



IRA L. SCHALL, CPA
DAVID C. ASHENFARB, CPA

THE HUDSON RIVER MUSEUM OF WESTCHESTER

Audited Financial Statements

June 30, 2009

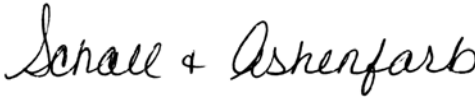
REPORT OF INDEPENDENT AUDITORS

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, 2009, 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, 2008 financial statements and, in our report dated January 22, 2009 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, 2009, 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 14, 2010

THE HUDSON RIVER MUSEUM OF WESTCHESTER
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2009

(With comparative totals for June 30, 2008)

	<u>6/30/09</u>	<u>6/30/08</u>
Assets		
Cash and cash equivalents (Notes 1d and 1e)	\$297,189	\$478,462
Investments (Notes 1f and 4)	2,260,034	2,859,757
Pledges receivable (Notes 1g and 5)	200,442	221,730
Government grants receivable	182,148	211,678
Accounts receivable	21,855	25,334
Prepaid expenses and other current assets	159,855	121,575
Inventory	36,343	29,844
Fixed assets, at cost (net of accumulated depreciation) (Notes 1h and 6)	<u>851,800</u>	<u>850,613</u>
 Total assets	 <u><u>\$4,009,666</u></u>	 <u><u>\$4,798,993</u></u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$281,644	\$326,393
Accrued compensation and vacation	133,081	158,350
Loans payable (Note 7)	172,129	165,923
Government grant advances (Note 1c)	<u>217,852</u>	<u>237,852</u>
 Total liabilities	 <u>804,706</u>	 <u>888,518</u>
Net assets: (Note 1b)		
Unrestricted	1,991,495	2,673,113
Temporarily restricted (Note 2)	424,274	448,171
Permanently restricted (Note 3)	<u>789,191</u>	<u>789,191</u>
 Total net assets	 <u>3,204,960</u>	 <u>3,910,475</u>
 Total liabilities and net assets	 <u><u>\$4,009,666</u></u>	 <u><u>\$4,798,993</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, 2009
(With comparative totals for the year ended June 30, 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 6/30/09</u>	<u>Total 6/30/08</u>
Revenue and public support:					
Government grants (including in-kind rent) (Notes 1c and 1j)	\$2,090,418			\$2,090,418	\$2,315,000
Contributions	279,204	\$258,212		537,416	537,753
Special events revenue (net of direct benefits to donors of \$66,756)	197,655			197,655	254,974
Admissions	130,438			130,438	130,001
Membership	30,868			30,868	33,757
Auxiliary activities	42,030			42,030	69,156
Interest and dividends	96,395			96,395	128,838
	<u>2,867,008</u>	<u>258,212</u>	<u>0</u>	<u>3,125,220</u>	<u>3,469,479</u>
Net assets released from restrictions:					
Satisfaction of time and program restrictions	282,109	(282,109)		0	0
Total revenue and public support	<u>3,149,117</u>	<u>(23,897)</u>	<u>0</u>	<u>3,125,220</u>	<u>3,469,479</u>
Expenses:					
Program services	2,578,128			2,578,128	2,647,528
Supporting services:					
Management and general	535,762			535,762	578,229
Fundraising	199,433			199,433	293,325
Total supporting services	<u>735,195</u>	<u>0</u>	<u>0</u>	<u>735,195</u>	<u>871,554</u>
Total expenses	<u>3,313,323</u>	<u>0</u>	<u>0</u>	<u>3,313,323</u>	<u>3,519,082</u>
Change in net assets from operations	(164,206)	(23,897)	0	(188,103)	(49,603)
Non-operating activities:					
Investment gains/(losses)	(517,412)			(517,412)	(159,173)
Change in net assets	(681,618)	(23,897)	0	(705,515)	(208,776)
Net assets - beginning 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>
Net assets - end of year	<u>\$1,991,495</u>	<u>\$424,274</u>	<u>\$789,191</u>	<u>\$3,204,960</u>	<u>\$3,910,475</u>

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

THE HUDSON RIVER MUSEUM OF WESTCHESTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009
(With comparative totals for the year ended June 30, 2008)

