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THE HUDSON RIVER MUSEUM OF WESTCHESTER

Audited Financial Statements

June 30, 2008

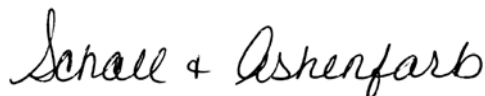
REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
The Hudson River Museum of Westchester

We have audited the accompanying statement of financial position of The Hudson River Museum of Westchester ("the Museum") as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Museum's June 30, 2007 financial statements and, in our report dated December 10, 2007 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Hudson River Museum of Westchester as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Schall & Ashenfarb
Certified Public Accountants, LLC

January 22, 2009

THE HUDSON RIVER MUSEUM OF WESTCHESTER
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2008

(With comparative totals for June 30, 2007)

	<u>6/30/08</u>	<u>6/30/07</u>
Assets		
Cash and cash equivalents (Notes 1c and 1d)	\$478,462	\$341,453
Investments (Notes 1e and 4)	2,859,757	3,442,342
Pledges receivable (Notes 1f and 5)	221,730	297,223
Government grants receivable	211,678	174,690
Accounts receivable	25,334	29,437
Prepaid expenses and other current assets	121,575	164,256
Inventory	29,844	21,219
Fixed assets, at cost (net of accumulated depreciation) (Notes 1h and 6)	<u>850,613</u>	<u>532,702</u>
 Total assets	 <u><u>\$4,798,993</u></u>	 <u><u>\$5,003,322</u></u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$326,393	\$222,324
Accrued compensation and vacation	158,350	154,721
Loans payable (Note 7)	165,923	295,520
Government grant advances (Note 1i)	<u>237,852</u>	<u>211,506</u>
 Total liabilities	 <u>888,518</u>	 <u>884,071</u>
Net assets: (Note 1j)		
Unrestricted	2,673,113	2,715,102
Temporarily restricted (Note 2)	448,171	614,958
Permanently restricted (Note 3)	<u>789,191</u>	<u>789,191</u>
 Total net assets	 <u>3,910,475</u>	 <u>4,119,251</u>
 Total liabilities and net assets	 <u><u>\$4,798,993</u></u>	 <u><u>\$5,003,322</u></u>

The attached notes and auditors' report are an integral part of these financial statements.

THE HUDSON RIVER MUSEUM OF WESTCHESTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008
(With comparative totals for the year ended June 30, 2007)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 6/30/08</u>	<u>Total 6/30/07</u>
Revenue and public support:					
Government grants (including in-kind rent) (Note 1k)	\$2,315,000			\$2,315,000	\$1,966,033
Contributions	507,753	\$30,000		537,753	559,444
Special events revenue (net of direct benefits to donors of \$91,686)	254,974			254,974	257,297
Admissions	130,001			130,001	122,716
Membership	33,757			33,757	31,750
Auxiliary activities	69,156			69,156	28,528
Interest and dividends	128,838			128,838	115,812
	<u>3,439,479</u>	<u>30,000</u>	<u>0</u>	<u>3,469,479</u>	<u>3,081,580</u>
Net assets released from restrictions:					
Satisfaction of time and program restrictions	196,787	(196,787)		0	0
Total revenue and public support	<u>3,636,266</u>	<u>(166,787)</u>	<u>0</u>	<u>3,469,479</u>	<u>3,081,580</u>
Expenses:					
Program services	2,647,528			2,647,528	2,507,483
Supporting services:					
Management and general	578,229			578,229	618,219
Fundraising	293,325			293,325	280,755
Total supporting services	<u>871,554</u>	<u>0</u>	<u>0</u>	<u>871,554</u>	<u>898,974</u>
Total expenses	<u>3,519,082</u>	<u>0</u>	<u>0</u>	<u>3,519,082</u>	<u>3,406,457</u>
Change in net assets from operations	117,184	(166,787)	0	(49,603)	(324,877)
Non-operating activities: investment gains/losses	(159,173)			(159,173)	342,644
Change in net assets	(41,989)	(166,787)	0	(208,776)	17,767
Prior period adjustment				0	(454,088)
Net assets - beginning of year	<u>2,715,102</u>	<u>614,958</u>	<u>789,191</u>	<u>4,119,251</u>	<u>4,555,572</u>
Net assets - end of year	<u>\$2,673,113</u>	<u>\$448,171</u>	<u>\$789,191</u>	<u>\$3,910,475</u>	<u>\$4,119,251</u>

