



Audited Financial Statements

June 30, 2020

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, 2020, 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 entity'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 entity'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.

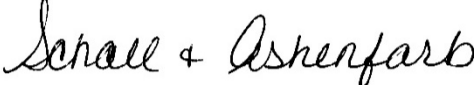
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 21, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.


Schall & Ashenfarb
Certified Public Accountants, LLC

December 11, 2020

THE HUDSON RIVER MUSEUM OF WESTCHESTER
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2020
(With comparative totals at June 30, 2019)

| | <u>6/30/20</u> | <u>6/30/19</u> |
|---|-------------------------------|-------------------------------|
| Assets | | |
| Cash and cash equivalents | \$398,609 | \$271,131 |
| Pledges receivable, net | 84,448 | 206,440 |
| Government grants receivable | 180,039 | 247,695 |
| Prepaid expenses and other current assets | 51,389 | 113,290 |
| Inventory | 35,382 | 31,983 |
| Investments (Notes 2 and 7) | 2,369,666 | 2,469,396 |
| Fixed assets, net (Note 3) | <u>60,999</u> | <u>103,051</u> |
| Total assets | <u><u>\$3,180,532</u></u> | <u><u>\$3,442,986</u></u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$150,826 | \$264,198 |
| Accrued compensation and vacation | 135,244 | 116,535 |
| Loans payable (Note 4) | 673,606 | 674,660 |
| Paycheck Protection Program loan (Note 5) | <u>282,800</u> | <u>0</u> |
| Total liabilities | <u><u>1,242,476</u></u> | <u><u>1,055,393</u></u> |
| Net assets: | | |
| Without donor restrictions | (49,105) | 383,865 |
| With donor restrictions (Notes 6 and 7) | <u>1,987,161</u> | <u>2,003,728</u> |
| Total net assets | <u><u>1,938,056</u></u> | <u><u>2,387,593</u></u> |
| Total liabilities and net assets | <u><u>\$3,180,532</u></u> | <u><u>\$3,442,986</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, 2020
(With comparative totals for the year ended June 30, 2019)

| | Without Donor Restrictions | With Donor Restrictions | Total 6/30/20 | Total 6/30/19 |
|---|----------------------------------|-------------------------------|--------------------|--------------------|
| Revenue and public support: | | | | |
| Government grants (including in-kind rent) | \$1,842,431 | \$20,100 | \$1,862,531 | \$1,877,018 |
| Contributions | 398,273 | 144,000 | 542,273 | 707,716 |
| Special events revenue (net of expenses with a direct benefit to donors) | | | 0 | 269,859 |
| Admissions | 190,358 | | 190,358 | 191,141 |
| Membership | 54,235 | | 54,235 | 56,921 |
| Auxiliary activities | 45,579 | | 45,579 | 112,009 |
| Interest, dividends and other income | 12,690 | 41,975 | 54,665 | 63,955 |
| | <u>2,543,566</u> | <u>206,075</u> | <u>2,749,641</u> | <u>3,278,619</u> |
| Net assets released from restrictions and transfers from endowment: | | | | |
| Endowment appropriations | 94,993 | (94,993) | 0 | 0 |
| Satisfaction of time and program restrictions | 141,882 | (141,882) | 0 | 0 |
| | <u>2,780,441</u> | <u>(30,800)</u> | <u>2,749,641</u> | <u>3,278,619</u> |
| Total revenue and public support | | | | |
| Expenses: | | | | |
| Program services | 2,609,769 | | 2,609,769 | 2,823,739 |
| Supporting services: | | | | |
| Management and general | 412,604 | | 412,604 | 403,274 |
| Fundraising | 194,978 | | 194,978 | 306,829 |
| Total supporting services | <u>607,582</u> | <u>0</u> | <u>607,582</u> | <u>710,103</u> |
| Total expenses | <u>3,217,351</u> | <u>0</u> | <u>3,217,351</u> | <u>3,533,842</u> |
| Change in net assets from operations | (436,910) | (30,800) | (467,710) | (255,223) |
| Non-operating activities: | | | | |
| Investment gains | 3,940 | 14,233 | 18,173 | 108,516 |
| Change in net assets | (432,970) | (16,567) | (449,537) | (146,707) |
| Net assets - beginning of year | <u>383,865</u> | <u>2,003,728</u> | <u>2,387,593</u> | <u>2,534,300</u> |
| Net assets - end of year | <u>(\$49,105)</u> | <u>\$1,987,161</u> | <u>\$1,938,056</u> | <u>\$2,387,593</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, 2020
(With comparative totals for the year ended June 30, 2019)

