

EISNERAMPER

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

FINANCIAL STATEMENTS

APRIL 30, 2019 and 2018

EISNERAMPER
LLP



INDEPENDENT AUDITORS' REPORT

The Executive Committee
The Association of the Bar of the City of New York
New York, 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, 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

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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



EISNERAMPER LLP
New York, New York
July 30, 2019



THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Statements of Financial Position

	<u>April 30,</u>	
	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 947,096	\$ 1,203,107
Accounts receivable, net	757,312	833,964
Investments	10,352,046	10,623,962
Prepaid expenses	289,963	288,843
Property and equipment, net	<u>8,401,282</u>	<u>9,195,525</u>
Total assets	<u>\$ 20,747,699</u>	<u>\$ 22,145,401</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,979,294	\$ 2,093,381
Dues received in advance	1,215,043	1,237,100
Line-of-credit	1,211,000	1,311,000
Accrued pension cost	<u>1,446,932</u>	<u>1,160,590</u>
Total liabilities	<u>5,852,269</u>	<u>5,802,071</u>
Commitments and contingencies (Note F)		
Net assets:		
Without donor restrictions:		
Undesignated, available for general operations	6,140,744	(3,939,935)
Committee funds	256,605	246,998
Apportionment of investment in land, property and library	6,041,497	6,690,639
Executive Committee - Designated Funds:		
Long-term investment	-	6,722,026
Funds treated as endowment	-	2,823,813
Capital and technology improvements	-	309,973
Cumulative gains from funds treated as endowment	<u>-</u>	<u>1,043,462</u>
Total net assets without donor restrictions	<u>12,438,846</u>	<u>13,896,976</u>
With donor restrictions:		
Purpose restricted	1,665,367	1,655,137
Perpetual in nature	<u>791,217</u>	<u>791,217</u>
Total net assets with donor restrictions	<u>2,456,584</u>	<u>2,446,354</u>
Total net assets	<u>14,895,430</u>	<u>16,343,330</u>
Total liabilities and net assets	<u>\$ 20,747,699</u>	<u>\$ 22,145,401</u>

See notes to financial statements.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Statements of Activities

	<u>Year Ended April 30,</u>	
	<u>2019</u>	<u>2018</u>
Changes in net assets without donor restrictions:		
Operating revenues:		
Dues and admission fees	\$ 6,506,100	\$ 6,495,764
Investment earnings appropriated for current operations, net	594,687	584,193
Continuing legal education	2,255,961	2,321,187
Legal referral service	1,913,388	1,840,047
Catering services	1,875,684	1,593,901
Library services	67,541	64,682
Committee and legislative programs	559,396	459,628
Royalty income	147,697	144,242
Membership program income	62,176	53,753
Donated services	37,548	46,668
Small law firm program income	234,607	241,091
Contributions		322,251
Other income	<u>91,577</u>	<u>84,102</u>
Revenues before net assets released from restrictions	14,346,362	14,251,509
Net assets released from restrictions	<u>99,594</u>	<u>98,979</u>
Total operating revenues	<u>14,445,956</u>	<u>14,350,488</u>
Operating expenses:		
Program activities	12,025,352	11,759,943
Membership recruitment	127,876	132,026
General and administrative	<u>2,673,824</u>	<u>2,783,393</u>
Total operating expenses	<u>14,827,052</u>	<u>14,675,362</u>
Excess of expenses over revenue from operating activities	(381,096)	(324,874)
Non-operating activities:		
Net investment earnings (less than)/in excess of amounts designated for current operations	(101,524)	558,807
Depreciation (portion deemed non-operating)	(689,168)	(644,003)
Consulting fees for pension, special projects		(6,450)
Change from actuarial valuation of pension cost	<u>(286,342)</u>	<u>331,199</u>
Change in net assets without donor restrictions	<u>(1,458,130)</u>	<u>(85,321)</u>
Changes in net assets with donor restrictions:		
Net investment earnings	62,659	140,332
Contributions	47,165	42,554
Net assets released from restrictions for current operations	<u>(99,594)</u>	<u>(98,979)</u>
Increase in net assets with donor restrictions	<u>10,230</u>	<u>83,907</u>
Decrease in net assets	(1,447,900)	(1,414)
Net assets - beginning of year	<u>16,343,330</u>	<u>16,344,744</u>
Net assets - end of year	<u>\$ 14,895,430</u>	<u>\$ 16,343,330</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, 2019

