statements

June 30, 2019 and 2018

(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 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:

Net assets without donor restrictions are available for use at the discretion of the Board of Trustees (the Board) or management for general operating purposes.

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time or purpose restrictions. Some net assets with donor-imposed restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Society to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions or by law. Expenses are reported as decreases in net assets. Gains and losses on investments and other assets or liabilities, except gains and losses on investments of assets with donor restrictions, are reported as increases or decreases in net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of 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, net of allowances.

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(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 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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(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.

(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. 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.

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(k) Adoption of Accounting Pronouncement

In 2019, the Society adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* (ASU 2016-14), 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; and quantitative and qualitative information about the management of liquid resources and the availability of financial assets to meet cash needs within one year of the date of the balance sheet. The Society applied the changes retrospectively.

The adoption of ASU 2016-14, resulted in prior year unrestricted net assets of \$98,904,906 now being reported as net assets without donor restrictions, and temporarily and permanently restricted net assets of \$16,054,625 and \$43,088,963 respectively being combined and reported as net assets with donor restrictions. In addition, the Society has included a statement of functional expenses and additional disclosures regarding liquidity in accordance with ASU 2016-14.

A recap of the net asset reclassifications driven by adoption of ASU 2016-14 as of June 30, 2018 and June 30, 2017 follows:

	ASU 2016-14 Classifications		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Net asset reclassification as of June 30, 2018:			
As previously presented:			
Unrestricted	\$ 98,904,906	—	98,904,906
Temporarily restricted	—	16,054,625	16,054,625
Permanently restricted	—	43,088,963	43,088,963
	<u>98,904,906</u>	<u>59,143,588</u>	<u>158,048,494</u>
Reclassification to implement ASU 2016-14:			
Underwater endowments	<u>115,045</u>	<u>(115,045)</u>	<u>—</u>
Net assets at June 30, 2018, as reclassified	<u>\$ 99,019,951</u>	<u>59,028,543</u>	<u>158,048,494</u>
Net asset reclassification as of June 30, 2017:			
Endowment net assets at			
June 30, 2017, as previously reported:			
Unrestricted	\$ 15,002,577	—	15,002,577
Temporarily restricted	—	1,003,335	1,003,335
Permanently restricted	—	42,878,637	42,878,637
Endowment net assets, previously presented	15,002,577	43,881,972	58,884,549

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	ASU 2016-14 Classifications		
	Without donor restrictions	With donor restrictions	Total
Reclassification of underwater endowments	\$ 594,106	(594,106)	—
Endowment net assets at June 30, 2017, as adjusted	\$ 15,596,683	43,287,866	58,884,549
Investment return classification for the year ended June 30, 2018:			
Investment return, as previously reported	\$ 2,101,131	2,740,931	4,842,062
Reclassification of return on underwater endowments	(479,061)	479,061	—
Investment return, as adjusted	\$ 1,622,070	3,219,992	4,842,062

(l) Accounting Pronouncements Not Yet Adopted

The FASB issued Accounting Standards Update (ASU) 2018-08, Not-For-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update helps an entity evaluate whether it should account for a grant (or similar transaction) as a contribution or as an exchange transaction. The update also clarifies and expands the criteria for determining whether a contribution is conditional, which may delay recognition of contribution revenue (recipient) or expenses (resource provider). For the Society, the amendments in this update are effective for the year ending June 30, 2020.

The FASB also issued ASU 2014-09: *Revenue from Contracts with Customers*. The core principle of this standard is that “an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.” For the Society, the amendments in this update are effective for the year ending June 30, 2020.

In addition, the FASB issued ASU 2016-02: *Leases*. The FASB is issuing this Update to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. For the Society, the amendments in this update are effective for the year ending June 30, 2022.

(m) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's presentation.

(3) Statement of Activities

The statement of activities distinguishes between revenue and expenses available for operations and designated for fixed assets and non-operating projects. Operating activities are those designated by management for standard mission activities of the Society and are monitored by the annual operating-budget process. Non-operating projects include, but are not limited to, assets without donor restrictions invested in fixed assets, activity related to collection acquisitions funded through contributions

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and/or donor-restricted endowment earnings, insurance proceeds and damages related to unusual situations and 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 following table presents the Society's fair value hierarchy of investments (excluding advance from 2010 Fund, see note 11) at June 30, 2019 and 2018.

