

**MUSEUM OF THE CITY OF NEW YORK, INC.**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT**

**JUNE 30, 2015 AND 2014**

**MUSEUM OF THE CITY OF NEW YORK, INC.**

**TABLE OF CONTENTS**

**Independent Auditor's Report**

**Exhibit**

**A - Balance Sheet**

**B - Statement of Activities**

**C - Statement of Functional Expenses**

**D - Statement of Cash Flows**

**Notes to Financial Statements**



## **Independent Auditor's Report**

**Board of Trustees  
Museum of the City of New York, Inc.**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Museum of the City of New York, Inc., which comprise the balance sheet as of June 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 Museum of the City of New York, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Loeb & Troper LLP*

February 18, 2016

## MUSEUM OF THE CITY OF NEW YORK, INC.

## BALANCE SHEET

JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 9,259,634	\$ 3,449,295
Investments (Note 3)	23,273,305	23,237,601
Contributions and grants receivable - net (Note 5)	3,410,801	2,961,363
Prepaid expenses and other assets	445,948	90,009
Inventory	87,478	82,302
Building and equipment - net (Note 4)	<u>23,050,956</u>	<u>21,856,209</u>
Total assets	<u>\$ 59,528,122</u>	<u>\$ 51,676,779</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 789,494	\$ 591,083
Deferred rent (Note 7)	<u>49,245</u>	<u>114,057</u>
Total liabilities	<u>838,739</u>	<u>705,140</u>
Net assets (Exhibit B)		
Unrestricted		
Operating	8,477,674	3,101,467
Plant	<u>23,050,956</u>	<u>21,856,209</u>
Total unrestricted	31,528,630	24,957,676
Temporarily restricted (Note 8)	16,922,040	15,491,987
Permanently restricted (Note 8)	<u>10,238,713</u>	<u>10,521,976</u>
Total net assets	<u>58,689,383</u>	<u>50,971,639</u>
Total liabilities and net assets	<u>\$ 59,528,122</u>	<u>\$ 51,676,779</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## STATEMENT OF ACTIVITIES