(with summarized information for 2018)

	Program Services	Supportive Services		Total	
	Legal Education and Referral Services	Membership Recruitment	General and Administrative	2019	2018
Salaries	\$ 5,535,477	\$ 72,497	\$ 1,333,073	\$ 6,941,047	\$ 7,065,084
Employee benefits and payroll taxes	1,773,793	21,429	436,020	2,231,242	2,306,125
Total salaries and related expenses	7,309,270	93,926	1,769,093	9,172,289	9,371,209
Occupancy	806,586	13,791	239,511	1,059,888	931,155
Depreciation	172,292		746,599	918,891	886,690
Library books	869,613			869,613	907,062
Office expenses	520,876	1,088	124,077	646,041	631,402
Meeting services expenses	623,281			623,281	492,128
Advertising and promotion	431,482	9,391		440,873	482,316
Conference, conventions and meetings	486,361	9,680	11,383	507,424	379,848
Continuing legal education expenses	251,008			251,008	222,128
Professional services	215,221		9,308	224,529	283,937
Insurance	154,701		33,231	187,932	192,886
Information technology	117,454		36,830	154,284	148,341
Accounting and legal fees			57,183	57,183	55,951
Interest			56,538	56,538	38,012
Donated legal services			37,548	37,548	46,668
Professional memberships and publications	22,661		3,210	25,871	21,837
Travel	22,374		218	22,592	13,002
Taxes			15,250	15,250	15,250
Bad debt expense	12,186		204,881	217,067	185,811
Miscellaneous	9,986		18,132	28,118	13,732
Total expenses	12,025,352	127,876	3,362,992	15,516,220	15,319,365
Less:					
Depreciation (portion deemed non-operating)			689,168	689,168	644,003
Total expenses per statement of activities	\$ 12,025,352	\$ 127,876	\$ 2,673,824	\$ 14,827,052	\$ 14,675,362

See notes to financial statements.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