| | Program Services | | | | | | | Supporting Services | | | Total Expenses 6/30/20 | Total Expenses 6/30/19 | |
|--|---------------------------------|------------------|------------------|--------------------|------------------|-----------------|-----------------------|---------------------|------------------------------|------------------|---------------------------|---------------------------|--------------------|
| | Exhibition and Curatorial | Planetarium | Education | Public Programs | Maintenance | Security | Auxiliary Services | Total | Management and General | Fundraising | | | Total |
| Salaries | \$439,508 | \$78,320 | \$321,688 | \$376,169 | \$19,442 | \$27,213 | \$53,643 | \$1,315,983 | \$91,390 | \$134,241 | \$225,631 | \$1,541,614 | \$1,548,954 |
| Payroll taxes and benefits | 77,937 | 13,888 | 57,044 | 66,705 | | 4,826 | 9,512 | 229,912 | 19,655 | 23,805 | 43,460 | 273,372 | 278,350 |
| 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 | 20,562 | | 8,290 | 53,100 | 1,823 | 24,665 | 5,760 | 114,200 | 77,328 | 8,848 | 86,176 | 200,376 | 267,957 |
| Travel | 623 | 607 | 2,609 | 681 | | 880 | 39 | 5,439 | 1,891 | 123 | 2,014 | 7,453 | 18,327 |
| Supplies | 891 | 291 | 3,969 | 2,321 | 9,526 | 66 | 1,187 | 18,251 | 4,613 | 757 | 5,370 | 23,621 | 29,200 |
| Repairs and maintenance | 5,178 | 1,469 | | 18,517 | 83,400 | 7,199 | | 115,763 | 45,910 | 601 | 46,511 | 162,274 | 166,188 |
| Telephone | | | | 794 | | | | 794 | 5,263 | | 5,263 | 6,057 | 6,566 |
| Printing | 8,629 | | 1,195 | 3,517 | | | 8,775 | 22,116 | 125 | 6,548 | 6,673 | 28,789 | 53,582 |
| Postage and shipping | 23,342 | 43 | 810 | 1,011 | 70 | | 6,831 | 32,107 | 5,851 | 1,810 | 7,661 | 39,768 | 68,209 |
| Exhibits | 179,239 | | | | | | | 179,239 | | | 0 | 179,239 | 270,616 |
| Insurance | 7,891 | | | | | | | 7,891 | 52,428 | | 52,428 | 60,319 | 64,874 |
| Events | 2,525 | | | 1,806 | | | 45 | 4,376 | | 6,979 | 6,979 | 11,355 | 104,676 |
| Advertising | | | | | | | | 0 | 17,678 | | 17,678 | 17,678 | 32,195 |
| Dues and subscriptions | 499 | | | | | | 2,771 | 3,270 | 7,057 | 1,648 | 8,705 | 11,975 | 12,196 |
| Interest and investment fees | | | | | | | | 0 | 33,232 | | 33,232 | 33,232 | 44,733 |
| Other expenses | 4,306 | 600 | 5,208 | 434 | | | 191 | 10,739 | 8,948 | 1,260 | 10,208 | 20,947 | 31,198 |
| Total expenses before depreciation and amortization | 989,564 | 121,408 | 454,864 | 657,676 | 114,261 | 64,849 | 165,095 | 2,567,717 | 412,604 | 194,978 | 607,582 | 3,175,299 | 3,555,051 |
| Depreciation and amortization | | | | 42,052 | | | | 42,052 | | | 0 | 42,052 | 53,052 |
| Total expenses | 989,564 | 121,408 | 454,864 | 699,728 | 114,261 | 64,849 | 165,095 | 2,609,769 | 412,604 | 194,978 | 607,582 | 3,217,351 | 3,608,103 |
| Less: direct special event expenses netted with revenue | | | | | | | | 0 | | | 0 | 0 | (74,261) |
| Total expenses for statement of activities | \$989,564 | \$121,408 | \$454,864 | \$699,728 | \$114,261 | \$64,849 | \$165,095 | \$2,609,769 | \$412,604 | \$194,978 | \$607,582 | \$3,217,351 | \$3,533,842 |