YEARS ENDED JUNE 30, 2015 AND 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support								
Membership	\$ 302,009	\$ 0	\$ 0	\$ 302,009	\$ 312,743	\$ 0	\$ 0	\$ 312,743
Rental fees	476,503	0	0	476,503	346,830	0	0	346,830
Licensing and other fees	591,832	0	0	591,832	379,859	0	0	379,859
Museum shop	\$ 632,981			\$ 662,933				
Cost of sales	<u>(292,569)</u>	0	0	<u>340,412</u>	<u>(336,280)</u>	0	0	<u>326,653</u>
Investment income (loss) (Note 3)	101,829			3,049,220				
Investment fees (Note 3)	<u>(123,079)</u>	15,582	(25,770)	<u>(21,250)</u>	<u>(122,053)</u>	785,699	1,203,993	<u>2,927,167</u>
Educational programs	354,534	0	0	354,534	264,044	0	0	264,044
Admissions	826,502	0	0	826,502	804,874	0	0	804,874
Contributions and grants								
New York City - Department of Cultural Affairs	1,628,256	0	0	1,628,256	1,924,533	0	0	1,924,533
New York State - Council on the Arts	48,200	0	0	48,200	90,330	0	0	90,330
Other grants and contributions	6,989,344	9,410,395	0	16,399,739	1,282,165	7,943,004	479,899	9,705,068
Special events	3,113,682			2,990,985				
Less direct expense of special events	<u>(627,839)</u>			<u>(426,194)</u>				
Net revenue from special events	2,485,843	0	0	2,485,843	2,564,791	0	0	2,564,791
Net assets released from restrictions (Note 8)	8,253,417	(7,995,924)	(257,493)	0	5,296,868	(5,071,868)	(225,000)	0
Total revenues and other support	<u>22,285,790</u>	<u>1,430,053</u>	<u>(283,263)</u>	<u>23,432,580</u>	<u>14,531,165</u>	<u>3,656,835</u>	<u>1,458,892</u>	<u>19,646,892</u>
Expenses (Exhibit C)								
Program services								
Museum shop	419,477	0	0	419,477	334,637	0	0	334,637
Collections care	3,884,742	0	0	3,884,742	2,917,045	0	0	2,917,045
Educational programs	1,150,655	0	0	1,150,655	1,021,706	0	0	1,021,706
Renovation and expansion	265,510	0	0	265,510	367,499	0	0	367,499
Exhibitions and publications	6,955,766	0	0	6,955,766	5,301,533	0	0	5,301,533
Total program services	<u>12,676,150</u>	<u>0</u>	<u>0</u>	<u>12,676,150</u>	<u>9,942,420</u>	<u>0</u>	<u>0</u>	<u>9,942,420</u>
Supporting services								
Management and general	1,364,794	0	0	1,364,794	1,178,911	0	0	1,178,911
Fund raising								
Membership and development	1,733,309	0	0	1,733,309	1,794,188	0	0	1,794,188
Total supporting services	<u>3,098,103</u>	<u>0</u>	<u>0</u>	<u>3,098,103</u>	<u>2,973,099</u>	<u>0</u>	<u>0</u>	<u>2,973,099</u>
Total expenses	<u>15,774,253</u>	<u>0</u>	<u>0</u>	<u>15,774,253</u>	<u>12,915,519</u>	<u>0</u>	<u>0</u>	<u>12,915,519</u>
Change in net assets from operations	6,511,537	1,430,053	(283,263)	7,658,327	1,615,646	3,656,835	1,458,892	6,731,373
Provision for bad debt loss	0	0	0	0	0	(14,908)	0	(14,908)
Sale of collection material (net of direct cost of sales of \$0 in 2015 and \$89 in 2014) (Note 11)	59,417	0	0	59,417	161,350	0	0	161,350
Change in net assets (Exhibit D)	6,570,954	1,430,053	(283,263)	7,717,744	1,776,996	3,641,927	1,458,892	6,877,815
Net assets - beginning of year	24,957,676	15,491,987	10,521,976	50,971,639	23,180,680	11,850,060	9,063,084	44,093,824
Net assets - end of year (Exhibit A)	<u>\$ 31,528,630</u>	<u>\$ 16,922,040</u>	<u>\$ 10,238,713</u>	<u>\$ 58,689,383</u>	<u>\$ 24,957,676</u>	<u>\$ 15,491,987</u>	<u>\$ 10,521,976</u>	<u>\$ 50,971,639</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2015 AND 2014

	2015									
	Program Services					Supporting Services				
	Museum Shop	Collections Care	Educational Programs	Renovation and Expansion	Exhibitions and Publications	Total	Management and General	Membership and Development	Special Events	Total
Salaries and related expenses	\$ 288,079	\$ 2,110,543	\$ 798,751	\$ 211,841	\$ 3,058,828	\$ 6,468,042	\$ 927,972	\$ 1,288,279	\$ 0	\$ 8,684,293
Outside services	14,451	356,942	107,323	15,359	708,638	1,202,713	128,247	121,871	0	1,452,831
Legal and accounting	0	63,425	0	0	2,000	65,425	45,352	0	0	110,777
Depreciation and amortization	50,332	214,676	71,902	7,346	356,981	701,237	67,771	71,075	0	840,083
Public relations	89	903	4,883	76	289,768	295,719	12,077	2,606	0	310,402
Design, shipping and fabrication	19,193	57,882	3,594	681	1,552,396	1,633,746	8,285	48,638	0	1,690,669
Printing	0	38	15,463	0	117,842	133,343	12,740	67,405	0	213,488
Interest	0	0	0	0	0	0	18	0	0	18
Occupancy (Note 7)	12,666	432,867	45,385	17,267	317,627	825,812	40,728	44,330	0	910,870
Supplies and expenses	7,720	476,194	44,670	2,519	185,123	716,226	36,423	20,510	124,924	898,083
Investment fees	0	0	0	0	0	0	123,079	0	0	123,079
Catering and entertainment	0	0	0	0	0	0	0	0	502,915	502,915
Computing services	3,786	115,958	13,329	1,148	90,446	224,667	10,893	10,366	0	245,926
Cost of sales	292,569	0	0	0	0	292,569	0	0	0	292,569
Insurance	1,600	21,606	5,735	533	41,785	71,259	5,068	5,602	0	81,929
Miscellaneous	21,561	33,708	39,620	8,740	234,332	337,961	69,220	52,627	0	459,808
<b>Total expenses</b>	<b>712,046</b>	<b>3,884,742</b>	<b>1,150,655</b>	<b>265,510</b>	<b>6,955,766</b>	<b>12,968,719</b>	<b>1,487,873</b>	<b>1,733,309</b>	<b>627,839</b>	<b>16,817,740</b>
Less direct cost of special events deducted from revenue on the statement of activities	0	0	0	0	0	0	0	0	(627,839)	(627,839)
Less investment fees netted against investment income	0	0	0	0	0	0	(123,079)	0	0	(123,079)
Less cost of sales netted against museum shop income	(292,569)	0	0	0	0	(292,569)	0	0	0	(292,569)
<b>Total expenses reported by function on the statement of activities (Exhibit B)</b>	<b>\$ 419,477</b>	<b>\$ 3,884,742</b>	<b>\$ 1,150,655</b>	<b>\$ 265,510</b>	<b>\$ 6,955,766</b>	<b>\$ 12,676,150</b>	<b>\$ 1,364,794</b>	<b>\$ 1,733,309</b>	<b>\$ 0</b>	<b>\$ 15,774,253</b>

