

EISNERAMPER

**THE ASSOCIATION OF THE BAR
OF THE CITY OF NEW YORK**

FINANCIAL STATEMENTS

APRIL 30, 2021 and 2020



THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Association of the Bar of the City of New York

Report on the Financial Statements

We have audited the accompanying financial statements of The Association of the Bar of the City of New York (the "Association"), which comprise the statements of financial position as of April 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for each of the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Association's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization'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 Association of the Bar of the City of New York as of April 30, 2021 and 2020, and the changes in its net assets and its cash flows for each of the years then ended, in accordance with accounting principles generally accepted in the United States of America.



EISNERAMPER LLP
New York, New York
September 29, 2021



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THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Statements of Financial Position

	April 30,	
	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 3,166,968	\$ 1,081,833
Accounts receivable, net	588,987	838,769
Investments	11,929,896	9,127,504
Prepaid expenses	315,962	291,804
Property and equipment, net	<u>7,241,176</u>	<u>7,984,596</u>
	<u>\$ 23,242,989</u>	<u>\$ 19,324,506</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,415,050	\$ 1,669,440
Deferred revenue for continuing legal education	247,430	310,194
Dues received in advance	1,272,452	849,999
Line-of-credit	-	2,476,000
Loan from related-party	2,000,000	-
Loans payable	1,714,205	-
Accrued pension cost	<u>778,990</u>	<u>2,591,623</u>
Total liabilities	<u>7,428,127</u>	<u>7,897,256</u>
Commitments, contingencies and uncertainty (Notes J and L)		
Net assets:		
Without donor restrictions:		
Undesignated, available for general operations	7,665,009	3,013,227
Committee funds	301,240	283,455
Apportionment of investment in land, property and library	<u>5,171,992</u>	<u>5,770,311</u>
Total net assets without donor restrictions	<u>13,138,241</u>	<u>9,066,993</u>
With donor restrictions:		
Purpose restricted	1,885,404	1,569,040
Perpetual in nature	<u>791,217</u>	<u>791,217</u>
Total net assets with donor restrictions	<u>2,676,621</u>	<u>2,360,257</u>
Total net assets	<u>15,814,862</u>	<u>11,427,250</u>
	<u>\$ 23,242,989</u>	<u>\$ 19,324,506</u>

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Statements of Activities

	Year Ended April 30,	
	2021	2020
Changes in net assets without donor restrictions:		
Operating revenues and support:		
Dues and admission fees, net	\$ 7,840,379	\$ 8,010,676
Investment earnings appropriated for current operations, net	599,172	591,503
Continuing legal education	1,686,731	2,004,098
Legal referral service	1,485,386	1,487,182
Catering services	217,500	1,692,169
Library services	52,310	78,999
Committee and legislative programs	155,830	409,571
Royalty income	95,021	149,324
Membership program income	36,930	29,992
Donated services	323,471	410,622
Small law firm program income	261,029	269,291
Rental income	650,085	374,243
Contributions from related party	102,345	456,835
Government grant	10,000	-
Other income	194,782	93,740
	<u>13,710,971</u>	<u>16,058,245</u>
Revenues and support before net assets released from restrictions		
Net assets released from restrictions	<u>121,670</u>	<u>103,787</u>
	<u>13,832,641</u>	<u>16,162,032</u>
Total operating revenues and support		
Operating expenses:		
Program services	<u>8,902,165</u>	<u>12,001,101</u>
Supporting services:		
Membership recruitment	112,725	135,519
General and administrative	<u>4,548,932</u>	<u>4,479,264</u>
Total supporting services	<u>4,661,657</u>	<u>4,614,783</u>
Total operating expenses	<u>13,563,822</u>	<u>16,615,884</u>
Excess of revenue over expenses (expenses over revenue) from operating activities	268,819	(453,852)
Non-operating activities:		
Net investment income (losses), net of amounts designated for current operations	2,629,188	(956,567)
Depreciation (portion deemed non-operating)	(639,392)	(679,941)
Change from actuarial valuation of pension cost	<u>1,812,633</u>	<u>(1,281,493)</u>
Change in net assets without donor restrictions	<u>4,071,248</u>	<u>(3,371,853)</u>
Changes in net assets with donor restrictions:		
Net investment earnings(losses)	393,854	(41,638)
Contributions	44,180	49,098
Net assets released from restrictions for current operations	<u>(121,670)</u>	<u>(103,787)</u>
Change in net assets with donor restrictions	<u>316,364</u>	<u>(96,327)</u>
Change in net assets	4,387,612	(3,468,180)
Net assets - beginning of year	<u>11,427,250</u>	<u>14,895,430</u>
Net assets - end of year	<u>\$ 15,814,862</u>	<u>\$ 11,427,250</u>

See notes to financial statements.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Statement of Functional Expenses Year Ended April 30, 2021

(with summarized financial information for 2020)

	Program Services	Supporting Services			Total	
	Legal Education and Referral Services	Membership Recruitment	General and Administrative	Total	2021	2020
Salaries	\$ 4,510,464	\$ 73,165	\$ 1,053,751	\$ 1,126,916	\$ 5,637,380	\$ 6,985,235
Employee benefits and payroll taxes	<u>1,297,270</u>	<u>21,027</u>	<u>318,075</u>	<u>339,102</u>	<u>1,636,372</u>	<u>2,180,586</u>
Total salaries and related expenses	5,807,734	94,192	1,371,826	1,466,018	7,273,752	9,165,821
Occupancy	975,560	13,447	187,679	201,126	1,176,686	1,346,658
Depreciation	213,130	-	639,392	639,392	852,522	906,588
Library books	728,194	-	-	-	728,194	888,625
Office expenses	323,946	10	80,696	80,706	404,652	525,620
Meeting services expenses	4,420	-	-	-	4,420	515,077
Advertising and promotion	238,488	5,040	-	5,040	243,528	407,501
Conference, conventions and meetings	11,748	36	8,102	8,138	19,886	376,038
Continuing legal education expenses	80,971	-	-	-	80,971	235,178
Professional services	187,912	-	4,293	4,293	192,205	190,821
Insurance	139,405	-	34,293	34,293	173,698	186,645
Information technology	131,158	-	41,894	41,894	173,052	175,805
Accounting and legal fees	-	-	66,149	66,149	66,149	71,331
Interest	-	-	107,646	107,646	107,646	59,140
Donated legal services	-	-	323,471	323,471	323,471	410,622
Professional memberships and publications	16,356	-	2,262	2,262	18,618	19,242
Travel	7,500	-	2,913	2,913	10,413	20,195
Taxes	-	-	2,750	2,750	2,750	2,750
Bad debt expense	-	-	2,307,650	2,307,650	2,307,650	1,758,596
Scholarship grants	35,000	-	-	-	35,000	5,000
Miscellaneous	<u>643</u>	<u>-</u>	<u>7,308</u>	<u>7,308</u>	<u>7,951</u>	<u>28,572</u>
Total expenses	8,902,165	112,725	5,188,324	5,301,049	14,203,214	17,295,825
Less:						
Depreciation (portion deemed non-operating)	<u>-</u>	<u>-</u>	<u>(639,392)</u>	<u>(639,392)</u>	<u>(639,392)</u>	<u>(679,941)</u>
Total expenses per statements of activities	<u>\$ 8,902,165</u>	<u>\$ 112,725</u>	<u>\$ 4,548,932</u>	<u>\$ 4,661,657</u>	<u>\$ 13,563,822</u>	<u>\$ 16,615,884</u>