**Statement of Functional Expenses
Year Ended April 30, 2018**

	Program Services	Supportive Services		Total
	Legal Education and Referral Services	Membership Recruitment	General and Administrative	
Salaries	\$ 5,503,279	\$ 74,832	\$ 1,486,973	\$ 7,065,084
Employee benefits and payroll taxes	<u>1,787,899</u>	<u>24,231</u>	<u>493,995</u>	<u>2,306,125</u>
Total salaries and related expenses	7,291,178	99,063	1,980,968	9,371,209
Occupancy	711,602	14,448	205,105	931,155
Depreciation	182,015		704,675	886,690
Library books	907,062			907,062
Office expenses	523,510	1,496	106,396	631,402
Meeting services expenses	492,128			492,128
Advertising and promotion	472,481	9,835		482,316
Professional services	280,508		3,429	283,937
Conference, conventions and meetings	363,288	7,184	9,376	379,848
Continuing legal education expenses	222,128			222,128
Insurance	158,232		34,654	192,886
Information technology	113,447		34,894	148,341
Accounting and legal fees			55,951	55,951
Interest			38,012	38,012
Donated legal services			46,668	46,668
Professional memberships and publications	19,155		2,682	21,837
Travel	12,977		25	13,002
Unrelated business and excise taxes			15,250	15,250
Bad debt expense	1,861		183,950	185,811
Miscellaneous	<u>8,371</u>		<u>5,361</u>	<u>13,732</u>
Total expenses	11,759,943	132,026	3,427,396	15,319,365
Less:				
Depreciation (portion deemed non-operating)			<u>644,003</u>	<u>644,003</u>
Total expenses per statement of activities	<u>\$ 11,759,943</u>	<u>\$ 132,026</u>	<u>\$ 2,783,393</u>	<u>\$ 14,675,362</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,	
	2019	2018
Cash flows from operating activities:		
Decrease in net assets	\$ (1,447,900)	\$ (1,414)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	918,891	886,690
Net unrealized and realized gains on investments	(245,240)	(967,100)
Bad debt expense	30,898	42,431
Changes in:		
Accounts receivable	45,754	(129,882)
Prepaid expenses	(1,120)	(12,141)
Accounts payable and accrued expenses	(114,087)	450,163
Dues received in advance	(22,057)	56,751
Accrued pension cost	286,342	(331,199)
Net cash used in operating activities	<u>(548,519)</u>	<u>(5,701)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	3,051,529	4,904,812
Purchases of investments	(2,534,373)	(4,390,466)
Additions to building and equipment	(124,648)	(510,573)
Net cash provided by investing activities	<u>392,508</u>	<u>3,773</u>
Cash flows from financing activities:		
Drawdown on line-of-credit		1,061,000
Repayment of line-of-credit	(100,000)	(600,000)
Net cash (used in) provided by financing activities	<u>(100,000)</u>	<u>461,000</u>
Change in cash and cash equivalents	(256,011)	459,072
Cash and cash equivalents - beginning of year	<u>1,203,107</u>	<u>744,035</u>
Cash and cash equivalents - end of year	<u>\$ 947,096</u>	<u>\$ 1,203,107</u>
Supplementary information:		
Excise and unrelated business income taxes paid	\$ 11,347	\$ 12,903
Interest paid	\$ 56,538	\$ 38,012
Donated services	\$ 37,548	\$ 46,668

See notes to financial statements.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2019 and 2018

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 Executive Committee, 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 Executive Committee 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 in the investment portfolio.

[5] Investments:

Investments in corporate stocks and mutual funds are reported at their published fair values as of fiscal year-end. Short-term investments consist of money market funds. The fair value of the limited liability companies have been estimated based on the respective 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 structures and nature of the underlying investments and the inherent uncertainty of the valuation of these 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 they are reported at a reasonable estimate of this 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, 2019 and 2018

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 and losses on investments sold, and unrealized appreciation and 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 restrictions. Realized gains and losses on investments are determined by comparison of the cost at time of acquisition to proceeds at the time of disposition. Distributions from the limited liability companies represent returns of contributed capital reduce the cumulative costs basis of the respective investment. Distributions received from the limited liability companies in excess of the Association's cumulative cost basis are recognized as realized gains. Unrealized gains and 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 Executive Committee 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 declines. 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.

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of April 30, 2019 and 2018 and, in the opinion of management, there was no impairment. 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 149 years ago. The Association's collection is held primarily for research and educational purposes. 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.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2019 and 2018

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

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

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 \$415,313 and \$450,119 for fiscal-years 2019 and 2018, 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, 2019 and 2018, the accrued vacation obligation was \$117,651 and \$100,668, respectively.

[9] 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 library net of investment portfolio funds used to purchase Bar Building

Within the category of net assets without donor restrictions are Executive Committee designated funds which had represented assets that the Executive Committee had reserved for particular purposes, including long-term investments and capital and technology improvements, as well as a quasi-endowment which was subject to use at the discretion of the Executive Committee.

During fiscal-year 2019, by action of the Executive Committee, the Association undesignated its board-designated funds which immediately became available for general operations.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2019 and 2018

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

[9] 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. 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 purpose restriction is accomplished, or funds are appropriated through an action of the Executive Committee, net assets with donor restrictions are reclassified to net assets without donor restriction and are reported in the statements of activities as "net assets released from restrictions."

[10] Revenue recognition:

(i) *Dues and admission fees:*

The Association receives dues from its members. Dues received for the current fiscal-year's membership are recognized as income in the current fiscal year. Dues received for a future fiscal-year's membership are deferred until that fiscal year. Admission fees are recorded as income upon the applicant's election to membership.