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THE HUDSON RIVER MUSEUM OF WESTCHESTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008
(With comparative totals for the year ended June 30, 2007)

	Program Services							Supporting Services			Total Expenses 6/30/08	Total Expenses 6/30/07	
	Exhibition and Curatorial	Planetarium	Education	Other Programs	Maintenance	Security	Auxiliary Services	Total	Management and General	Fundraising			Total
Salaries	\$374,339	\$56,501	\$368,909	\$304,313	\$36,267	\$34,119		\$1,174,448	\$163,706	\$132,192	\$295,898	\$1,470,346	\$1,427,647
Payroll taxes and benefits	83,903	12,664	82,686	69,117	8,129	7,647		264,146	35,783	29,629	65,412	329,558	343,361
Rent (including in-kind - Note 1k)	157,460	21,398	139,808	117,047	13,764	12,928		462,405	62,076	50,039	112,115	574,520	571,370
Professional fees	23,200	6,425	64,290	113,415	2,576	14,087	\$78	224,071	37,392	33,947	71,339	295,410	207,447
Travel	1,749	925	22,417	3,475	70		516	29,152	11,679	2,082	13,761	42,913	48,211
Supplies	5,035	2,407	42,837	4,585	27,945	793	623	84,225	10,988	300	11,288	95,513	81,811
Repairs and maintenance	1,637	210	1,346	10,844	39,450	15,494	2,837	71,818	14,016	743	14,759	86,577	179,565
Telephone					183			183	15,165		15,165	15,348	20,399
Printing	4,961		4,184	8,339			1,961	19,445	22,836	20,745	43,581	63,026	77,667
Postage and shipping	19,045	102	1,951	2,954	597	20	1,364	26,033	21,461	6,472	27,933	53,966	51,270
Exhibits	192,915			990	57			193,962			0	193,962	119,867
Insurance	9,718							9,718	37,213		37,213	46,931	50,463
Indirect special event								0		12,900	12,900	12,900	12,253
Advertising	2,338							2,338	44,042	1,000	45,042	47,380	40,130
Dues and subscriptions	234	218	165					617	9,430	1,381	10,811	11,428	10,321
Interest and bank fees				88			(15)	73	62,283		62,283	62,356	68,795
Other	7,141	586	1,683	68	2,570		1,283	13,331	12,293	1,895	14,188	27,519	18,888
Total expenses before depreciation and amortization	883,675	101,436	730,276	635,235	131,608	85,088	8,647	2,575,965	560,363	293,325	853,688	3,429,653	3,329,465
Depreciation and amortization				71,563				71,563	17,866		17,866	89,429	76,992
Total expenses	<u>\$883,675</u>	<u>\$101,436</u>	<u>\$730,276</u>	<u>\$706,798</u>	<u>\$131,608</u>	<u>\$85,088</u>	<u>\$8,647</u>	<u>\$2,647,528</u>	<u>\$578,229</u>	<u>\$293,325</u>	<u>\$871,554</u>	<u>\$3,519,082</u>	<u>\$3,406,457</u>

The attached notes and auditors' report are an integral part of these financial statements.

THE HUDSON RIVER MUSEUM OF WESTCHESTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008
(With comparative totals for the year ended June 30, 2007)