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## STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2015 AND 2014

	2014									
	Program Services					Supporting Services				
	Museum Shop	Collections Care	Educational Programs	Renovation and Expansion	Exhibitions and Publications	Total	Management and General	Membership and Development	Special Events	Total
Salaries and related expenses	\$ 190,176	\$ 1,799,035	\$ 674,385	\$ 228,558	\$ 2,492,010	\$ 5,384,164	\$ 588,634	\$ 1,218,723	\$ 0	\$ 7,191,521
Outside services	11,372	78,730	74,148	68,660	567,496	800,406	200,480	122,620	0	1,123,506
Legal and accounting	0	36,946	0	0	0	36,946	129,538	0	0	166,484
Depreciation and amortization	58,920	251,418	92,256	9,566	391,040	803,200	83,872	85,331	0	972,403
Public relations	279	244	761	74	54,903	56,261	7,565	5,328	0	69,154
Design, shipping and fabrication	7,013	71,120	7,675	21,229	763,320	870,357	8,073	63,857	0	942,287
Printing	156	0	13,607	8,250	111,361	133,374	332	57,718	0	191,424
Interest	0	0	0	0	0	0	630	0	0	630
Occupancy (Note 7)	18,050	504,086	68,400	7,814	441,016	1,039,366	59,707	70,680	0	1,169,753
Supplies and expenses	12,755	109,868	34,729	12,042	232,803	402,197	27,624	9,717	86,352	525,890
Investment fees	0	0	0	0	0	0	122,053	0	0	122,053
Catering and entertainment	0	0	0	0	0	0	0	0	339,842	339,842
Computing services	7,441	29,305	11,291	3,714	78,730	130,481	16,032	10,410	0	156,923
Cost of sales	336,280	89	0	0	0	336,369	0	0	0	336,369
Insurance	1,109	14,974	3,975	370	27,731	48,159	3,513	3,882	0	55,554
Miscellaneous	27,366	21,319	40,479	7,222	141,123	237,509	52,911	145,922	0	436,342
<b>Total expenses</b>	<b>670,917</b>	<b>2,917,134</b>	<b>1,021,706</b>	<b>367,499</b>	<b>5,301,533</b>	<b>10,278,789</b>	<b>1,300,964</b>	<b>1,794,188</b>	<b>426,194</b>	<b>13,800,135</b>
Less direct cost of special events deducted from revenue on the statement of activities	0	0	0	0	0	0	0	0	(426,194)	(426,194)
Less investment fees netted against investment income	0	0	0	0	0	0	(122,053)	0	0	(122,053)
Less cost of sales netted against museum shop income	(336,280)	0	0	0	0	(336,280)	0	0	0	(336,280)
Less cost of sales netted against sale of collection material	0	(89)	0	0	0	(89)	0	0	0	(89)
<b>Total expenses reported by function on the statement of activities (Exhibit B)</b>	<b>\$ 334,637</b>	<b>\$ 2,917,045</b>	<b>\$ 1,021,706</b>	<b>\$ 367,499</b>	<b>\$ 5,301,533</b>	<b>\$ 9,942,420</b>	<b>\$ 1,178,911</b>	<b>\$ 1,794,188</b>	<b>\$ 0</b>	<b>\$ 12,915,519</b>

See independent auditor's report.