(ii) *Continuing Legal Education:*

The Association offers both in-person and online classes for the benefit of its members. Payments received for the current fiscal-year's classes are recognized as income in the current fiscal year, and the payments received for a future fiscal-year's class are deferred until that fiscal year. For a flat annual rate, firms can purchase unlimited classes for their attorneys. During fiscal-year 2019, unlimited access to all classes of four hours or less was offered to all members on a flat annual rate.

(iii) *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, 2019 and 2018, the value of contributed legal services recognized in the statements of activities was \$37,548 and \$46,668, respectively.

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.

(iv) *Contributions:*

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

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2019 and 2018

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

[11] 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 on a functional and natural classification 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. The expenses that are allocated include professional fees, occupancy, office expenses, advertising and promotion, conference, conventions and meetings, insurance and depreciation. Fund-raising costs are de minimis and therefore are not reflected.

[12] 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, committee dues funds and the change in pension liability due to the annual actuarial valuation are also considered non-operating.

[13] Income tax uncertainties:

The Association is subject to the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("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 certain of its publications. In both fiscal-years 2019 and 2018, respectively, the Association accrued approximately \$15,000, as a liability for the excise tax related to its activities and because of 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.

[14] Subsequent events:

The Association evaluated subsequent events through July 30, 2019, the date on which the financial statements were available to be issued.

[15] Adoption of accounting pronouncement:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, Presentation of Financial Statement of Not-for-Profit Entities. ASU 2016-14 amends financial-statement presentations and disclosures. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications; (ii) expense categorizations; and (iii) liquidity and the availability of resources. ASU 2016-14 was effective for annual report periods issued for years beginning after December 15, 2017. Accordingly, the Association was required to adopt ASU 2016-14 for its year-ended April 30, 2019, which under U.S. GAAP was a change in accounting principle requiring retroactive application in the financial statements of certain areas whereas certain other areas were adopted on a prospective basis. The Association's adoption of ASU 2016-14 had no effect on the Association's total net assets or its change in net assets for fiscal-years 2019 and 2018. Accordingly, the Association changed its presentation of its net asset classes, added statement of functional expenses, and expanded certain footnote disclosures.

[16] Reclassification:

Certain information in the fiscal-year 2018 financial statements has been reclassified to conform with the fiscal-year 2019 presentation.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2019 and 2018

NOTE B - ACCOUNTS RECEIVABLE

Accounts receivable are presented in the statements of financial position, net of an allowance for doubtful accounts of \$434,258 and \$465,156 at April 30, 2019 and 2018, respectively, and are due within the year.

NOTE C - INVESTMENTS

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

	<u>April 30,</u>	
	<u>2019</u>	<u>2018</u>
Money-market funds	\$ 276,523	\$ 34,525
Corporate stocks	551,683	708,279
Mutual funds:		
Equity funds	5,992,206	5,168,064
Fixed-income funds	2,116,155	3,250,129
Limited liability companies (a and b)	<u>1,415,479</u>	<u>1,462,965</u>
	<u>\$10,352,046</u>	<u>\$ 10,623,962</u>

- 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 2019 and 2018. 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.

In 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 ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2019 and 2018

NOTE C - INVESTMENTS (CONTINUED)

For each fiscal year, the investment return and its classification in the statements of activities were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
April 30, 2019:			
Dividends and interest	\$ 307,010	\$ 40,085	\$ 347,095
Net realized gains	307,065	37,236	344,301
Net unrealized losses	<u>(88,348)</u>	<u>(10,713)</u>	<u>(99,061)</u>
	525,727	66,608	592,335
Investment fees	<u>(32,564)</u>	<u>(3,949)</u>	<u>(36,513)</u>
Net investment income	<u>\$ 493,163</u>	<u>\$ 62,659</u>	<u>\$ 555,822</u>
April 30, 2018:			
Dividends and interest	\$ 313,723	\$ 39,943	\$ 353,666
Net realized gains	930,340	112,623	1,042,963
Net unrealized gains	<u>(67,671)</u>	<u>(8,192)</u>	<u>(75,863)</u>
	1,176,392	144,374	1,320,766
Investment fees	<u>(33,392)</u>	<u>(4,042)</u>	<u>(37,434)</u>
Net investment income	<u>\$ 1,143,000</u>	<u>\$ 140,332</u>	<u>\$ 1,283,332</u>