	<u>6/30/08</u>	<u>6/30/07</u>
Cash flows from operating activities:		
Change in net assets	(\$208,776)	\$17,767
Adjustments to reconcile changes in net assets to net cash provided by/(used for) operating activities:		
Depreciation and amortization	89,429	76,992
Realized gain on investments	(190,245)	(209,483)
Unrealized gain/loss on investments	349,418	(133,161)
(Increase)/decrease in:		
Pledges receivable	75,493	65,822
Government grants receivable	(36,988)	(38,998)
Accounts receivable	4,103	(18,397)
Prepaid expenses and other current assets	42,681	(61,518)
Inventory	(8,625)	(10,213)
Increase/(decrease) in:		
Accounts payable and accrued expenses	104,069	82,361
Accrued compensation and vacation	3,629	16,698
Government grant advances	26,346	211,506
Deferred income	0	(3,476)
Total adjustments	<u>459,310</u>	<u>(21,867)</u>
Net cash provided by/(used for) operating activities	<u>250,534</u>	<u>(4,100)</u>
Cash flows from investing activities:		
Acquisition of property, equipment and leasehold improvements	(407,340)	(253,081)
Sale of investments	2,165,594	2,820,974
Purchase of investments	<u>(1,742,182)</u>	<u>(2,344,181)</u>
Net cash provided by investing activities	<u>16,072</u>	<u>223,712</u>
Cash flows from financing activities:		
Repayments from loan payable	(308,000)	0
Proceeds from loan payable	<u>178,403</u>	<u>21,076</u>
Net cash (used for)/provided by financing activities	<u>(129,597)</u>	<u>21,076</u>
Net increase in cash and cash equivalents	137,009	240,688
Cash and cash equivalents - beginning of year	<u>341,453</u>	<u>100,765</u>
Cash and cash equivalents - end of year	<u>\$478,462</u>	<u>\$341,453</u>
Supplemental data:		
Interest paid - \$16,403		
Taxes paid - \$0		

The attached notes and auditors' report are an integral part of these financial statements.

THE HUDSON RIVER MUSEUM OF WESTCHESTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Note 1 - Organization and Summary of Significant Accounting Policies

a. Organization

The Hudson River Museum of Westchester ("the Museum") operates a museum in Yonkers, New York, providing cultural and education activities to the residents of the community.

The Museum is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

b. Basis of Accounting

The financial statements are presented on the accrual basis of accounting. Revenue is recognized when earned. Expenses are recognized when incurred.

c. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Museum considers all highly liquid investments purchased with initial maturities of three months or less to be cash and cash equivalents excluding those held in investment accounts.

d. Concentration of Credit Risk

The Museum deposits money with credit worthy institutions that are insured with the Federal Deposit Insurance Corporation which at the year-end date limited the amount of coverage to \$100,000 in aggregate. Subsequently, insurance levels have been raised to \$250,000. From time to time, amounts may exceed insured levels. At June 30, 2008, the Museum had uninsured balances totaling \$73,465.

e. Investments

The Museum follows Statement of Financial Accounting Standards (SFAS) No. 124, which requires organizations to carry investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values. Realized and unrealized gains and losses are included in the change in net assets as non-operating activities in the accompanying statement of activities. Donated stocks are recorded at fair market value on the date of donation.

f. Pledges Receivable

Unconditional promises to give that are due in more than one year are discounted. Those that are due within one year are reported at the net realizable value. Based on historical trends, management feels that all pledges are collectable and has not established a reserve for uncollectible amounts.

g. Inventory

Inventory consists of items held for resale in the Museum's gift shop and has been valued at the lower of cost (first-in, first-out method) or market.

h. Fixed Assets

Property, equipment and leasehold improvements that are purchased and have a useful life greater than one year are capitalized at cost. Depreciation and amortization expense is provided on a straight-line basis over the estimated lives of the assets.

i. Government Grants

Government grants are treated as exchange transactions because they do not meet the definition of contributions. Grant funds received are recorded as advances until they have been earned, at which time they are recognized as revenue.

j. Financial Statement Presentation

The Museum presents its financial statements in accordance with SFAS No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

- *Unrestricted net assets* – represents all activity without donor imposed restrictions as to their use.
- *Temporarily restricted net assets* – accounts for activity based on specific donor restrictions that are expected to be satisfied by passage of time or performance of activities.
- *Permanently restricted net assets* – accounts for activity restricted by donors that must remain intact in perpetuity.

k. In-Kind Contributions

Under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, organizations are required to recognize contributions of services that either enhance non-financial assets or require specialized skills, are performed by persons possessing those skills and would have been purchased if not donated. Many individuals volunteer their time and perform a variety of tasks that assist the Museum; however, these volunteer services have not been recognized in the financial statements as they do not meet the criteria outlined above.