	Program Services							Supporting Services			Total Expenses 6/30/09	Total Expenses 6/30/08	
	Exhibition and Curatorial	Planetarium	Education	Public Programs	Maintenance	Security	Auxiliary Services	Total	Management and General	Fundraising			Total
Salaries	\$336,014	\$58,205	\$353,856	\$286,032	\$34,053	\$37,324		\$1,105,484	\$165,331	\$123,882	\$289,213	\$1,394,697	\$1,470,346
Payroll taxes and benefits	68,500	11,866	72,137	58,310	6,942	7,609		225,364	32,090	25,255	57,345	282,709	329,558
Rent (including in-kind - Note 1j)	234,424	26,190	54,051	135,321	101		\$76,341	526,428	41,235	8,916	50,151	576,579	574,520
Professional fees	71,975	13,772	56,096	153,826	3,222	4,049		302,940	38,098	12,475	50,573	353,513	295,410
Travel	2,054	2,923	21,680	4,617	10		50	31,334	7,405	1,570	8,975	40,309	42,913
Supplies	4,630	3,062	14,746	7,251	24,339	658	1,213	55,899	10,998	2,524	13,522	69,421	95,513
Repairs and maintenance	1,761	2,253	760	2,732	38,120	9,268	1,905	56,799	15,174		15,174	71,973	86,577
Telephone								0	10,581	30	10,611	10,611	15,348
Printing	8,808	487	4,867	3,834			30	18,026	25,731	12,775	38,506	56,532	63,026
Postage and shipping	17,147	251	1,560	1,065	886	43	1,332	22,284	23,587	2,923	26,510	48,794	53,966
Exhibits	98,171		15,773					113,944			0	113,944	193,962
Insurance	7,908							7,908	48,539		48,539	56,447	46,931
Indirect special event								0		5,387	5,387	5,387	12,900
Advertising	4,744							4,744	18,129	1,000	19,129	23,873	47,380
Dues and subscriptions	334	218	240					792	10,819	1,353	12,172	12,964	11,428
Interest and bank fees								0	46,514		46,514	46,514	62,356
Other	5,416	604	3,245	407	3,723		194	13,589	24,687	1,343	26,030	39,619	27,519
Total expenses before depreciation and amortization	861,886	119,831	599,011	653,395	111,396	58,951	81,065	2,485,535	518,918	199,433	718,351	3,203,886	3,429,653
Depreciation and amortization				92,593				92,593	16,844		16,844	109,437	89,429
Total expenses	<u>\$861,886</u>	<u>\$119,831</u>	<u>\$599,011</u>	<u>\$745,988</u>	<u>\$111,396</u>	<u>\$58,951</u>	<u>\$81,065</u>	<u>\$2,578,128</u>	<u>\$535,762</u>	<u>\$199,433</u>	<u>\$735,195</u>	<u>\$3,313,323</u>	<u>\$3,519,082</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, 2009
(With comparative totals for the year ended June 30, 2008)

	<u>6/30/09</u>	<u>6/30/08</u>
Cash flows from operating activities:		
Change in net assets	(\$705,515)	(\$208,776)
Adjustments to reconcile changes in net assets to net cash provided by/(used for) operating activities:		
Depreciation and amortization	109,437	89,429
Realized loss/(gain) on investments	398,034	(190,245)
Unrealized loss on investments	119,378	349,418
(Increase)/decrease in:		
Pledges receivable	21,288	75,493
Government grants receivable	29,530	(36,988)
Accounts receivable	3,479	4,103
Prepaid expenses and other current assets	(38,280)	42,681
Inventory	(6,499)	(8,625)
Increase/(decrease) in:		
Accounts payable and accrued expenses	(44,749)	104,069
Accrued compensation and vacation	(25,269)	3,629
Government grant advances	(20,000)	26,346
Total adjustments	<u>546,349</u>	<u>459,310</u>
Net cash (used for)/provided by operating activities	<u>(159,166)</u>	<u>250,534</u>
Cash flows from investing activities:		
Acquisition of property, equipment and leasehold improvements	(110,624)	(407,340)
Sale of investments	1,899,972	2,165,594
Purchase of investments	<u>(1,817,661)</u>	<u>(1,742,182)</u>
Net cash (used for)/provided by investing activities	<u>(28,313)</u>	<u>16,072</u>
Cash flows from financing activities:		
Repayments from loan payable	0	(308,000)
Proceeds from loan payable	<u>6,206</u>	<u>178,403</u>
Net cash provided by/(used for) financing activities	<u>6,206</u>	<u>(129,597)</u>
Net (decrease)/increase in cash and cash equivalents	(181,273)	137,009
Cash and cash equivalents - beginning of year	<u>478,462</u>	<u>341,453</u>
Cash and cash equivalents - end of year	<u><u>\$297,189</u></u>	<u><u>\$478,462</u></u>
Supplemental data:		
Interest paid - \$6,206		
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, 2009

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 and Financial Statement Presentation

The financial statements of the Museum have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Revenue is recorded when earned and expenses are recognized when incurred.

The Museum reports information regarding its financial position and activities according to the following classes of net assets:

- *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.

c. Revenue Recognition

The Museum reports contributions at the time a pledge becomes unconditional in nature. Contributions that are restricted by the donor are 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. However, when a restriction is met in the period the contribution is received, it is recorded as unrestricted.

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.

d. 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.

e. Concentration of Credit Risk

Financial instruments which potentially subject the Museum to concentration of credit risk consist of cash, money market accounts and investment securities. The Museum places its temporary cash and money market accounts with financial institutions that they deem to be credit-worthy, which at times, may exceed federally insured limits. At year end, the Museum did not have any uninsured balances, nor have they experienced any losses.

f. Investments

Securities are reflected at fair market value. Realized and unrealized gains and losses are reflected in the statement of activities.

