



Audited Financial Statements

June 30, 2018

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Hudson River Museum of Westchester (the "Museum"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

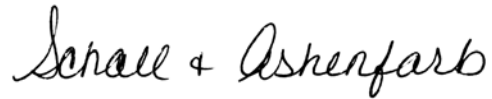
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Hudson River Museum of Westchester as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Museum's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 9, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

December 5, 2018

THE HUDSON RIVER MUSEUM OF WESTCHESTER
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2018
(With comparative totals at June 30, 2017)

	<u>6/30/18</u>	<u>6/30/17</u>
Assets		
Cash and cash equivalents	\$827,173	\$188,037
Investments (Note 2)	2,491,941	2,515,527
Pledges receivable, net	113,370	89,353
Government grants receivable	180,347	158,726
Prepaid expenses and other current assets	61,942	77,267
Inventory	24,916	26,177
Property and equipment, at cost (net of accumulated depreciation) (Note 3)	<u>156,103</u>	<u>222,555</u>
 Total assets	 <u><u>\$3,855,792</u></u>	 <u><u>\$3,277,642</u></u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$214,460	\$201,497
Accrued compensation and vacation	96,371	114,354
Deferred revenue	20,000	0
Loans payable (Note 4)	<u>990,661</u>	<u>810,822</u>
 Total liabilities	 <u>1,321,492</u>	 <u>1,126,673</u>
Net assets:		
Unrestricted	598,142	289,067
Temporarily restricted (Note 5)	550,142	475,886
Permanently restricted (Note 6)	<u>1,386,016</u>	<u>1,386,016</u>
 Total net assets	 <u>2,534,300</u>	 <u>2,150,969</u>
 Total liabilities and net assets	 <u><u>\$3,855,792</u></u>	 <u><u>\$3,277,642</u></u>

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

THE HUDSON RIVER MUSEUM OF WESTCHESTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(With comparative totals for the year ended June 30, 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 6/30/18</u>	<u>Total 6/30/17</u>
Revenue and public support:					
Government grants (including in-kind rent)	\$1,892,589			\$1,892,589	\$1,905,662
Contributions	857,147	\$50,000		907,147	424,552
Special events revenue (net of expenses with a direct benefit to donors of \$33,837)	223,633			223,633	183,583
Admissions	169,069			169,069	165,072
Membership	53,798			53,798	50,341
Auxiliary activities	56,011			56,011	98,292
Interest, dividends and other income	40,098	19,751		59,849	58,838
	<u>3,292,345</u>	<u>69,751</u>	<u>0</u>	<u>3,362,096</u>	<u>2,886,340</u>
Net assets released from restrictions:					
Satisfaction of time and program restrictions	97,437	(97,437)		0	0
Total revenue and public support	<u>3,389,782</u>	<u>(27,686)</u>	<u>0</u>	<u>3,362,096</u>	<u>2,886,340</u>
Expenses:					
Program services	2,386,407			2,386,407	2,501,339
Supporting services:					
Management and general	512,155			512,155	421,626
Fundraising	217,932			217,932	208,092
Total supporting services	<u>730,087</u>	<u>0</u>	<u>0</u>	<u>730,087</u>	<u>629,718</u>
Total expenses	<u>3,116,494</u>	<u>0</u>	<u>0</u>	<u>3,116,494</u>	<u>3,131,057</u>
Change in net assets from operations	273,288	(27,686)	0	245,602	(244,717)
Non-operating activities:					
Investment gains	35,787	101,942		137,729	215,738
Change in net assets	309,075	74,256	0	383,331	(28,979)
Net assets - beginning of year	<u>289,067</u>	<u>475,886</u>	<u>1,386,016</u>	<u>2,150,969</u>	<u>2,179,948</u>
Net assets - end of year	<u>\$598,142</u>	<u>\$550,142</u>	<u>\$1,386,016</u>	<u>\$2,534,300</u>	<u>\$2,150,969</u>

The attached notes and auditor's 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, 2018
(With comparative totals for the year ended June 30, 2017)