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, 2020
(With comparative totals for the year ended June 30, 2019)

| | <u>6/30/20</u> | <u>6/30/19</u> |
|--|------------------|------------------|
| Cash flows from operating activities: | | |
| Change in net assets | (\$449,537) | (\$146,707) |
| Adjustments to reconcile change in net assets to net cash used for operating activities: | | |
| Depreciation and amortization | 42,052 | 53,052 |
| Realized gain on investments | (54,318) | (65,649) |
| Unrealized loss/(gain) on investments | 8,129 | (71,865) |
| Changes in assets and liabilities: | | |
| Pledges receivable | 121,992 | (93,070) |
| Government grants receivable | 67,656 | (67,348) |
| Prepaid expenses and other current assets | 61,901 | (51,348) |
| Inventory | (3,399) | (7,067) |
| Accounts payable and accrued expenses | (113,372) | 49,738 |
| Accrued compensation and vacation | 18,709 | 20,164 |
| Paycheck Protection Program loan payable | 282,800 | 0 |
| Deferred revenue | 0 | (20,000) |
| Total adjustments | <u>432,150</u> | <u>(253,393)</u> |
| Net cash used for operating activities | <u>(17,387)</u> | <u>(400,100)</u> |
| Cash flows from investing activities: | | |
| Sale of investments | 833,540 | 821,388 |
| Purchase of investments | (687,621) | (661,329) |
| Net cash provided by investing activities | <u>145,919</u> | <u>160,059</u> |
| Cash flows from financing activities: | | |
| Repayments from loan payable | (86,400) | (350,700) |
| Proceeds from loan payable/interest charges | 85,346 | 34,699 |
| Net cash used for financing activities | <u>(1,054)</u> | <u>(316,001)</u> |
| Net increase/(decrease) in cash and cash equivalents | 127,478 | (556,042) |
| Cash and cash equivalents - beginning of year | <u>271,131</u> | <u>827,173</u> |
| Cash and cash equivalents - end of year | <u>\$398,609</u> | <u>\$271,131</u> |
| Supplemental data: | | |
| Interest paid | <u>\$25,396</u> | <u>\$34,699</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, 2020

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

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.

Effective July 1, 2019, the Museum adopted the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "Topic 606"). This provides the framework for recognizing revenue by highlighting the identification of performance obligations of a contract, determining the price, and then allocating the price to each of the performance obligations so that revenue is recognized as each of those performance obligations are satisfied.

Also, effective July 1, 2019, the Museum adopted ("ASU") No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("Topic 605"). Key provisions of this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance for conditional versus unconditional contributions. In accordance with this new standard, the Museum evaluates whether a transfer of assets is an exchange transaction in which a resource provider is receiving a commensurate value in return for the transfer of resources or whether it is non-reciprocal. If the transaction is determined to be an exchange transaction, the Museum applies guidance under Topic 606. If the transaction is determined to be non-reciprocal, it is treated as a contribution under Topic 605.

The Museum evaluates whether contributions are conditional or unconditional. Contributions are considered to be conditional when both a barrier must be overcome for the Museum to be entitled to the revenue and a right of return of the asset or right of release from the obligation exists.

Analysis of the various provisions of both of these standards resulted in no significant changes in the way the Museum recognizes revenue.

c. Basis of Presentation

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

- *Net Assets Without Donor Restrictions* – represents those resources for which there are no restrictions by donors as to their use. Under this category, the Museum maintains certain net assets designated by the Board for specific purposes. Board designated net assets totaled \$489,706 and \$683,172 at June 30, 2020 and June 30, 2019, respectively,