	2019	2018
Investments (Level 1):		
Cash and cash equivalents	\$ 9,058,306	4,599,507
Equity securities:		
Domestic	10,440,274	9,907,679
International	1,796,144	1,770,700
Mutual funds:		
Equity – global international	4,822,192	4,757,707
Fixed income	1,074,750	997,950
	27,191,666	22,033,543
Investments measured at net asset value (or its equivalent):		
Alternative investments:		
Absolute return funds	3,569,022	3,816,841
Global equities funds	20,064,763	18,590,844
Total alternative investments	23,633,785	22,407,685
Total investments	\$ 50,825,451	44,441,228

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, 2019, the Society's alternative investments can be redeemed or sold as follows:

Quarterly redemption with 30 days' notice	\$ 7,835,548
Quarterly redemption with 90 days' notice	4,414,227
Payout over three quarters after 60 days' notice	4,054,120
Biannual redemption with 90 days' notice	126,230
Redemption in 1–2 years	3,442,791
Redemption in 1–3 years	3,760,869
	\$ 23,633,785

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For the years ended June 30, 2019 and 2018, net investment returns consist of returns as follows:

	<u>2019</u>	<u>2018</u>
Returns by fund category:		
On nonendowment cash and cash equivalents:		
Interest and dividends	\$ 886	741
	<u>886</u>	<u>741</u>
On endowment investments:		
Interest and dividends	262,964	218,393
Net realized gains	536,498	1,256,293
Net unrealized gains	1,661,175	3,485,289
	<u>2,460,637</u>	<u>4,959,975</u>
Less investment management fees	<u>(133,368)</u>	<u>(118,654)</u>
	<u>2,327,269</u>	<u>4,841,321</u>
Net investment return	\$ <u>2,328,155</u>	<u>4,842,062</u>

Investment expenses represent management fees incurred from external investment managers.

(5) Fixed Assets

At June 30, 2019 and 2018, fixed assets, at cost, consist of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 2,335,100	684,664
Building and building improvements	144,217,334	125,890,985
Long-term exhibitions	22,064,454	22,069,036
Equipment, furniture, and fixtures	8,582,816	8,054,375
Leasehold improvements	482,644	482,644
	<u>177,682,348</u>	<u>157,181,704</u>
Less accumulated depreciation and amortization	<u>(74,371,114)</u>	<u>(65,420,817)</u>
	103,311,234	91,760,887
Construction in progress	1,934,060	2,482,561
	\$ <u>105,245,294</u>	<u>94,243,448</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, 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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In June 2019, the Society purchased a townhouse for \$16.5 million. The townhouse, located at 15 West 76th Street adjoins the Society's existing property. The Society paid the seller \$4 million in cash and took a 7-year, interest-only (4%) loan from the seller for the remaining \$12.5 million. The loan requires full payment of the principal by June 2026 and allows for prepayments. The Society expects to be able to repay the loan before the 2026 due date using contributions that were restricted for the purchase.

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 capital 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 (in a 12-month period) 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 \$805,924 and \$818,625 for the years ended June 30, 2019 and 2018, respectively. The Society filed Form 5500 and the supporting audited financial statements for the plan years ended December 31, 2018 and 2017.

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, 2018. The Society contributed \$85 per month for each covered employee. Total costs for the Allied pension plan were \$11,050 for the years ended June 30, 2019 and 2018. The union filed Form 5500 and the supporting audited financial statements for the plan years ended December 31, 2018 and 2017.

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(7) Contributions and Grants Receivable

At June 30, 2019 and 2018, contributions and grants receivable consist of the following:

	2019	2018
For nonoperating projects	\$ 6,956,722	10,986,130
For endowments	2,836,111	3,656,228
For operating projects	9,591,275	8,525,461
Total contributions and grants receivable	19,384,108	23,167,819
Less:		
Discount to present value (at discount rates ranging from 0.71% to 2.63%)	(630,614)	(455,013)
Allowance for doubtful accounts	(483,700)	(380,000)
	\$ 18,269,794	22,332,806

Contributions and grants receivable at June 30, 2019 are expected to be collected in the following fiscal years:

2020	\$ 11,695,081
2021	4,557,627
2022	2,131,400
2023	800,000
2024 and after	200,000
Total	\$ 19,384,108

As of June 30, 2019 and 2018, approximately 38% and 47% of gross contributions and grants receivable were due from five donors.

In 2019 and 2018, The City spent \$1,729,140 and \$4,494,932, 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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(8) Net Assets with Donor Restrictions

Net assets with donor restrictions – time or purpose at June 30, 2019 and 2018 were available for the following projects:

	<u>2019</u>	<u>2018</u>
Library services	\$ 5,327,787	4,172,022
Museum programs and exhibitions	2,701,240	2,914,571
Public and education programs	2,523,765	3,397,484
Collection acquisition	286,483	245,886
Capital projects	12,089,761	4,851,262
Future periods	<u>241,445</u>	<u>358,355</u>
Total	<u>\$ 23,170,481</u>	<u>15,939,580</u>

The investment income earned on the balances of net assets with donor restrictions – endowment corpus is restricted for the following uses as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Library services	\$ 5,668,240	3,472,340
Museum programs and exhibitions	7,784,921	7,793,658
Public and education programs	11,735,737	11,744,527
Collection acquisition	230,100	230,100
General operating	<u>19,822,986</u>	<u>19,848,338</u>
Total	<u>\$ 45,241,984</u>	<u>43,088,963</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 \$134,000 and \$208,000 during the years ended June 30, 2019 and 2018, representing inflation factors of 4.2% and 7.0%, respectively.