See notes to financial statements.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

**Statement of Functional Expenses
Year Ended April 30, 2020**

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total Expense</u>
	<u>Legal Education and Referral Services</u>	<u>Membership Recruitment</u>	<u>General and Administrative</u>	<u>Total</u>	
Salaries	\$ 5,615,120	\$ 81,565	\$ 1,288,550	\$ 1,370,115	\$ 6,985,235
Employee benefits and payroll taxes	<u>1,745,855</u>	<u>23,105</u>	<u>411,626</u>	<u>434,731</u>	<u>2,180,586</u>
Total salaries and related expenses	7,360,975	104,670	1,700,176	1,804,846	9,165,821
Occupancy	1,115,227	10,710	220,721	231,431	1,346,658
Depreciation	169,985	-	736,603	736,603	906,588
Library books	888,625	-	-	-	888,625
Office expenses	440,474	-	85,146	85,146	525,620
Meeting services expenses	515,077	-	-	-	515,077
Advertising and promotion	397,824	9,677	-	9,677	407,501
Conference, conventions and meetings	357,042	10,462	8,534	18,996	376,038
Continuing legal education expenses	235,178	-	-	-	235,178
Professional services	183,284	-	7,537	7,537	190,821
Insurance	153,927	-	32,718	32,718	186,645
Information technology	133,635	-	42,170	42,170	175,805
Accounting and legal fees	-	-	71,331	71,331	71,331
Interest	-	-	59,140	59,140	59,140
Donated legal services	-	-	410,622	410,622	410,622
Professional memberships and publications	17,025	-	2,217	2,217	19,242
Travel	19,511	-	684	684	20,195
Taxes	-	-	2,750	2,750	2,750
Bad debt expense	-	-	1,758,596	1,758,596	1,758,596
Scholarship grants	5,000	-	-	-	5,000
Miscellaneous	<u>8,312</u>	<u>-</u>	<u>20,260</u>	<u>20,260</u>	<u>28,572</u>
Total expenses	12,001,101	135,519	5,159,205	5,294,724	17,295,825
Less:					
Depreciation (portion deemed non-operating)	<u>-</u>	<u>-</u>	<u>(679,941)</u>	<u>(679,941)</u>	<u>(679,941)</u>
Total expenses per statements of activities	<u>\$ 12,001,101</u>	<u>\$ 135,519</u>	<u>\$ 4,479,264</u>	<u>\$ 4,614,783</u>	<u>\$ 16,615,884</u>

See notes to financial statements.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Statements of Cash Flows

	Year Ended April 30,	
	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 4,387,612	\$ (3,468,180)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	852,522	906,588
Net unrealized and realized (gains) losses on investments	(3,358,793)	725,679
Bad debt expense	2,307,650	1,758,596
Changes in:		
Accounts receivable	(2,057,868)	(1,840,053)
Prepaid expenses	(24,158)	(1,841)
Accounts payable and accrued expenses	(254,390)	183,313
Deferred revenue for continuing legal education	(62,764)	(182,973)
Dues received in advance	422,453	(365,044)
Accrued pension cost	(1,812,633)	1,144,691
Net cash provided by (used in) operating activities	<u>399,631</u>	<u>(1,139,224)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	3,010,965	1,914,010
Purchases of investments	(2,454,564)	(1,415,147)
Additions to building and equipment	(109,102)	(489,902)
Net cash provided by investing activities	<u>447,299</u>	<u>8,961</u>
Cash flows from financing activities:		
Drawdown on line-of-credit	-	1,465,000
Repayment of line-of-credit	(2,476,000)	(200,000)
Proceeds from related-party loan	2,000,000	-
Proceeds from loans	1,714,205	-
Net cash provided by financing activities	<u>1,238,205</u>	<u>1,265,000</u>
Increase in cash and cash equivalents	2,085,135	134,737
Cash and cash equivalents - beginning of year	<u>1,081,833</u>	<u>947,096</u>
Cash and cash equivalents - end of year	<u>\$ 3,166,968</u>	<u>\$ 1,081,833</u>
Supplementary information:		
Excise and unrelated business income taxes paid	<u>\$ 5,178</u>	<u>\$ 5,319</u>
Interest paid	<u>\$ 25,746</u>	<u>\$ 59,140</u>
Donated services	<u>\$ 323,471</u>	<u>\$ 410,622</u>
Non-cash financing activities:		
Non-debt forgiveness	<u>\$ 82,031</u>	<u>\$ -</u>

See notes to financial statements.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2021 and 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

The Association of the Bar of the City of New York (the "Association"), incorporated in 1871 in the State of New York, was established for the purposes of cultivating the science of jurisprudence, promoting reforms in the law, and facilitating and improving the administration of justice. The governing board of the Association is the Board of Directors, and the Association is exempt from federal income taxes under Section 501(c)(6) of the U.S. Internal Revenue Code and from state and local taxes under comparable laws.

The Association has an affiliated entity, the Association of the Bar of the City of New York Fund, Inc. (the "City Bar Fund"), which shares space and certain resources with the Association. Although the members of the Association's Board of Directors constitute the entire membership of the City Bar Fund, the Association does not have a substantial economic interest in, or control of, the City Bar Fund, and therefore, the two organizations' financial statements are not consolidated.

[2] Basis of accounting:

The financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") applicable to not-for-profit organizations.

[3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, operating revenues and operating expenses, non-operating activities, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

[4] Cash and cash equivalents:

The Association's management considers all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents, with the exception of those money-market funds held as short-term investments within the investment portfolio.

[5] Investments:

Investments in corporate stocks and mutual funds, consisting of equity and fixed income, are reported at their published fair values as of each fiscal year-end. Short-term investments consist of money market funds. The fair value of the limited liability company and international investment fund have been estimated based on the net asset value ("NAV") per share (or its equivalent unit) of each investment, as reported by the particular investment manager. Because of the complex management structure, the nature of the underlying investments and the inherent uncertainty of the valuation of the investments, the Association's management and its various investment managers monitor their positions to reduce the risk of potential losses due to changes in fair values or the failure of counterparties to perform on a routine basis. The Association's management reviews and evaluates the values provided by the related investment managers and believes that the investments are reported at a reasonable estimate of their fair value. Estimated values may differ significantly from the values that would have been used had a ready market for these instruments existed.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2021 and 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Investments: (continued)

The Association's investments, in general, are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment transactions are recorded on a trade-date basis. Realized gains or losses on investments sold, and unrealized appreciation or depreciation on investments held, are reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted through donor stipulation. Realized gains or losses on investments are determined by comparison of the cost at time of acquisition to proceeds at the time of disposition. Distributions received from the limited liability company and international investment fund in excess of the Association's cumulative cost basis, or those identified as return of income, are recognized as realized gains. Unrealized gains or losses on investments are determined by comparing the investment's cost to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned.