| | June 30, 2020 | | |
|---------------------------|---|---|------------------|
| | Board Designated <u>Endowment</u> | Accumulated Designated <u>Reserve</u> | <u>Total</u> |
| Beginning balance | \$535,516 | \$147,656 | \$683,172 |
| Endowment income (Note 7) | 15,562 | | 15,562 |
| Appropriations | <u>(76,507)</u> | <u>(132,521)</u> | <u>(209,028)</u> |
| Ending balance | <u>\$474,571</u> | <u>\$15,135</u> | <u>\$489,706</u> |
| | June 30, 2019 | | |
| | Board Designated <u>Endowment</u> | Accumulated Designated <u>Reserve</u> | <u>Total</u> |
| Beginning balance | \$605,783 | \$473,000 | \$1,078,783 |
| Endowment income (Note 7) | 41,340 | | 41,340 |
| Appropriations | <u>(111,607)</u> | <u>(325,344)</u> | <u>(436,951)</u> |
| Ending balance | <u>\$535,516</u> | <u>\$147,656</u> | <u>\$683,172</u> |

- *Net Assets with Donor Restrictions* – represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

d. Revenue Recognition

The Museum has adopted Topic 606 using the modified retrospective method applied to all contracts after July 1, 2019 and continues to use legacy GAAP for all contracts before July 1, 2019.

The Museum has the following types of revenue that fall under Topic 606: admissions, memberships, and auxiliary activities. Each different source of revenue is analyzed to determine that it has a contract with the customer that identifies both the performance obligation and the transaction price. Revenue is recognized when the performance obligation is complete.

Admissions consist of fees charged to the public for admission to the museum or to various shows and exhibits held at the museum. The performance obligation is met once the customer has been admitted to the museum or exhibition, at which time revenue is recognized.

Auxiliary activities consist mainly of museum shop revenue and facility rentals. Revenue is recognized when the sales take place and products are provided to customers. For rental income, the performance obligation is considered to be met when the rental services have been provided. When there is a difference between the timing of when revenue is recognized and cash is received, a receivable or deferred revenue is recorded.

Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statement of activities. However, when a restriction is met in the period the contribution is received, it is recorded as net assets without donor restrictions.

Certain government grants after evaluation have been considered to be non-reciprocal; therefore, they are also treated as contributions under Topic 605. In addition, government grants met the criteria of being conditional. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved and other conditions under the agreements are met. The difference between cash received and revenue recognized is reflected as government grants receivable or refundable advances.

The Museum records promises to give as revenue in the period they become unconditional. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Long-term pledges are recorded at fair value using an interest-free discount rate, when deemed material. Conditional promises to give are recognized when the conditions on which they depend are substantially met. At year end, all receivables are due in less than one year.

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, 2020 and 2019. Any uncollectible receivables will be written off in the year they are deemed uncollectable.

e. 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.

f. 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 the failure of any financial institution.

g. 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.

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, Net

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, 2020 and 2019.

k. Advertising

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

l. Art Collection

The Museum has not capitalized its art collection 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 the collection.

m. Management 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. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Allocations are determined by management on an equitable basis.

The following expenses were allocated using time and effort as the basis:

- Salaries
- Payroll taxes and benefits

The following expenses were allocated using square footage as the basis:

- Rent

All other expenses have been charged directly to the applicable program or supporting services.

o. Comparative Financial Information

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, 2019, from which the summarized information was derived.

p. Accounting for Uncertainty of Income Taxes

The Museum does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2017 and later are subject to examination by applicable taxing authorities.

q. New Accounting Pronouncement

FASB issued ("ASU") No. 2016-02, *Leases*. The ASU which becomes effective for the June 30, 2023 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

FASB issued ("ASU") No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the June 30, 2022 year with early adoption permitted. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line item presentation on the statement of activities and additional disclosures.

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, 2020</u> | | |
|-----------------------|----------------------|--------------------|------------------|
| | <u>Market</u> | <u>Level 1</u> | <u>Level 2</u> |
| Equities – large cap | \$1,506,295 | \$1,506,295 | \$0 |
| Government securities | 442,898 | 0 | 442,898 |
| Corporate bonds | 148,265 | 0 | 148,265 |
| Mutual funds - Equity | <u>191,664</u> | <u>191,664</u> | <u>0</u> |
| | 2,289,122 | 1,697,959 | 591,163 |
| Money funds | <u>80,544</u> | <u>0</u> | <u>80,544</u> |
| Total | <u>\$2,369,666</u> | <u>\$1,697,959</u> | <u>\$671,707</u> |