	Program Services								Supporting Services			Total Expenses 6/30/18	Total Expenses 6/30/17
	Exhibition and Curatorial	Planetarium	Education	Public Programs	Maintenance	Security	Auxiliary Services	Total	Management and General	Fundraising	Total		
Salaries	\$416,205	\$67,559	\$302,944	\$322,966	\$17,327	\$23,416	\$87,462	\$1,237,879	\$95,249	\$139,328	\$234,577	\$1,472,456	\$1,473,468
Payroll taxes and benefits	72,563	11,779	52,817	56,308	3,021	4,082	15,249	215,819	16,606	24,291	40,897	256,716	275,788
Rent (including in-kind)	218,434	26,190	54,051	132,621			76,341	507,637	41,235	8,358	49,593	557,230	557,230
Professional fees	8,611	100	15,880	61,224	600	428	6,137	92,980	133,450	14,885	148,335	241,315	170,101
Travel	6,242	315	7,293	1,593			226	15,669	1,266	2,353	3,619	19,288	38,048
Supplies	6,740	612	2,274	3,405	9,410	839	363	23,643	4,079	740	4,819	28,462	27,632
Repairs and maintenance	3,535	438	96	6,242	54,731	4,026	321	69,389	23,563	828	24,391	93,780	103,461
Telephone				845				845	5,670		5,670	6,515	6,496
Printing	1,735		1,957	7,266	35		7,461	18,454	105	9,251	9,356	27,810	26,902
Postage and shipping	8,188	43	1,089	3,349	489	93	5,139	18,390	10,248	1,178	11,426	29,816	37,984
Exhibits	87,137							87,137			0	87,137	134,992
Insurance	7,671							7,671	51,618		51,618	59,289	61,225
Indirect special event								0		12,688	12,688	12,688	5,426
Advertising								0	17,194		17,194	17,194	16,089
Dues and subscriptions	389		105				2,846	3,340	5,470	2,681	8,151	11,491	13,451
Interest and bank fees								0	67,228		67,228	67,228	57,717
Other	1,419	975	3,427	730			6,551	13,102	39,174	1,351	40,525	53,627	33,647
Total expenses before depreciation and amortization	838,869	108,011	441,933	596,549	85,613	32,884	208,096	2,311,955	512,155	217,932	730,087	3,042,042	3,039,657
Depreciation and amortization				74,452				74,452			0	74,452	91,400
Total expenses	<u>\$838,869</u>	<u>\$108,011</u>	<u>\$441,933</u>	<u>\$671,001</u>	<u>\$85,613</u>	<u>\$32,884</u>	<u>\$208,096</u>	<u>\$2,386,407</u>	<u>\$512,155</u>	<u>\$217,932</u>	<u>\$730,087</u>	<u>\$3,116,494</u>	<u>\$3,131,057</u>

The attached notes and auditor's 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, 2018
(With comparative totals for the year ended June 30, 2017)

	<u>6/30/18</u>	<u>6/30/17</u>
Cash flows from operating activities:		
Change in net assets	\$383,331	(\$28,979)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation and amortization	74,452	91,400
Realized gain on investments	(97,490)	(46,851)
Unrealized gain on investments	(40,239)	(168,887)
Changes in assets and liabilities:		
Pledges receivable	(24,017)	41,432
Government grants receivable	(21,621)	(112,313)
Prepaid expenses and other current assets	15,325	37,803
Inventory	1,261	11,710
Accounts payable and accrued expenses	12,963	39,709
Accrued compensation and vacation	(17,983)	(40,888)
Deferred revenue	20,000	0
Government grant advances	0	(193,730)
Total adjustments	<u>(77,349)</u>	<u>(340,615)</u>
Net cash provided by/(used for) operating activities	<u>305,982</u>	<u>(369,594)</u>
Cash flows from investing activities:		
Acquisition of property, equipment and leasehold improvements	(8,000)	(9,760)
Sale of investments	829,912	959,724
Purchase of investments	<u>(668,598)</u>	<u>(769,374)</u>
Net cash provided by investing activities	<u>153,314</u>	<u>180,590</u>
Cash flows from financing activities:		
Repayments from loan payable	(110,000)	(400,800)
Proceeds from loan payable	<u>289,840</u>	<u>522,803</u>
Net cash provided by financing activities	<u>179,840</u>	<u>122,003</u>
Net increase/(decrease) in cash and cash equivalents	639,136	(67,001)
Cash and cash equivalents - beginning of year	<u>188,037</u>	<u>255,038</u>
Cash and cash equivalents - end of year	<u><u>\$827,173</u></u>	<u><u>\$188,037</u></u>
Supplemental data:		
Interest paid	<u>\$29,839</u>	<u>\$22,003</u>
Taxes paid	<u>\$0</u>	<u>\$0</u>

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

THE HUDSON RIVER MUSEUM OF WESTCHESTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 that has been notified by the Internal Revenue Service that it is 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 accompanying financial statements have been prepared on the accrual basis of accounting which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