Investment expenses include the services of investment advisors. The balances of investment advisory fees disclosed in Note C are those specific fees charged by the Association's investment advisors in each year.

The Board of Directors designates only a portion of the Association's annual investment earnings for the support of current operations; the remainder is retained to support operations of future years and to offset potential market volatility. The annual amount designated to support current operations is calculated using a specified spending rate and is classified as operating income in the statements of activities.

[6] Property and equipment:

Land, building, building improvements, and furniture and equipment are recorded at their original costs, as described in Note D, less accumulated depreciation. The Association capitalizes assets over \$5,000. The costs of minor repairs and maintenance are expensed as incurred. Depreciation is provided over the estimated useful lives of the respective assets, using the straight-line method. The Association's building (the "House") and related improvements made prior to April 30, 1984 (totaling approximately \$1,000,000) are being depreciated through 2030. Building improvements made subsequent to April 30, 1984, and the second-floor condominium (the "Bar Building"), are being depreciated over an estimated useful life of either 30 or 45 years. Furniture and equipment are being depreciated over either five or seven years. Land is not depreciated.

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. There were no triggering events during 2021 or 2020 requiring management to test for impairment that would require any adjustments to property and equipment. However, it is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[7] Library books and works of art:

The Association's library books and collections of fine and decorative arts (the "collection") have been acquired through purchases and contributions since the Association's inception over 150 years ago. The Association's collection is held primarily for research and educational purposes. The Association stores the library books and collections in a restricted area of the library that has a fire control system to protect the collection. Proceeds from the sale of library materials would be used to support the direct care of existing collections, or to purchase additional library materials.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2021 and 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Library books and works of art: (continued)

A portion of the library is composed of irreplaceable research materials and rare and antique books. In accordance with U.S. GAAP for this type of asset, the collection has not been reported as an asset in the Association's statements of financial position. Purchases of collection items were recorded as decreases in net assets without donor restrictions for the year in which the items were acquired or as decreases of net assets with donor restrictions if the assets used to purchase the items have been restricted by donors.

The Association purchases common publications and journals and their respective updates. Expenditures made for these items are not considered to be part of the collection. Such items have limited future lives, and expenditures are included as operating expenses in the year acquired. The amounts expended for common publications, journals and updates were \$246,473 and \$422,080 for fiscal-years 2021 and 2020, respectively.

[8] Accrued vacation:

Employees accrue vacation on a calendar-year basis. Accrued vacation is included as a liability in the accompanying financial statements and represents the potential liability for unused employee vacation time payable in the event of employee departures. At April 30, 2021 and 2020, the accrued vacation obligation was \$133,492 and \$136,314, respectively, and is included as part of the accounts payable and accrued expenses in the accompanying statements of financial position.

[9] Paycheck Protection Program loan payable:

On March 27, 2020, Congress enacted the Coronavirus Aid Relief, and Economic Security Act ("CARES Act"). The Paycheck Protection Program ("PPP") established by the CARES Act, implemented by the U.S. Small Business Administration ("SBA"), provides businesses, including certain not-for-profit organizations, with funds to pay payroll and other costs during the coronavirus ("COVID-19") outbreak.

There are two acceptable methods for accounting for the PPP funds received under the CARES Act. Entities can elect to treat the funds as a loan or as a conditional contribution. The Association has elected to record the PPP funds as a loan under the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") 470 Debt. During fiscal-year 2021, the Association applied for and received a PPP loan in the amount of \$1,564,305 in February 2021. The Association will apply for loan forgiveness on its PPP loan from the SBA in fiscal-year 2022 (see Note H[1]).

[10] Net assets:

The net assets of the Association and changes therein are classified and reported as follows:

(i) *Net assets without donor restrictions:*

Net assets without donor restrictions represent those resources that are not subject to donor restrictions and are available for current operations as follows:

- a. Undesignated net assets available for general operations;
- b. Use towards committee funds; in which, many of the Association's 150 committees raise funds to cover meetings and other costs associated with offering educational and other support services in a variety of legal practice areas to the Association's membership, the public, and the legal profession; and
- c. Investment in land, property and the library, net of investment portfolio funds used to purchase the Bar Building.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2021 and 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[10] Net assets: (continued)

(ii) *Net assets with donor restrictions:*

Net assets with donor restrictions represent those resources that are subject to donor imposed restrictions, such as specific purposes and/or a specific period of time. Also included within net assets with donor restrictions are donor restrictions that are perpetual in nature and subject to the requirements of the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). These donors have stipulated that those resources be maintained in perpetuity with the resultant income and net capital appreciation arising from the underlying assets to be used in satisfaction of the wishes of those donors. When a donor restriction expires, that is, when a stipulated time restriction ends, or when a purpose restriction is accomplished, or funds are appropriated through an action of the Board of Directors, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as "net assets released from restrictions." It is the policy of the Association that donations, the restrictions of which are satisfied in the year of donation, appear in the category of net assets without donor restrictions.

[11] Revenue recognition:

(i) *Dues and admission fees:*

The Association receives dues from its members related to the membership period which is six months for residents (within NYC) and suburban (within 50 miles of NYC) members, and 1 year for non-resident (more than 50 miles from NYC, but within the US) and international members. The benefits of this membership include access to the Career Center and member-only online directory, access to research tools and continuing legal education, and networking opportunities through committee service and more.

Dues and admission fees are recorded as revenues in the year that the services are provided. Dues received for a future fiscal-year's membership is deferred until that fiscal year. Members who join mid-year are charged a pro-rated amount for membership, commensurate with the number of months they are receiving benefits. Admission fees are recorded as income upon the applicant's election to membership, which is the only performance obligation related to the fee and the fee is non-refundable. The revenue in the statements of activities is presented net of discounts which totaled \$282,714 and \$244,490 for fiscal years 2021 and 2020 respectively. Refunds related to dues were \$52,892 and \$37,757 as of April 30, 2021 and 2020, respectively.

(ii) *Continuing legal education:*

The Association offers both in-person and online classes for the benefit of its members, called "CLE". There are four basic types of CLE revenue: (i) CLE Passports; (ii) CLE Sponsorships; (iii) CLE Registrations; and (iv) CLE Royalties.

CLE Passports are priced based on the size of the firm (the number of attorneys that will have access to the CLE courses) and the contract period is one year. Revenue is amortized over the term of the contract.