| | <u>June 30, 2019</u> | | |
|-----------------------|----------------------|--------------------|------------------|
| | <u>Market</u> | <u>Level 1</u> | <u>Level 2</u> |
| Equities – large cap | \$1,600,174 | \$1,600,174 | \$0 |
| Government securities | 507,648 | 0 | 507,648 |
| Corporate bonds | 139,843 | 0 | 139,843 |
| Mutual funds - Equity | <u>170,645</u> | <u>170,645</u> | <u>0</u> |
| | 2,418,310 | 1,770,819 | 647,491 |
| Money funds | <u>51,086</u> | <u>0</u> | <u>51,086</u> |
| Total | <u>\$2,469,396</u> | <u>\$1,770,819</u> | <u>\$698,577</u> |

Investment return is summarized as follows:

| | <u>6/30/20</u> | <u>6/30/19</u> |
|---------------------------------------|-----------------|------------------|
| Unrealized (loss)/gain on investments | (\$8,129) | \$71,865 |
| Realized gain on investments | 54,318 | 65,649 |
| Less: investment fees | <u>(28,016)</u> | <u>(28,998)</u> |
| Total | <u>\$18,173</u> | <u>\$108,516</u> |

Note 3 - Property and Equipment

Property and equipment consist of the following:

| | <u>6/30/20</u> | <u>6/30/19</u> |
|--|--------------------|--------------------|
| Leasehold improvements (10 years) | \$1,397,238 | \$1,397,238 |
| Other equipment (3-10 years) | <u>206,453</u> | <u>206,453</u> |
| | 1,603,691 | 1,603,691 |
| Less: accumulated depreciation and amortization | <u>(1,542,692)</u> | <u>(1,500,640)</u> |
| Total | <u>\$60,999</u> | <u>\$103,051</u> |

Note 4 - Loans Payable

The Museum has a revolving line of credit with Merrill Lynch with a variable interest rate which was 2.19% and 4.40% at June 30, 2020 and June 30, 2019, respectively. The line of credit is collateralized by a portion of the Museum's investments.

Note 5 - Paycheck Protection Program Loan

During the year ended June 30, 2020, the Museum obtained a loan from the SBA in the amount of \$282,800 through the Paycheck Protection Program. Terms of the loan indicate that if certain conditions are met, which include maintaining average work forces during periods subsequent to receipt of the loan funds that are greater than pre-determined historical periods, that the loan, or a portion thereof, will be forgiven. Portions that are not forgiven will be payable over a five-year period, with a six-month deferral of payments and interest will accrue at 1%. The loan forgiveness amount has not been determined as of the date of these financial statements.

The Museum expects to recognize revenue from this loan consistent with ASU 2018-08, as it is considered to have traits similar to a conditional contribution; however, the Museum will continue to review whether any new accounting pronouncements may be issued that will provide more definitive guidance.

Note 6 - Net Assets With Donor Restrictions

During 2020 and 2019, net assets were released from restriction for the following:

| | <u>6/30/20</u> | <u>6/30/19</u> |
|--|------------------|------------------|
| Yonkers Private, Parochial and Public School Outreach | \$50,000 | \$0 |
| ArtBridges | 34,598 | 0 |
| Derrick Adams: Buoyant Exhibits | 57,284 | 0 |
| | 0 | 50,000 |
| Appropriation of endowments | <u>94,993</u> | <u>80,993</u> |
| Total | <u>\$236,875</u> | <u>\$130,993</u> |

At June 30, 2020 and 2019, net assets are restricted by donors for the following:

| | <u>6/30/20</u> | <u>6/30/19</u> |
|--|--------------------|--------------------|
| Program restrictions: | | |
| Glenview improvements | \$50,000 | \$0 |
| Planetarium | 20,100 | 0 |
| ArtBridges | 5,000 | 19,848 |
| Derrick Adams: Buoyant | 16,966 | 0 |
| Yonkers Private, Parochial and Public School Outreach | <u>0</u> | <u>50,000</u> |
| Total program | 92,066 | 69,848 |
| Endowment fund (Note 7) | <u>1,895,095</u> | <u>1,933,880</u> |
| Total | <u>\$1,987,161</u> | <u>\$2,003,728</u> |

Note 7 - Endowment

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 donor restricted and board-designated investments.