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

- *Unrestricted* – accounts for all activity without donor-imposed restrictions as to their use.
- *Temporarily restricted* – accounts for activity based on specific donor restrictions that are expected to be satisfied by the passage of time or performance of activities. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.
- *Permanently restricted* – accounts for activity restricted by donors that must remain intact in perpetuity.

c. Revenue Recognition

Contributions are recorded upon receipt of cash or at the time that a pledge is considered unconditional. Contributions received with specific donor restrictions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. All other contributions are recorded as unrestricted. 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 have been recognized as income when earned, either based on performance of certain milestones or by incurring expenses that can be reimbursed under the terms of the grant agreement. The difference between cash received and revenue recognized is reflected as government grants receivable or refundable advances.

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 as part of the endowment.

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 which have been placed with financial institutions that management deems to be creditworthy. Investments are subject to market fluctuations and principal is not guaranteed. The Museum feels its investment policy is suitable to preserve principal and provide for growth. At times, cash and investment balances may exceed federally insured limits; however, they have not experienced any losses due to failure of any financial institution.

f. Investments

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

g. Pledges Receivable

Pledges that are due in more than one year are recorded at fair value, using a risk-adjusted discount rate of return, if material. Pledges due within one year are reported at net realizable value.

The Museum periodically reviews specific account balances and makes an assessment of the collectability based upon historical trends and the age of the receivable. Based on this review, an allowance for uncollectible receivables of \$22,000 has been established as of June 30, 2018. Any uncollectible receivables will be written off in the year they are deemed uncollectable.

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. Property and Equipment

Property, equipment and leasehold improvements that 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 create or enhance non-financial assets or require specialized skills, are performed by those who possess those skills and that 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 in both the years ended June 30, 2018 and 2017.

k. Advertising

Advertising costs are charged to operations when the advertising takes place.

l. Art Collection

The Museum has not capitalized its art collections since it is 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.

m. 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.

n. Summarized 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, 2017, from which the summarized information was derived.

o. Accounting for Uncertainty of Income Taxes

The Museum does not believe its financial statements include any material, uncertain positions. Tax filings for periods ending June 30, 2015 and later are subject to examination by applicable taxing authorities.

p. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through December 5, 2018, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.

q. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, which becomes effective for the June 30, 2019 year, focuses on improving the current net asset classification requirements and information presented in the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. The Organization has not yet evaluated the impact this standard will have on future financial statements.

On June 21, 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU which becomes effective for the June 30, 2020 year, with early implementation permitted, provides guidance on whether a receipt from a third party resource provider should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions.

FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the June 30, 2020 year, focuses on a principle-based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied.

The Museum is in the process of evaluating the impact these standards will have on future financial statements.

Note 2 - Investments

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. 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.

Investments consist of the following:

	<u>June 30, 2018</u>		
	<u>Market</u>	<u>Level 1</u>	<u>Level 2</u>
Equities – large cap	\$1,617,007	\$1,617,007	\$0
Government securities	493,051	0	493,051
Corporate bonds	133,993	0	133,993
Mutual funds - Equity	<u>169,918</u>	<u>169,918</u>	<u>0</u>
	2,413,969	1,786,925	627,044
Money funds	<u>77,972</u>	<u>0</u>	<u>77,972</u>
Total	<u>\$2,491,941</u>	<u>\$1,786,925</u>	<u>\$705,016</u>

	<u>June 30, 2017</u>		
	<u>Market</u>	<u>Level 1</u>	<u>Level 2</u>
Equities – large cap	\$1,613,588	\$1,613,588	\$0
Government securities	528,707	0	528,707
Corporate bonds	133,203	0	133,203
Mutual funds - Equity	<u>180,639</u>	<u>180,639</u>	<u>0</u>
	2,456,137	1,794,227	661,910
Money funds	<u>59,390</u>	<u>0</u>	<u>59,390</u>
Total	<u>\$2,515,527</u>	<u>\$1,794,227</u>	<u>\$721,300</u>

Investment return is summarized as follows:

	<u>6/30/18</u>	<u>6/30/17</u>
Unrealized gain on investments	\$40,239	\$168,887
Realized gain on investments	<u>97,490</u>	<u>46,851</u>
Total	<u>\$137,729</u>	<u>\$215,738</u>

Note 3 - Property and Equipment

Property and equipment consist of the following:

	<u>6/30/18</u>	<u>6/30/17</u>
Leasehold improvements (10 years)	\$1,397,238	\$1,397,238
Other equipment (3-10 years)	<u>206,453</u>	<u>198,453</u>
	1,603,691	1,595,691
Less: accumulated depreciation and amortization	<u>(1,447,588)</u>	<u>(1,373,136)</u>
Total	<u>\$156,103</u>	<u>\$222,555</u>

Note 4 - Loans Payable

The Museum has a revolving line of credit with Merrill Lynch with a variable interest rate which was 4.09% and 3.26% at June 30, 2018 and June 30, 2017, respectively. The line of credit is collateralized by a portion of the Museum's investments.