CLE Sponsorships are priced based on the type of program/event being sponsored, and the level of sponsorship. The term of the CLE Sponsorship contracts are limited to the lead-up to and the date(s) of the event, generally less than one year.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2021 and 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[11] Revenue recognition: (continued)

(ii) *Continuing legal education: (continued)*

CLE Registrations are priced based on the length of the program/event, the number of CLE credits offered, and the member type/practice area of the attorney registering. The term of the agreement for CLE registrations is limited to the date(s) of the event.

CLE Royalties are based on an agreement with a third party that hosts the Association's webinars on their website, and the Association receives a percentage of registration fees for these programs. The Association receives these payments on a quarterly basis.

During fiscal-years 2021 and 2020, unlimited access to all classes of four hours or less was offered to all members on a flat annual rate. Refunds related to CLE and related programs were \$21,014 and \$46,013 as of April 30, 2021 and 2020, respectively. Discounts related to these programs was di minimis in both years.

(iii) *Legal Referral Service:*

Legal Referral Service ("LRS") revenue comes from three primary sources: (i) LRS Annual Fees which is the fee to be included on the panel with price based on the number of panels the attorney wishes to be assigned to; (ii) LRS Consultation Fees which are flat fees paid for each referral resulting in a consultation; and (iii) LRS Retainer Fees which are a percentage of the fees over \$600 paid to the attorney on conclusion of a matter referred by LRS. The term of the contract for panel members is one year.

The services provided by LRS panel members are to review the applications of qualified attorneys and place the attorney on referral panels in their practice area upon approval of their application, and to provide referrals to panel attorneys when public requests come in fitting their area of expertise.

LRS Annual Fees are amortized and recognized over the term of the agreement (typically one year), whereas LRS Consultation Fees are collected after the consultation has taken place and the performance obligation has been satisfied, thus revenue from consultation fees is recognized at the time of payment. LRS Retainer Fees are collected after the attorney has collected their legal fees following the settlement of the case, therefore all performance obligations have been satisfied at the time of payment, and thus revenue is recognized at the time of payment. Due to the nature of the revenue, there were no discounts or refunds in either year.

(iv) *Catering:*

Catering services are provided by the Association for internal departments, outside organizations, and Association committees. The term of the catering contract is limited to the date(s) of the event(s). Catering revenue is recognized upon the provision of services which is the date(s) of the scheduled event(s). Amounts received in advanced are deferred until the event takes place. Refunds related to catering were \$17,918 and \$30,069 as of April 30, 2021 and 2020, respectively.

(v) *Donated services:*

Contributions of services are recognized by the Association as both revenues and expenses if the services: (i) create or enhance assets; and (ii) require specialized skills and are provided by individuals possessing those skills; and (iii) would typically need to be purchased if not provided by donation. At April 30, 2021 and 2020, the value of contributed legal services recognized in the statements of activities was \$323,471 and \$410,622, respectively.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2021 and 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[11] Revenue recognition: (continued)

(v) *Donated services: (continued)*

The Association has approximately 150 committees that provide educational and other support services to the Association's membership, the legal profession, and the public at large. These volunteer services do not satisfy the criteria under generally accepted accounting principles for valuation and recognition in the financial statements.

(vi) *Contributions:*

Contributions are recorded as revenue upon the receipt of cash, other assets, or unconditional pledges. Contributions are reported as "with donor restrictions" if they are received with donor stipulations or time considerations as to their use.

(vii) *Rental income:*

Rental income is recognized based upon services rendered in accordance with contractual provisions. Rental income relating to the current year is recognized as revenue in the current year.

[12] Functional allocation of expenses:

The Association's financial statements report certain categories of expenses that are attributable to program and supporting services of the Association. These costs have been summarized by their functional and natural classifications in the statements of functional expenses. Accordingly, certain costs that are directly attributable to a specific functional area of the Association are reported as an expense to the appropriate program or supporting service. Natural expenses attributable to more than one functional expense category have been allocated among the programs and supporting services based on the time spent by employees and the nature of the expense.

[13] Measure of operations:

The Association includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Revenues from activities outside of the normal course of operations are considered non-operating. Non-cash expenses such as depreciation (portion deemed non-operating), and the change in pension liability due to the annual actuarial valuation are also considered non-operating.

[14] Income tax uncertainties:

The Association is subject to the provisions of the FASB's ASC Topic 740, *Income Taxes*, relating to accounting and reporting for uncertainty in income taxes. For the Association, these provisions could be applicable to the incurrence of unrelated business taxable income ("UBTI") attributable to certain of its space-rental activities and particular publications, as well as an income tax related to certain activities of its judiciary committee. The Association has always recorded the annual liability related to the income tax on the activities of the judiciary committee and there was UBIT tax expense reported of \$2,750 in the accompanying statements of activities during both fiscal-years 2021 and 2020. Accordingly, due to the Association's general tax-exempt status, management believes ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Association's financial statements.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2021 and 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[15] Adoption of accounting principles:

(i) *Revenue from Contracts with Customers:*

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. ASU 2014-09 requires an entity to recognize revenue depicting the transfer of 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. The standard permits the use of either the retrospective or cumulative effect transition method. The standard is effective for fiscal years beginning after December 15, 2019, and accordingly the Association adopted this pronouncement for its fiscal year ended April 30, 2021 on the retrospective basis. Analysis of the various provisions of this standard resulted in no significant changes in the way the Association recognized revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

(ii) *Collections:*

In March 2019, the FASB issued ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*, to align the definition of collections with the American Alliance of Museums' Code of Ethics for Museums, thereby changing the types of collections that are eligible to not be reported as assets in the statements of financial position. The ASU modifies the definition of the term collections by expanding the acceptable uses of the proceeds of sales of collection items so that the proceeds can be used to support the direct care of existing collections, in addition to the current requirement that proceeds be used to acquire other items for collections. The standard should be applied on the prospective basis. It is effective for fiscal-years beginning after December 15, 2019, accordingly the Association adopted this for its fiscal year ending April 30, 2021, and this accounting guidance did not have a material effect on the Association's financial statements.

[16] Upcoming accounting pronouncements:

(i) *Accounting Updates to Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets:*

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. For each category of contributed nonfinancial assets recognized, not-for-profit organization will need to disclose: (i) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a description of the programs or other activities in which those assets were used; (ii) the not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; (iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; (iv) the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, Fair Value Measurement, at initial recognition; and (v) the principal market (or most advantageous market) used to arrive at a fair value measure, if it is a market in which the recipient entity is prohibited by a donor imposed restriction from selling or using the contributed nonfinancial assets. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. The Association is currently evaluating the effect that this new guidance will have on the financial statements and related disclosures.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2021 and 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[16] Upcoming accounting pronouncements: (continued)

(ii) Leases:

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which will require entities to recognize lease assets and lease liabilities (related to leases previously classified as operating under previous U.S. GAAP) on the statements of financial position. ASU 2016-02 will require lessors to separate lease and non-lease components in a contract and allocate the consideration in the contract to the separate components or to utilize a practical expedient, if the non-lease components otherwise would be accounted for under the new revenue guidance (Topic 606), and certain conditions are met. As a result of recent deferrals due to COVID-19, ASU 2016-02 will be effective for private not for profit organizations for fiscal years beginning after December 15, 2021. This ASU must be applied on a modified retrospective basis. The Association is currently evaluating the effect that this new guidance will have on the financial statements and related disclosures.