The FASB's 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 has no Level 2 investments.

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 has no Level 3 investments.

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

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2019 and 2018

NOTE C - INVESTMENTS (CONTINUED)

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. During fiscal-years 2019 and 2018, there were no transfers among the fair-value hierarchy levels.

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

April 30, 2019			
	Amounts within Fair- Value Hierarchy		
	Level 1	Valued at NAV	Total Investments
Money-market funds	\$ 276,523	\$ -	\$ 276,523
Corporate stocks	551,683	-	551,683
Mutual funds	8,108,361	-	8,108,361
Limited liability companies	-	1,415,479	1,415,479
	<u>\$ 8,936,567</u>	<u>\$1,415,479</u>	<u>\$10,352,046</u>

April 30, 2018			
	Amounts within Fair- Value Hierarchy		
	Level 1	Valued at NAV	Total Investments
Money-market funds	\$ 34,525	\$ -	\$ 34,525
Corporate stocks	708,279	-	708,279
Mutual funds	8,418,193	-	8,418,193
Limited liability companies	-	1,462,965	1,462,965
	<u>\$ 9,160,997</u>	<u>\$1,462,965</u>	<u>\$ 10,623,962</u>

At April 30, 2019, the Association had no unfunded commitments for its investments. The Association can redeem its interest in the limited liability companies on a monthly basis with 10 days' notice.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2019 and 2018

NOTE D - PROPERTY AND EQUIPMENT

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

	<u>April 30,</u>	
	<u>2019</u>	<u>2018</u>
Land	\$ 204,125	\$ 204,125
Building and building improvements (the House)	18,430,756	18,416,324
Second-floor condominium	4,355,820	4,355,820
Furniture and equipment	<u>1,670,525</u>	<u>1,560,309</u>
	24,661,226	24,536,578
Less accumulated depreciation	<u>(16,259,944)</u>	<u>(15,341,053)</u>
	<u>\$ 8,401,282</u>	<u>\$ 9,195,525</u>

NOTE E - RETIREMENT PLANS

[1] Defined-benefit pension plan:

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

	<u>Year Ended April 30,</u>	
	<u>2019</u>	<u>2018</u>
Change in benefit obligation:		
Projected benefit obligation at beginning of year	\$ 8,043,339	\$ 8,283,837
Interest cost	307,460	308,462
Benefits paid - including annuity purchases	(479,207)	(457,464)
Actuarial gain - including changes in assumptions	<u>270,882</u>	<u>(91,496)</u>
Benefit obligation at the end of year	<u>\$ 8,142,474</u>	<u>\$ 8,043,339</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 6,882,749	\$ 6,792,048
Actual returns on plan assets	292,000	548,165
Benefits paid	<u>(479,207)</u>	<u>(457,464)</u>
Fair value of plan assets at end of year	<u>\$ 6,695,542</u>	<u>\$ 6,882,749</u>

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2019 and 2018

NOTE E - RETIREMENT PLANS (CONTINUED)

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

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

	<u>Year Ended April 30,</u>	
	<u>2019</u>	<u>2018</u>
Actuarial present values of benefit obligations:		
Accumulated benefit obligation	\$ (8,142,474)	\$ (8,043,339)
Projected benefit obligation	\$ (8,142,474)	\$ (8,043,339)
Plan assets at fair value	<u>6,695,542</u>	<u>6,882,749</u>
Funded status (obligation in excess of assets)	<u>\$ (1,446,932)</u>	<u>\$ (1,160,590)</u>
Accrued pension cost recognized in statements of financial position	<u>\$ (1,446,932)</u>	<u>\$ (1,160,590)</u>