The Museum leases the land and building in which it operates from the City of Yonkers for \$1 per year. The cost of using these facilities, estimated at \$557,230, has been recorded as an in-kind donation and related expense on the statement of activities.

l. Contributions

The Museum reports contributions received in accordance with SFAS No. 116. Contributions are recorded as revenue upon the receipt of the earlier of either cash (or other assets) or an unconditional promise to give.

Support that is restricted by the donor is reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

m. Advertising

Advertising costs are charged to operations when the advertising first takes place. Advertising expense for the year ended June 30, 2008 was \$47,380.

n. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

o. Art Collection

In accordance with SFAS No. 116, the Museum has not capitalized their art collections since they are held for public exhibition rather than financial gain. Proceeds from the sale of any collection items are required to be used to acquire other items for collection.

p. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

Note 2 - Temporarily Restricted Net Assets

Temporarily restricted net assets and activity consist of:

	Net Assets <u>7/1/07</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Net Assets <u>6/30/08</u>
Program restrictions:				
Capital Campaign	\$280,091		(\$114,812)	\$165,279
Photography Program	7,500	\$25,000	(14,275)	18,225
Junior Docents Program	15,000		(15,000)	0
Patterns & Decorations	7,700		(7,700)	0
Building Books	25,000		(25,000)	0
I Want Candy	15,000		(15,000)	0
Seniors & the Arts	0	5,000		5,000
Plant Fund	113,274			113,274
Other programs	<u>151,393</u>		<u>(5,000)</u>	<u>146,393</u>
Total	<u>\$614,958</u>	<u>\$30,000</u>	<u>(\$196,787)</u>	<u>\$448,171</u>

Note 3 - Permanently Restricted Net Assets

At June 30, 2008, permanently restricted net assets consist of the following:

Lifflander Endowment	\$100,000
Hearst Endowment	200,000
Delany Sisters Endowment	70,000
Capital Campaign Endowment	<u>419,191</u>
Total	<u>\$789,191</u>

Note 4 - Investments

Investments at year end consisted of the following:

	<u>Market</u>	<u>Cost</u>
Money funds	\$152,570	\$152,570
Equities	1,743,017	1,740,512
Government securities	675,224	661,354
Corporate bonds	100,148	99,141
Mutual funds	<u>188,798</u>	<u>176,361</u>
Total	<u>\$2,859,757</u>	<u>\$2,829,938</u>

Investment return is summarized as follows:

Unrealized loss on investments	(\$349,418)
Realized gains on investments	<u>190,245</u>
Total	<u>(\$159,173)</u>

Note 5 - Pledges Receivable

Pledges receivable are due as follows:

Year ended:	June 30, 2009	\$179,383
	June 30, 2010	21,000
	June 30, 2011	11,000
	June 30, 2012	6,000
	June 30, 2013	<u>6,000</u>
		223,383
Less: discount to present value (2%)		<u>(1,653)</u>
Total		<u>\$221,730</u>

Note 6 - Property and Equipment

Property and equipment consist of the following:

Leasehold improvements (10 years)	\$915,425
Other equipment (3-10 years)	<u>168,769</u>
	1,084,194
Less: accumulated depreciation and amortization	<u>(233,581)</u>
Total	<u>\$850,613</u>

Note 7 - Loans Payable

The Museum has a revolving line of credit with Merrill Lynch, with a variable interest rate which at June 30, 2008 was 7.5%. The line of credit is collateralized by a portion of the Museum's investments. The outstanding balance as of June 30, 2008 was \$165,923.

Note 8 - Employee Benefits

The Museum sponsors a tax deferred annuity plan under IRS section 403(b) of the Internal Revenue Code for all full time employees. Benefit expense for the year ended June 30, 2008 was \$46,266.

Note 9 - Subsequent Event - Change in Market Value of Investments

Subsequent to June 30, 2008, volatility experienced in the financial market has resulted in a significant decline in the market value of certain investments.