[17] Reclassification:

Certain information in the fiscal-year 2020 financial statements has been reclassified to conform to the accompanying fiscal-year 2021 presentation.

[18] Subsequent events:

The Association evaluated subsequent events through September 29, 2021, the date on which the financial statements were available to be issued.

NOTE B - ACCOUNTS RECEIVABLE

Accounts receivable are presented in the statements of financial position, net of an allowance for doubtful accounts of \$891,842 and \$535,311 at April 30, 2021 and 2020, respectively. All receivables are due within a year.

NOTE C - INVESTMENTS

At each fiscal year-end, the Association's investments consisted of the following:

	<u>April 30,</u>	
	<u>2021</u>	<u>2020</u>
Money-market funds	\$ 50,306	\$ 135,568
Corporate stocks	361,201	520,292
Mutual funds:		
Equity funds	8,191,719	5,397,253
Fixed-income funds	1,948,355	1,928,697
Limited liability company (a)	838,226	643,885
International investment fund (b)	<u>540,089</u>	<u>501,809</u>
	<u>\$11,929,896</u>	<u>\$ 9,127,504</u>

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2021 and 2020

NOTE C - INVESTMENTS (CONTINUED)

- a) Invests at least 80% of its net assets, plus any borrowings for investment purposes, in securities of medium-sized companies in a diversified portfolio of structured credit products in the United States and European credit markets.
- b) Investment objective is to achieve favorable income-oriented returns from a globally diversified portfolio of primarily debt or debt-like securities.

The Association utilizes a “total-return policy” on its investment portfolio, whereby an annual specified spending rate is established to determine the amount of investment earnings to be used for current operations. A spending rate of 4.75% was used for both fiscal-years 2021 and 2020. The Association’s investment earnings appropriated for current operations are composed of income from the externally managed investment portfolio, pursuant to the spending rate, plus investment income earned on other short-term investments managed internally.

During fiscal-year 2006, investments with a fair value of approximately \$4,300,000 were liquidated to purchase the second-floor condominium in the Bar building. Subsequently, income from the operations of the Association is to be used to reimburse the investment portfolio for this expenditure, with interest and principal to be amortized over 30 years.

The investment return and its classification in the statements of activities were as follows for each of the fiscal years ending:

	April 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest	\$ 264,953	\$ 33,753	\$ 298,706
Net realized gains	928,150	112,785	1,040,935
Net unrealized gains	<u>2,066,719</u>	<u>251,139</u>	<u>2,317,858</u>
	3,259,822	397,677	3,657,499
Investment fees	<u>(31,462)</u>	<u>(3,823)</u>	<u>(35,285)</u>
Net investment income	<u>\$ 3,228,360</u>	<u>\$ 393,854</u>	<u>\$ 3,622,214</u>

	April 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest	\$ 313,349	\$ 40,709	\$ 354,058
Net realized gains	58,448	7,095	65,543
Net unrealized losses	<u>(705,577)</u>	<u>(85,645)</u>	<u>(791,222)</u>
	(333,780)	(37,841)	(371,621)
Investment fees	<u>(31,284)</u>	<u>(3,797)</u>	<u>(35,081)</u>
Net investment losses	<u>\$ (365,064)</u>	<u>\$ (41,638)</u>	<u>\$ (406,702)</u>

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2021 and 2020

NOTE C - INVESTMENTS (CONTINUED)

ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy for fair-value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

Level 1 - Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments, at the reporting date.

Level 2 - Valuations are based on: (i) quoted prices for similar investments in active markets; or (ii) quoted prices for identical investments, or similar investments, in markets that are not active; or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. The Association had no Level 2 investments in fiscal-years 2021 or 2020.

Level 3 - Valuations are based on pricing inputs that are unobservable and include situations where there is little, if any, market activity for the investments, or the investments cannot be independently valued. The Association had no Level 3 investments in fiscal-year 2021 or 2020.

The Association has investments that are valued using the net asset value NAV per share (or its equivalent unit) as a practical expedient of fair value. This applies to investments which (i) do not have a readily determinable fair value and (ii) whose financial statements were prepared by the respective investment manager consistent with the measurement principles of an investment company or have the attributes of an investment company. Investments that are valued using NAV per share (or its equivalent unit) are not required to be categorized within the fair value hierarchy, and accordingly, have been excluded from the fair-value hierarchy.

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The following tables summarize the fair values of the Association's assets at each year-end, in accordance with ASC Topic 820 valuation levels:

	<u>April 30, 2021</u>		
	<u>Amounts within Fair- Value Hierarchy</u>	<u>Valued at NAV</u>	<u>Total Investments</u>
	<u>Level 1</u>		
Money-market funds	\$ 50,306	\$ -	\$ 50,306
Corporate stocks	361,201	-	361,201
Mutual funds	10,140,074	-	10,140,074
Limited liability company	-	838,226	838,226
International investment fund	-	<u>540,089</u>	<u>540,089</u>
	<u>\$ 10,551,581</u>	<u>\$ 1,378,315</u>	<u>\$ 11,929,896</u>

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2021 and 2020

NOTE C - INVESTMENTS (CONTINUED)

	April 30, 2020		
	Amounts within Fair- Value Hierarchy	Valued at NAV	Total Investments
	Level 1		
Money-market funds	\$ 135,568	\$ -	\$ 135,568
Corporate stocks	520,292	-	520,292
Mutual funds	7,325,950	-	7,325,950
Limited liability company	-	643,885	643,885
International investment fund	-	501,809	501,809
	<u>\$ 7,981,810</u>	<u>\$1,145,694</u>	<u>\$ 9,127,504</u>

At April 30, 2021, the Association had no unfunded commitments for its investments. The Association can redeem its interest in a limited liability company and international investment fund on a monthly basis with 10 days' notice.