The following is a summary of the corpus of donor restricted 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 endowment corpus (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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:

| | June 30, 2020 | | | |
|--|----------------------------|---------------------------------------|--------------------|--------------------|
| | Board <u>Designated</u> | <u>Donor restricted</u> | | <u>Total</u> |
| | | <u>Accumulated</u> <u>Earnings</u> | <u>Corpus</u> | |
| Endowment and reserve fund net assets, beginning of year | \$535,516 | \$547,864 | \$1,386,016 | \$2,469,396 |
| Activities 2020: | | | | |
| Interest and dividends | 11,622 | 41,975 | 0 | 53,597 |
| Investment gains net of Investment fees | 3,940 | 14,233 | 0 | 18,173 |
| Appropriations for expenditure | <u>(76,507)</u> | <u>(94,993)</u> | <u>0</u> | <u>(171,500)</u> |
| Endowment and reserve fund net assets, end of year | <u>\$474,571</u> | <u>\$509,079</u> | <u>\$1,386,016</u> | <u>\$2,369,666</u> |
| | | | | |
| | June 30, 2019 | | | |
| | Board <u>Designated</u> | <u>Donor restricted</u> | | <u>Total</u> |
| | | <u>Accumulated</u> <u>Earnings</u> | <u>Corpus</u> | |
| Endowment and reserve fund net assets, beginning of year | \$605,783 | \$500,142 | \$1,386,016 | \$2,491,941 |
| Activities 2019: | | | | |
| Interest and dividends | 14,959 | 46,580 | 0 | 61,539 |
| Investment gains net of Investment fees | 26,381 | 82,135 | 0 | 108,516 |
| Appropriations for expenditure | <u>(111,607)</u> | <u>(80,993)</u> | <u>0</u> | <u>(192,600)</u> |
| Endowment and reserve fund net assets, end of year | <u>\$535,516</u> | <u>\$547,864</u> | <u>\$1,386,016</u> | <u>\$2,469,396</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, 2020 or June 30, 2019.

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. There were no payments made to the plan by the Museum for the years ended June 30, 2020 or June 30, 2019.

Note 9 - Special Events

The Museum hosts an annual fundraising event. Due to the COVID-19 pandemic, the event scheduled to take place in the current fiscal year was postponed and replaced by a virtual gala which took place subsequent to year end.

A summary of the special event for the year ended June 30, 2019 is as follows:

| | |
|---|------------------|
| Gross revenue | \$344,120 |
| Less: expenses with a direct benefit to donors | <u>(74,261)</u> |
| | 269,859 |
| Less: other event expenses | <u>(30,415)</u> |
| Total | <u>\$239,444</u> |

Note 10 - Availability and Liquidity

The Museum maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. The Museum operates its programs within a board approved budget. As detailed in Note 4, the Museum has access to a \$1,000,000 revolving line of credit.

In addition, the Museum maintains an endowment fund that consists of donor restricted and Board designated balances. The endowment is held in investment accounts and is available for general-purpose use based on appropriations made annually with Board approval.

The following reflects the Museum's financial assets at June 30, 2020 that are available to meet cash needs for general expenditures within one year:

| | |
|---|------------------|
| Financial assets at year-end: | |
| Cash and cash equivalents | \$398,609 |
| Pledges and government grants receivable due within one year | 264,487 |
| Investments | <u>2,369,666</u> |
| Total financial assets | \$3,032,762 |
| Less amounts not available for general expenditures: | |
| Donor restricted net assets – program restrictions | (92,066) |
| Donor restricted endowment (Note 6) | (1,895,095) |
| Board designated endowment (Note 6) | (474,571) |
| Board designated reserve | <u>(15,135)</u> |
| Total amounts not available for general expenditure | (2,476,867) |
| Add back: board funds appropriated for spending in the following year | <u>172,860</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$728,755</u> |

Note 11 - Other Matters - COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the institution operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Museum, to date, the institution is not experiencing significant changes in the fair value of assets or liabilities. In addition, the coronavirus has had an effect on admission, educational and special event revenues.

Note 12 - Subsequent Events

Management has evaluated the impact of all subsequent events through December 11, 2020, which is the date that 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.