	<u>April 30,</u>	
	<u>2019</u>	<u>2018</u>
Weighted-average assumptions:		
Discount rate used for benefit cost	3.90%	3.84%
Discount rate used for projected benefit obligation	3.64%	3.90%
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	7.75%	7.75%
Net periodic pension income	\$ (84,374)	\$ (71,329)
Benefits paid	479,207	457,464

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, 2019 and 2018**

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>2019</u>	<u>2018</u>
Equity securities	66%	68%
Cash	4%	3%
Debt securities	<u>30%</u>	<u>29%</u>
	<u>100%</u>	<u>100%</u>

The Association does not expect to contribute to the plan during fiscal-year 2019. The following table illustrates the expected benefit payments over future fiscal years.

<u>Year Ending April 30,</u>	<u>Amount</u>
2020	\$ 523,590
2021	516,506
2022	522,009
2023	529,890
2024	543,245
2025 - 2029	2,608,145

[2] 401(k) plan:

In July 2004, the Association established a 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. The 3% match contributed by the Association in fiscal-years 2019 and 2018 was \$141,223 and \$150,221, respectively.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2019 and 2018

NOTE F - 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>
2020	\$ 80,583
2021	80,583
2022	79,384
2023	<u>19,672</u>
	<u>\$ 260,222</u>

[2] Union contracts:

Certain employees of the Association are members of local unions. During fiscal-year 2019, the Association had two union contracts in effect, which expire at December 31, 2019 and 2022, 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 G - LINE-OF-CREDIT

In November 2007, the Association opened a revolving credit line of \$2,000,000 held with the BNY Mellon, N.A., with interest to be calculated at a rate of 2% above LIBOR, which equated to 4.67% and 3.87% at April 30, 2019 and 2018, respectively. At April 30, 2019 and 2018, the balances owed by the Association were \$1,211,000 and \$1,311,000, respectively. During fiscal-years, 2019 and 2018, the Association repaid \$100,000 and \$600,000, respectively. The Association did not draw down on the line-of-credit during fiscal-year 2019. During fiscal-year 2018, the Association drew down on the line-of-credit in the amount of \$1,061,000. The line-of-credit is collateralized by the general assets of the Association.

NOTE H - RELATED-PARTY TRANSACTIONS

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. Additionally, the Association collects rent from the City Bar Fund for its usage of space within the Association's building. Rental income for fiscal-years 2019 and 2018 was \$352,956 and \$328,468, respectively. During fiscal-year 2018, the City Bar Fund contributed \$322,251 to the Association for the Judge Kaye room and cooling tower replacement.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2019 and 2018

NOTE I - 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 J - ACCOUNTING AND REPORTING FOR ENDOWMENT

[1] The endowment:

The Association's endowment consists of individual funds established for a variety of purposes, consisting of donor-restricted funds and funds designated by the Executive Committee to function as endowment.

[2] Return objectives and risk parameters:

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 Executive Committee, the endowment assets are invested with the long-term objective of earning a net return of at least the Consumer Price Index (the "CPI"), plus the spending rate of 4.75%. Actual returns in any given year may vary from this amount.

[3] 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.

[4] Spending policy and related objectives:

During fiscal-years 2019 and 2018, the Association had a policy of appropriating for distribution 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 Association considered the long-term expected return on its endowment. Accordingly, over the long term, the Association 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.

[5] Policy on underwater funds spending:

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

[6] 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, permanently restricted contribution. There were no such deficiencies in either fiscal-year 2019 or 2018.