NOTE D - PROPERTY AND EQUIPMENT

At each fiscal year-end, property and equipment consisted of the following:

	April 30,	
	2021	2020
Land	\$ 204,125	\$ 204,125
Building and building improvements (the House)	18,995,606	18,893,262
Second-floor condominium	4,355,820	4,355,820
Furniture and equipment	<u>1,704,679</u>	<u>1,697,921</u>
	25,260,230	25,151,128
Less: accumulated depreciation	<u>(18,019,054)</u>	<u>(17,166,532)</u>
	<u>\$ 7,241,176</u>	<u>\$ 7,984,596</u>

NOTE E - RETIREMENT PLANS

[1] Defined-benefit pension plan:

The Association maintains a multi-employer noncontributory, defined-benefit pension plan covering all eligible employees of the Association and the City Bar Fund. The plan was amended to cease all benefit accruals effective July 1, 2004 (no future employees are eligible for this benefit). All active participants are fully vested in their accrued benefits.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

**Notes to Financial Statements
April 30, 2021 and 2020**

NOTE E - RETIREMENT PLANS (CONTINUED)

[1] Defined-benefit pension plan: (continued)

The following table represents the changes in benefit obligations and plan assets during each fiscal year:

	Year Ended April 30,	
	2021	2020
Change in benefit obligation:		
Projected benefit obligation at beginning of year	\$ 9,033,497	\$ 8,142,474
Interest cost	213,719	291,828
Benefits paid - including annuity purchases	(487,057)	(467,341)
Actuarial (loss) gain - including changes in assumptions	<u>(274,060)</u>	<u>1,066,536</u>
Benefit obligation at the end of year	<u>\$ 8,486,099</u>	<u>\$ 9,033,497</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 6,441,874	\$ 6,695,542
Actual returns on plan assets	1,752,292	48,494
Employer contributions	-	165,179
Benefits paid	<u>(487,057)</u>	<u>(467,341)</u>
Fair value of plan assets at end of year	<u>\$ 7,707,109</u>	<u>\$ 6,441,874</u>

The following tables set forth the plan's status at each fiscal year-end:

	Year Ended April 30,	
	2021	2020
Actuarial present values of benefit obligations:		
Accumulated benefit obligation	<u>\$ (8,486,099)</u>	<u>\$ (9,033,497)</u>
Projected benefit obligation	\$ (8,486,099)	\$ (9,033,497)
Plan assets at fair value	<u>7,707,109</u>	<u>6,441,874</u>
Funded status (obligation in excess of assets)	<u>\$ (778,990)</u>	<u>\$ (2,591,623)</u>
Accrued pension cost recognized in statements of financial position	<u>\$ (778,990)</u>	<u>\$ (2,591,623)</u>

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2021 and 2020

NOTE E - RETIREMENT PLANS (CONTINUED)

[1] Defined-benefit pension plan: (continued)

During each fiscal-year, the net periodic postretirement-benefit cost included the following components:

	Year Ended April 30,	
	2021	2020
Interest cost	\$ 213,719	\$ 291,828
Expected return on assets	(409,348)	(437,164)
Amortization of net loss	<u>321,244</u>	<u>173,713</u>
Net periodic postretirement benefit cost	<u>\$ 125,615</u>	<u>\$ 28,377</u>

	April 30,	
	2021	2020
Weighted-average assumptions:		
Discount rate used for benefit cost	2.43%	3.64%
Discount rate used for projected benefit obligation	2.64%	2.43%
Rate of compensation increase for benefit cost	N/A	N/A
Rate of compensation increase for projected benefit obligation	N/A	N/A
Expected return on assets	6.60%	6.60%
Net periodic pension cost	\$ 125,615	\$ 28,377
Benefits paid	487,057	467,341

The plan's investments will be made for the purpose of providing retirement reserves for the present and future benefit of participants of the plan. The assets will be invested with the care, skill and diligence that a prudent person acting in this capacity would exercise to comply with all objectives outlined herein, the Investment Advisors Act of 1940, the Employee Retirement Income Security Act of 1974, and all other governing statutes.

The primary objective for the trustees will be to provide a balance among capital appreciation, preservation of capital, and the production of current income. The objectives of the plan will be pursued as a long-term goal designed to meet the benchmark objective for the plan, without incurring undue risk.

The plan's trustees recognize that risk (i.e. the uncertainty of future events), volatility (i.e. the potential for variability of asset values) and the possibility of loss in purchasing power (due to inflation) are present to some degree in all types of investment vehicles. While high levels of risk are to be avoided, the assumption of risk is warranted in order to allow the investment manager the opportunity to achieve satisfactory long-term results consistent with the objectives of the plan.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2021 and 2020

NOTE E - RETIREMENT PLANS (CONTINUED)

[1] Defined-benefit pension plan: (continued)

The expected long-term rate of return on plan assets assumptions was based on gross expected rates of return, less anticipated investment expenses. The rate selected was consistent with historical returns and target percentages for equity and debt securities within the following framework:

	<u>Target Allocation</u>
Equity securities	59%
Cash	1%
Debt securities	<u>40%</u>
	<u>100%</u>

At each fiscal year-end, the percentage of the fair value of the total plan assets held were as follows:

	<u>April 30,</u>	
	<u>2021</u>	<u>2020</u>
Equity securities	71%	59%
Cash	1%	5%
Debt securities	<u>28%</u>	<u>36%</u>
	<u>100%</u>	<u>100%</u>

The Association does not expect to contribute to the plan during fiscal-year 2022. The following table illustrates the expected benefit payments over future fiscal years.

<u>Year Ending April 30,</u>	<u>Amount</u>
2022	\$ 546,903
2023	549,471
2024	559,351
2025	556,683
2026	544,622
2027 – 2031	2,541,319

[2] 401(k) plan:

In July 2004, the Association established a multi-employer Section 401(k) plan, under which employees make contributions up to the maximum allowable by law. All employees with eligibility, which is defined as those who have completed one year of service and have attained the age of 21, are entitled to receive up to a 3% matching contribution. In April 2020, the Association suspended its 3% matching contribution due to the coronavirus ("COVID-19") pandemic. However, in January 2021 the match was reinstated. Accordingly, the 3% match contributed by the Association in fiscal-years 2021 and 2020 was \$47,693 and \$135,076, respectively.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2021 and 2020

NOTE F - DEFERRED REVENUE

[1] Dues received in advance:

The following table provides information about significant changes:

	April 30	
	2021	2020
Dues received in advance revenue, beginning of year	\$ 849,999	\$ 1,215,043
Revenue recognized that was included in dues received in advance revenue at the beginning of the year	(849,999)	(1,215,043)
Increase in dues received in advance revenue due to cash received during the period	<u>1,272,452</u>	<u>849,999</u>
Dues received in advance revenue, end of year	<u>\$ 1,272,452</u>	<u>\$ 849,999</u>

[2] Deferred revenue for CLE:

The following table provides information about significant changes:

	April 30	
	2021	2020
Deferred revenue for CLE, beginning of year	\$ 310,194	\$ 493,167
Increase in deferred revenue for CLE due to cash received during the period	556,870	746,881
Revenue recognized that was included in deferred revenue for CLE	<u>(619,634)</u>	<u>(929,854)</u>
Deferred revenue for CLE, end of year	<u>\$ 247,430</u>	<u>\$ 310,194</u>

NOTE G - LINE-OF-CREDIT

In November 2007, the Association opened a revolving credit line held with the BNY Mellon, N.A. ("Mellon") in the amount of \$2,000,000. In February 2020, the Association increased the revolving credit line with Mellon to \$4,500,000. Interest was calculated at a rate of 2% above LIBOR, which equated to 2.12% and 2.99% at April 30, 2021 and 2020, respectively. At April 30, 2021 the Association had fully repaid the line-of-credit. At April 30, 2020, the balance owed by the Association was \$2,476,000. The Association incurred interest expense of approximately \$26,000 and \$59,000 in fiscal-years 2021 and 2020, respectively. Any borrowings under the line-of-credit are collateralized by the general assets of the Association.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