(10) Line of Credit

During the years ended June 30, 2019 and 2018, 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, 2019 and 2018, there were no outstanding borrowings on the line.

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(11) Endowment

At June 30, 2019, the Society's endowment fund consists of approximately 60 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, 2019 and 2018 were as follows:

	June 30	
	<u>2019</u>	<u>2018</u>
Contributions and grants receivable, net	\$ 2,670,283	3,543,274
Loan receivable from net assets without restrictions (a)	2,275,000	2,275,000
Advance from 2010 Fund (b)	8,518,135	11,318,679
Investments	<u>50,825,451</u>	<u>44,441,228</u>
Total	<u>\$ 64,288,869</u>	<u>61,578,181</u>

- (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 various capital projects, the Society's Board has approved spending from the 2010 Fund to cover certain expenditures while awaiting receipt of funds pledged by various 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

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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 investments assets 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 net assets with donor restrictions - endowment corpus. The difference between the fair value of a donor-restricted endowment fund and the historic value is classified as net assets with donor restrictions.

At June 30, 2019, seven funds with endowment corpus of \$2,538,043 had deficiencies of \$128,256. At June 30, 2018, three funds with endowment corpus of \$2,975,000 had deficiencies of \$115,045.

In accordance with NYPMIFA and the Investment Policy Guidelines, the Investment Committee and the Board established 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 components of endowment net assets, including contributions and loans receivable, as of June 30, 2019 and 2018 were as follows:

		2019			
		Without donor restrictions	Time or purpose	Endowment corpus	Total
Donor-restricted endowment funds	\$	—	3,752,373	45,241,984	48,994,357
Board-designated fund		15,294,512	—	—	15,294,512
Total endowment net assets	\$	15,294,512	3,752,373	45,241,984	64,288,869
		2018			
		Without donor restrictions	Time or purpose	Endowment corpus	Total
Donor-restricted endowment funds	\$	—	3,506,755	43,088,963	46,595,718
Board-designated fund		14,982,463	—	—	14,982,463
Total endowment net assets	\$	14,982,463	3,506,755	43,088,963	61,578,181

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The following table presents the changes in the net assets of the endowment fund for the year ended June 30, 2019:

	<u>Without donor restrictions</u>	<u>Time or purpose</u>	<u>Endowment corpus</u>	<u>Total</u>
Endowment net assets at June 30, 2018	\$ 14,982,463	3,506,755	43,088,963	61,578,181
Contributions	—	—	2,153,021	2,153,021
Appropriation of endowment return for expenditure in operating fund	—	(1,769,538)	—	(1,769,538)
Investment net gains, net of expenses	312,049	2,015,156	—	2,327,205
Endowment net assets at June 30, 2019	\$ <u>15,294,512</u>	<u>3,752,373</u>	<u>45,241,984</u>	<u>64,288,869</u>

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

	<u>Without donor restrictions</u>	<u>Time or purpose</u>	<u>Endowment corpus</u>	<u>Total</u>
Endowment net assets at June 30, 2017	\$ 15,596,683	409,229	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	95,460	4,745,862	—	4,841,322
Endowment net assets at June 30, 2018	\$ <u>14,982,463</u>	<u>3,506,755</u>	<u>43,088,963</u>	<u>61,578,181</u>

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(12) Commitments and Contingencies

In October 2014, the Society extended its operating lease for warehouse storage space in New Jersey to November 30, 2019. Subsequent to year end, this lease was renewed through November 2024. Base rent payments for the each of the years ended June 30, 2019 and 2018 were \$88,893 and \$87,150, respectively.

Future minimum rentals under the noncancelable operating lease as of June 30, 2019 are as follows:

	<u>Amount</u>
Year ending:	
June 30, 2020	\$ 450,000
June 30, 2021	455,250
June 30, 2022	503,370
June 30, 2023	434,627
June 30, 2024	483,115
Thereafter	<u>699,792</u>
	<u>\$ 3,026,154</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) Liquidity and Availability

The Society manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures. The following schedule reflects the Society's financial assets available for general expenditure within one year from June 30, 2019. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Society considers all expenditures related to its ongoing activities of operating the facility, providing a venue for exhibitions relating to the mission, operating a research library, conducting lectures, seminars and other educational programs to be general expenditures.

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	<u>2019</u>
Cash and short term investments	\$ 1,297,518
Accounts receivable, due within one year	808,392
Contributions and grants receivable, due within one year	2,619,928
Net endowment appropriation, not yet drawn (note 3)	<u>1,865,837</u>
Total financial assets available within one year for general expenditures	<u>6,591,675</u>
Additional liquidity resources available:	
Board resources, net of obligations	4,373,121
Committed line of credit	<u>2,000,000</u>
Total financial assets and liquidity resources available within one year for general expenditures	<u>\$ 12,964,796</u>

(14) Subsequent Events

In connection with the preparation of the financial statements, the Society evaluated events after the balance sheet date of June 30, 2019 and through February 10, 2020, which was the date the financial statements were issued, and noted no additional items that would require adjustment to, or disclosure in, the 2019 financial statements.