The Museum adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 (originally issued as FASB Statement No. 157). Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

g. Pledges Receivable

Pledges that are due in more than one year are discounted using a risk free rate of return. Pledges due within one year are reported at their net realizable value. Based on historical trends, management feels that all pledges are collectable and has not established a reserve for uncollectible amounts.

h. 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.

i. 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.

j. In-Kind Contributions

The Museum recognizes contributions of services that either a) create or enhance non-financial assets or b) require specialized skills, are performed by those who possess 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.

k. Advertising

Advertising costs are charged to operations when the advertising first takes place. Advertising expense for the year ended June 30, 2009 was \$23,873.

l. 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. Actual results could differ from those estimates.

m. Art Collection

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.

n. 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, 2008, from which the summarized information was derived.

o. Accounting for Uncertainty of Income Taxes

The FASB issued FASB Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken on a tax return. In addition, FIN 48 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The effective date of applying FIN 48 has been postponed until December 31, 2009. The Museum has elected to defer the application of FIN 48 and the effects have yet to be determined.

Note 2 - Temporarily Restricted Net Assets

Temporarily restricted net assets and activity consist of:

	Net Assets <u>7/1/08</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Net Assets <u>6/30/09</u>
Program restrictions:				
Capital Campaign	\$165,279	\$175,000	(\$238,258)	\$102,021
Photography Program	18,225		(18,225)	0
Junior Docents Program		25,000		25,000
Dutch New York		19,500		19,500
Hudson Riverama		10,000		10,000
Stevonich Exhibition		24,712	(20,626)	4,086
Seniors & the Arts	5,000		(5,000)	0
Plant Fund	113,274			113,274
Other programs	<u>146,393</u>	<u>4,000</u>		<u>150,393</u>
Total	<u>\$448,171</u>	<u>\$258,212</u>	<u>(\$282,109)</u>	<u>\$424,274</u>

Note 3 - Permanently Restricted Net Assets

At June 30, 2009, 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>

In August 2008, the FASB issued FASB Staff Position No. 117-1, *Endowment of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* ("FSP FAS 117-1") which, among other things, provides guidance in the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and requires additional disclosures about an organization's endowment funds for organizations that have not adopted UPMIFA. The State of New York has not yet adopted UPMIFA; however, the following disclosures are required:

The Museum's endowment includes four specific endowment funds to be held indefinitely. The income from these investments can be used to support the Museum's general activities. Additionally, the endowment includes funds designated by the Board of Directors to be retained for future appropriation. The Museum has elected to pool both permanently restricted and board-designated investments.

Interpretation of Relevant Law

The Board of Directors of the Museum has interpreted State Law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Absent any specific donor-stipulations, the remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets. The Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Museum and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) The investment policies of the Museum

Changes in endowment net assets for the year ended June 30, 2009:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	\$2,070,566	\$789,191	\$2,859,757
Investment return – investment income	94,189	0	94,189
Realized loss on investments	(398,034)	0	(398,034)
Unrealized loss on investments	(119,378)	0	(119,378)
Net transfers to fund	<u>(176,500)</u>	<u>0</u>	<u>(176,500)</u>
Endowment net assets, end of year	<u>\$1,470,843</u>	<u>\$789,191</u>	<u>\$2,260,034</u>

Endowment net asset composition by type of fund as of June 30, 2009:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	(\$80,829)	\$789,191	\$708,362
Unrestricted	<u>1,551,672</u>	<u>0</u>	<u>1,551,672</u>
	<u>\$1,470,843</u>	<u>\$789,191</u>	<u>\$2,260,034</u>

Return Objectives and Risk Parameters

The policy is to accumulate interest, dividends and other market value gains for future appropriation.

Note 4 - Investments

ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available observable inputs are those that market participants would use in pricing the securities based on market data obtained from sources independent of the Museum. Unobservable inputs reflect the Museum's assumptions about the inputs that market participants would use in pricing the security developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Museum has the ability to access.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

	<u>Market</u>	<u>Level 1</u>	<u>Level 2</u>
Money funds	\$109,843	\$109,843	\$0
Equities	1,207,931	1,207,931	0
Government securities	667,796	0	667,796
Corporate bonds	127,472	0	127,472
Mutual funds	<u>146,992</u>	<u>146,992</u>	<u>0</u>
Total	<u>\$2,260,034</u>	<u>\$1,464,766</u>	<u>\$795,268</u>

Investment return is summarized as follows:

Unrealized loss on investments	(\$119,378)
Realized loss on investments	<u>(398,034)</u>
Total	<u>(\$517,412)</u>

Note 5 - Pledges Receivable

Pledges receivable are due as follows:

Year ended: June 30, 2010	\$179,095
June 30, 2011	11,000
June 30, 2012	6,000
June 30, 2013	<u>6,000</u>
	202,095
Less: discount to present value (2%)	<u>(1,653)</u>
Total	<u>\$200,442</u>

Note 6 - Property and Equipment

Property and equipment consist of the following:

Leasehold improvements (10 years)	\$1,021,925
Other equipment (3-10 years)	<u>172,893</u>
	1,194,818
Less: accumulated depreciation and amortization	<u>(343,018)</u>
Total	<u>\$851,800</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, 2009 was 2.35%. The line of credit is collateralized by a portion of the Museum's investments. The outstanding balance as of June 30, 2009 was \$172,129.

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, 2009 was \$44,898.