**Notes to Financial Statements
April 30, 2021 and 2020**

NOTE H - LOANS PAYABLE

[1] PPP loan payable:

On February 11, 2021, the Association received \$1,564,305 in funds from the PPP and the amount has been included in loans payable on the statements of financial position as of April 30, 2021. Neither principal nor interest is due for a six-month deferral period through July 10, 2021. This loan may be forgiven subject to bank approval in accordance with SBA guidelines. Any outstanding principal of the loan that is not forgiven under the PPP Loan program will convert to a term loan with an interest rate of 1%, payable in equal installments of principal and interest over the remaining period until the loan maturity date. The loan matures in February 2026. There is no collateral for this loan. Until the determination of forgiveness is made, the scheduled future principal payments are as follows:

<u>Year Ending April 30,</u>	<u>Total</u>
2026	\$ <u>1,564,305</u>

Subsequent to the 2021 fiscal year end, in September 2021 the Association was notified that it received full forgiveness from the SBA on its PPP loan.

[2] EIDL loan payable:

In addition, the Association applied for and received \$150,000 from the SBA for an Economic Injury Disaster Loan (“EIDL”) on June 17, 2020. The loan bears interest at a rate of 2.75% per annum, and is secured by the assets of the Association. The proceeds of the loan are to be used as working capital to alleviate economic injury caused by the pandemic. Installment payments, including principal and interest, of \$641 are due monthly beginning one year from the date of the promissory note and are payable over 30 years from the date of the promissory note. Additionally, the EIDL advanced the Association \$10,000 of emergency economic relief that does not need to be repaid and has been reported as contribution income in the accompanying statements of activities.

The required future minimum payments on the loan payable subsequent to April 30, 2021 are as follows:

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 3,570	\$ 3,481	\$ 7,051
2023	3,605	4,087	7,692
2024	3,705	3,987	7,692
2025	3,808	3,884	7,692
2026	3,914	3,778	7,692
Thereafter	<u>131,298</u>	<u>53,851</u>	<u>185,149</u>
Total	<u>\$ 149,900</u>	<u>\$ 73,068</u>	<u>\$ 222,968</u>

NOTE I - RELATED-PARTY TRANSACTIONS

[1] Operating expenses and reimbursements:

Certain operating expenses are paid by the Association on behalf of the City Bar Fund. Certain of these inter-entity transactions are reimbursed by the City Bar Fund to the Association. Such reimbursements totaled \$1,129,850 and \$1,592,070 in fiscal years 2021 and 2020, respectively.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2021 and 2020

NOTE I - RELATED-PARTY TRANSACTIONS (CONTINUED)

[2] Lease agreement:

The Association collects rent from the City Bar Fund for its usage of space within the Association's building based on an office lease agreement, renewable annually. Rental income for fiscal-years 2021 and 2020 was \$650,085 and \$374,243, respectively.

[3] Contributions:

During fiscal-years 2021 and 2020, the City Bar Fund contributed \$102,345 and \$456,835, respectively to the Association.

[4] Loan and other payables:

In July 2020, the City Bar Fund loaned \$2,000,000 to the Association to assist in funding business-related expenses affected by the COVID-19 outbreak. In lieu of paying interest on the loan, the Association will provide administrative and financial management services to the City Bar Fund during the term of the loan at an amount valued at the equivalent of a 4.1% annual interest rate. During fiscal-year 2021, the Association incurred interest expense of \$82,031 and is included within other income on the statement of activities. Principal is payable in twenty four equal monthly installments beginning in July 2021 through July 2023. There is no collateral for this loan. The required future minimum payments on the loan payable subsequent to April 30, 2021 are as follows:

<u>Year Ending April 30,</u>	<u>Total</u>
2022	\$ 833,330
2023	1,000,000
2024	<u>166,670</u>
	<u>\$ 2,000,000</u>

In addition, as of April 30, 2021 and 2020, the Association owed the City Bar Fund \$88,569 and \$301,723, respectively, mainly related to contributions sent to the Association on behalf of the City Bar Fund. These amounts were repaid in full subsequent to year end.

NOTE J - COMMITMENTS AND CONTINGENCIES

[1] Operating leases:

The Association leases certain equipment under various lease agreements which expire through April 2023. The future minimum annual rentals under the leases described above are as follows:

<u>Year Ending April 30,</u>	<u>Amount</u>
2022	\$ 79,384
2023	<u>19,672</u>
	<u>\$ 99,056</u>

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2021 and 2020

NOTE J - COMMITMENTS AND CONTINGENCIES (CONTINUED)

[2] Union contracts:

Certain employees of the Association are members of local unions. During fiscal-year 2021, the Association had two union contracts in effect, which expire at December 31, 2022 and 2023, respectively.

[3] Contingencies:

The Association may occasionally be a defendant with respect to various claims involving issues arising in the normal course of its business. In the opinion of management and its legal counsel, the resolution of these complaints will not have a material impact on the financial position or results of operations of the Association.

NOTE K - CONCENTRATION OF CREDIT RISK

The Association maintains its cash and cash equivalents in high-credit-quality financial institutions in amounts which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts, and management believes that the Association is not exposed to any significant risk of loss due to the failure of the financial institutions.

NOTE L - COVID-19

The extent of the impact of the COVID-19 outbreak on the operational and financial performance of the Association's services will depend on the continued future developments, including the duration and spread of the outbreak, related travel advisories and restrictions, and the impact of COVID-19 on overall demand for the Association's programs and services, some of which are highly uncertain and cannot be predicted. During fiscal year 2020, in response to the shelter-in-place State mandated order in New York due to COVID-19 in March 2020, the Association closed its office maintaining very limited access to ensure the continuation of critical operations. The office of the Association has partially reopened for appointments on a limited basis. The Association anticipates reopening its offices full-time in September 2021. Due to ongoing limitations on gatherings, the Association has moved its programming to a webcast platform, but is unable to generate revenues for its previously scheduled live events and meetings. Wherever possible, the Association has continued to provide services remotely. If demand for the Association's services are impacted for an extended period, results of operations may be materially adversely affected.

NOTE M - ACCOUNTING AND REPORTING FOR ENDOWMENT

[1] The endowment:

The Association's endowment consists of 29 individual funds established for a variety of purposes, including support of operations, purchases of library books and legal aid and committee grievances.

[2] Interpretation of relevant law:

The Association's endowment funds are subject to NYPMIFA. The Board of Directors will continue to adhere to NYPMIFA's requirements.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

**Notes to Financial Statements
April 30, 2021 and 2020**

NOTE M - ACCOUNTING AND REPORTING FOR ENDOWMENT (CONTINUED)

[3] Return objectives and risk parameters:

The Board of Directors of the Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested with the long-term objective of earning a net return of at least the Consumer Price Index (the "CPI"). Actual returns in any given year may vary from this amount.