Note 5 - Temporarily Restricted Net Assets

During 2018 and 2017, net assets were released from restriction for:

	<u>6/30/18</u>	<u>6/30/17</u>
Satisfaction of programs:		
STEM	\$0	\$18,545
Public and parochial partnerships	0	39,740
Other programs	<u>0</u>	<u>107,503</u>
Total program restrictions	0	165,788
Appropriation of endowments	<u>97,437</u>	<u>39,815</u>
Total	<u>\$97,437</u>	<u>\$205,603</u>

At year end, net assets are temporarily restricted by donors for the following purposes:

	<u>6/30/18</u>	<u>6/30/17</u>
Exhibits	\$50,000	\$0
Endowment fund	<u>500,142</u>	<u>475,886</u>
Total	<u>\$550,142</u>	<u>\$475,886</u>

Note 6 - Permanently Restricted Net Assets

The Museum’s endowment includes five specific permanently restricted 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.

The following is a summary of those endowments:

Lifflander Endowment	\$100,000
Hearst Endowment	200,000
Delany Sisters Endowment	70,000
Capital Campaign Endowment	919,191
Education Endowment	<u>96,825</u>
Total	<u>\$1,386,016</u>

Interpretation of Relevant Law

The Museum follows the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). The Board of Directors of the Museum has interpreted NYPMIFA as requiring certain amounts to be retained permanently. Absent explicit donor stipulations to the contrary, the Museum will preserve the fair value of the original gift as of the gift date for all donor-restricted endowment funds. However, under certain circumstances, the Museum has the right to appropriate for expenditure the fair value of the original gift in a manner consistent with the standard of prudence specifically prescribed by NYPMIFA.

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 temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum.

Spending Policies

The board of directors makes an appropriation annually for each specific endowment to use in operations, and includes it in the annual budget.

In accordance with NYPMIFA, the Museum considers the following factors in making that determination:

- (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) Other resources of the Museum;
- (7) The investment policies of the Museum;
- (8) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Museum.

Changes in endowment net assets were as follows:

	<u>June 30, 2018</u>			
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment and reserve fund net assets, beginning of year	\$653,625	\$475,886	\$1,386,016	\$2,515,527
Activities 2018:				
Interest and dividends	6,934	19,751	0	26,685
Realized gain on investments	25,331	72,159	0	97,490
Unrealized loss on investments	10,456	29,783	0	40,239
Appropriations for expenditure	(90,563)	(97,437)	0	(188,000)
Net transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Endowment and reserve fund net assets, end of year	<u>\$605,783</u>	<u>\$500,142</u>	<u>\$1,386,016</u>	<u>\$2,491,941</u>
	<u>June 30, 2017</u>			
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment and reserve fund net assets, beginning of year	\$759,520	\$344,603	\$1,386,016	\$2,490,139
Activities 2018:				
Interest and dividends	9,288	21,162	0	30,450
Realized gain on investments	14,290	32,561	0	46,851
Unrealized loss on investments	51,512	117,375	0	168,887
Appropriations for expenditure	(180,985)	(39,815)	0	(220,800)
Net transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Endowment and reserve fund net assets, end of year	<u>\$653,625</u>	<u>\$475,886</u>	<u>\$1,386,016</u>	<u>\$2,515,527</u>

Endowment Investment Policies

The Museum has adopted an investment policy for endowment assets that relies on the accumulation of interest, dividends and other market value gains for future appropriation.

Treatment of Funds with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Museum to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2018 or June 30, 2017.

Note 7 - 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. There were no payments made to the plan by the Museum for the years ended June 30, 2018 or June 30, 2017.

Note 8 - Special Events

A summary of the special events is as follows:

	<u>6/30/18</u>	<u>6/30/17</u>
Gross revenue	\$257,470	\$219,945
Less: expenses with a direct benefit to donors	<u>(33,837)</u>	<u>(36,362)</u>
	223,633	183,583
Less: other event expenses	<u>(12,688)</u>	<u>(5,426)</u>
Total	<u>\$210,945</u>	<u>\$178,157</u>