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

**Notes to Financial Statements
April 30, 2019 and 2018**

NOTE J - ACCOUNTING AND REPORTING FOR ENDOWMENT (CONTINUED)

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

	April 30, 2019			
	Without Donor Restriction	Amounts Subject to Appropriation	Amounts Held In Perpetuity	Total
Endowment funds	\$ -	\$ 1,197,442	\$ 791,217	\$ 1,988,659

	April 30, 2018			
	Without Donor Restriction	Amounts Subject to Appropriation	Amounts Held In Perpetuity	Total
Endowment funds	\$ 2,823,813	\$ 1,207,806	\$ 791,217	\$ 4,822,836

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

	Year Ended April 30, 2019			
	Without Donor Restriction	Amounts Subject to Appropriation	Amounts Held In Perpetuity	Total
Endowment net assets and the earnings thereon, beginning of year	\$ 2,823,813	\$ 1,207,806	\$ 791,217	\$ 4,822,836
Investment return:				
Investment income, net	65,657	37,369		103,026
Net appreciation (realized and unrealized)	38,484	21,904		60,388
Total investment return	104,141	59,273		163,414
Other changes:				
Appropriation of endowment assets for expenditures	(122,337)	(69,637)		(191,974)
Released from board designation	(2,805,617)			(2,805,617)
Endowment net assets and the earnings thereon, end of year	\$ -	\$ 1,197,442	\$ 791,217	\$ 1,988,659

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

**Notes to Financial Statements
April 30, 2019 and 2018**

NOTE J - ACCOUNTING AND REPORTING FOR ENDOWMENT (CONTINUED)

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

	Year Ended April 30, 2018			Total
	Without Donor Restriction	Amounts Subject to Appropriation	Amounts Held In Perpetuity	
Endowment net assets and the earnings thereon, beginning of year	\$ 2,707,737	\$ 1,142,170	\$ 791,217	\$ 4,641,124
Investment return:				
Investment income, net	67,157	38,235		105,392
Net appreciation (realized and unrealized)	<u>171,099</u>	<u>97,411</u>		<u>268,510</u>
Total investment return	<u>238,256</u>	<u>135,646</u>		<u>373,902</u>
Other changes:				
Appropriation of endowment assets for expenditures	<u>(122,180)</u>	<u>(70,010)</u>		<u>(192,190)</u>
Endowment net assets and the earnings thereon, end of year	<u>\$ 2,823,813</u>	<u>\$ 1,207,806</u>	<u>\$ 791,217</u>	<u>\$ 4,822,836</u>

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS

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

	Year Ended April 30,	
	2019	2018
Purpose restricted:		
Scholarships for law students	\$ 328,326	\$ 279,587
Legal assistance to individuals	39,653	70,842
International and foreign law books	21,840	19,505
Improvement to library lounge	2,547	2,547
Other	75,559	74,850
Amounts subject to appropriation	<u>1,197,442</u>	<u>1,207,806</u>
	1,665,367	1,655,137
Perpetual in nature:		
Donor-restricted endowment funds	<u>791,217</u>	<u>791,217</u>
	<u>\$ 2,456,584</u>	<u>\$ 2,446,354</u>

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Notes to Financial Statements April 30, 2019 and 2018

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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>2019</u>	<u>2018</u>
Purpose restrictions satisfied:		
Legal assistance to individuals	\$ 60,000	\$ 60,000
Purchase of books for law library	39,011	38,979
International and foreign law books	<u>583</u>	<u>-</u>
	<u>\$ 99,594</u>	<u>\$ 98,979</u>

NOTE L - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Association's financial assets as of the statement as of April 30, 2019, reduced by amounts not available for general use within one year of contractual or donor-imposed restrictions or internal designations.

The Association's financial assets available for general use within one year of the statements of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$ 947,096
Accounts receivable, net	757,312
Investments	<u>10,352,046</u>
Total financial assets available within one year	<u>12,056,454</u>
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Collateral for line-of-credit	(1,211,000)
Restricted by donors that are:	
Purpose restricted	(1,665,367)
Perpetual in nature	<u>(791,217)</u>
Total amounts unavailable for general expenditure within one year	<u>(3,667,584)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,388,870</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 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.