[4] Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the Association relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that places a greater emphasis on equity-based investments, in order to achieve its long-term return objectives within prudent risk constraints.

[5] Spending policy and related objectives:

For both fiscal-years 2021 and 2020, the Board of Directors of the Association approved a policy of appropriating for distribution, and did appropriate, 4.75% of its endowment fund's average fair value over the prior 12 quarters, through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Board of Directors considered the long-term expected return on its endowment. Accordingly, over the long term, the Board of Directors expects the current spending policy to allow its endowment to grow at an annual average of the CPI, plus the spending rate. This is consistent with the Association's objective of maintaining the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment returns.

[6] Policy on underwater funds spending:

It is the policy of the Board of Directors of the Association not to spend from underwater endowment funds, unless otherwise stipulated by donor intent or unless affirmatively approved by the Board of Directors.

[7] Endowment net-asset composition, by type of fund, as of each fiscal year-end:

	April 30, 2021		
	With Donor Restrictions		
	Amounts Subject to Appropriation	Amounts Held In Perpetuity	Total
Endowment funds	<u>\$ 1,398,030</u>	<u>\$ 791,217</u>	<u>\$ 2,189,247</u>

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

**Notes to Financial Statements
April 30, 2021 and 2020**

NOTE M - ACCOUNTING AND REPORTING FOR ENDOWMENT (CONTINUED)

[7] Endowment net-asset composition, by type of fund, as of each fiscal year-end: (continued)

	April 30, 2020		
	With Donor Restrictions		
	Amounts Subject to Appropriation	Amounts Held In Perpetuity	Total
Endowment funds	<u>\$ 1,086,382</u>	<u>\$ 791,217</u>	<u>\$ 1,877,599</u>

[8] Changes in endowment net assets, by type of fund, during each fiscal year:

	Year Ended April 30, 2021		
	With Donor Restrictions		
	Amounts Subject to Appropriation	Amounts Held In Perpetuity	Total
Endowment net assets and the earnings thereon, beginning of year	<u>\$ 1,086,382</u>	<u>\$ 791,217</u>	<u>\$ 1,877,599</u>
Investment return:			
Investment income, net	29,930	-	29,930
Net appreciation (realized and unrealized)	<u>363,924</u>	<u>-</u>	<u>363,924</u>
Total investment return	<u>393,854</u>	<u>-</u>	<u>393,854</u>
Other changes:			
Appropriation of endowment assets for expenditures	<u>(82,206)</u>	<u>-</u>	<u>(82,206)</u>
Endowment net assets and the earnings thereon, end of year	<u>\$ 1,398,030</u>	<u>\$ 791,217</u>	<u>\$ 2,189,247</u>

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

**Notes to Financial Statements
April 30, 2021 and 2020**

NOTE M - ACCOUNTING AND REPORTING FOR ENDOWMENT (CONTINUED)

[9] Changes in endowment net assets, by type of fund, during each fiscal year: (continued)

	Year Ended April 30, 2020		
	With Donor Restrictions		
	Amounts Subject to Appropriation	Amounts Held In Perpetuity	Total
Endowment net assets and the earnings thereon, beginning of year	\$ 1,197,442	\$ 791,217	\$ 1,988,659
Investment return:			
Investment income, net	36,912	-	36,912
Net depreciation (realized and unrealized)	(78,550)	-	(78,550)
Total investment return	(41,638)	-	(41,638)
Other changes:			
Appropriation of endowment assets for expenditures	(69,422)	-	(69,422)
Endowment net assets and the earnings thereon, end of year	<u>\$ 1,086,382</u>	<u>\$ 791,217</u>	<u>\$ 1,877,599</u>

[10] Funds with deficiencies:

Due to unfavorable market fluctuations, from time-to-time the fair value of assets associated with individual donor-restricted endowment funds may decline below the historical dollar value of the donor's original restricted contribution, or the amount required to be maintained under state law, referred to as underwater endowment. Under the terms of NYPMIFA, the Association has no responsibility to restore such decreases in value. At April 30, 2021 and 2020, there were no deficiencies of this nature

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

**Notes to Financial Statements
April 30, 2021 and 2020**

NOTE N - NET ASSETS WITH DONOR RESTRICTIONS

At each fiscal year-end, net assets with donor restrictions consisted of the following:

	<u>Year Ended April 30,</u>	
	<u>2021</u>	<u>2020</u>
Purpose restricted:		
Scholarships for law students	\$ 383,401	\$ 373,895
Legal assistance to individuals	-	8,293
International and foreign law books	17,680	24,740
Improvement to library lounge	2,547	2,547
Other	83,746	73,183
Amounts subject to appropriation	<u>1,398,030</u>	<u>1,086,382</u>
	<u>1,885,404</u>	<u>1,569,040</u>
Perpetual in nature:		
Operations	591,800	591,800
Purchase of library books	24,335	24,335
Legal aid and committee grievances	<u>175,082</u>	<u>175,082</u>
	<u>791,217</u>	<u>791,217</u>
	<u>\$ 2,676,621</u>	<u>\$ 2,360,257</u>

During each fiscal year, net assets released from restrictions, as a result of satisfying donor restrictions, were as follows:

	<u>Year Ended April 30,</u>	
	<u>2021</u>	<u>2020</u>
Purpose restrictions satisfied:		
Scholarship for law students	\$ 35,000	\$ 5,000
Legal assistance to individuals	37,336	60,000
Purchase of books for law library	<u>49,334</u>	<u>38,787</u>
	<u>\$ 121,670</u>	<u>\$ 103,787</u>

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2021 and 2020

NOTE O - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Association's financial assets as of the statement as of April 30, 2021 and 2020, respectively, reduced by amounts not available for general use within one year due to contractual or donor-imposed restrictions:

	<u>Year Ended April 30,</u>	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,166,968	\$ 1,081,833
Accounts receivable, net	588,987	838,769
Investments	<u>11,929,896</u>	<u>9,127,504</u>
Total financial assets available within one year	<u>15,685,851</u>	<u>11,048,106</u>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Collateral for line-of-credit	-	(2,476,000)
Contractual obligation – collateral for EIDL loan	(149,900)	-
Restricted by donors for:		
Purpose	(1,885,404)	(1,569,040)
Perpetual in nature	<u>(791,217)</u>	<u>(791,217)</u>
Total amounts unavailable for general expenditure within one year	<u>(2,826,521)</u>	<u>(4,836,257)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 12,859,330</u>	<u>\$ 6,211,849</u>

Liquidity policy:

The Association maintains a sufficient level of operating cash and investments to be available as its general expenditures, liabilities, and other obligations come due as part of the Association's liquidity management. Additionally, the Association has appreciated earnings on endowment funds whereby amounts could be made available for current operations, if necessary; however, the Association does not intend to spend these funds for purposes other than those approved by the donors. Further, the Association has the ability to access additional resources associated with a line-of-credit it maintains with a bank.