The accompanying notes are an integral part of these statements.



## MUSEUM OF THE CITY OF NEW YORK, INC.

## STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 7,717,744	\$ 6,877,815
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	840,083	972,403
Sale of collection material	(59,417)	(161,439)
Investment losses (gains)	120,726	(2,759,831)
Permanently restricted contributions		(479,899)
Interest and dividends restricted for long-term investment	(23,241)	(43,818)
Decrease (increase) in assets		
Contributions and grants receivable	(449,438)	(949,296)
Prepaid expenses and other assets	(355,939)	(35,291)
Inventory	(5,176)	2,224
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	198,411	(40,222)
Deferred rent	(64,812)	(17,180)
Net cash provided by operating activities	<u>7,918,941</u>	<u>3,365,466</u>
Cash flows from investing activities		
Purchase of fixed assets	(2,034,830)	(2,018,478)
Purchase of investments	(6,173,621)	(8,638,202)
Proceeds from sale of investments	6,017,191	8,456,484
Proceeds from sale of collection material	59,417	161,439
Net cash used by investing activities	<u>(2,131,843)</u>	<u>(2,038,757)</u>
Cash flows from financing activities		
Proceeds from permanently restricted contributions		479,899
Principal payment of capital lease		(3,960)
Interest and dividends restricted for long-term investment	23,241	43,818
Net cash provided by financing activities	<u>23,241</u>	<u>519,757</u>
Net change in cash and cash equivalents	5,810,339	1,846,466
Cash and cash equivalents - beginning of year	<u>3,449,295</u>	<u>1,602,829</u>
Cash and cash equivalents - end of year	<u>\$ 9,259,634</u>	<u>\$ 3,449,295</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 18</u>	<u>\$ 630</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**MUSEUM OF THE CITY OF NEW YORK, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015 AND 2014**

**NOTE 1 - NATURE AND PURPOSE OF ORGANIZATION**

The Museum of the City of New York, Inc. (the "Museum") celebrates and interprets New York City (the "City"), educating the public about its distinctive character, especially its heritage of diversity, opportunity, and perpetual transformation. Founded in 1923 as a private, non-profit corporation, the Museum connects the past, present, and future of the City. It serves the people of New York and visitors from around the world through exhibitions, school and public programs, publications, and collections.

The Museum is located at 1220 Fifth Avenue, New York, N.Y.

The Museum's primary sources of revenues are contributions and grants as well as net revenue from special events. The Museum also operates a gift shop that earns additional revenues.

The Museum is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is a publicly supported organization as described in Section 509(a).

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of accounting*** - The financial statements are prepared on the accrual basis of accounting.

***Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Reclassification*** - The collection access program has been combined into the collections care program. \$703,350 of expenses originally classified as collection access on the statement of functional expenses for 2014 have been combined with the expenses reported as collections care to conform to the current year presentation.

***Cash equivalents*** - The Museum considers all highly liquid instruments with original maturities, when acquired, of three months or less to be cash equivalents, with the exception of cash and short-term investments managed for the long term by the Museum's investment advisors.

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**MUSEUM OF THE CITY OF NEW YORK, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2015 AND 2014****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Investments** - Investments are recorded at fair value. The Museum invests in various investment securities. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in the financial statements.

***Fair Value Measurements***

*Fair Value Measurements* establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Museum has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015 as compared to those used at June 30, 2014.

***Common stock and fixed income securities (other than foreign government obligations)*** - Valued at the closing price reported on the active market on which the individual securities are traded.

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**MUSEUM OF THE CITY OF NEW YORK, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2015 AND 2014****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*****Fair Value Measurements (continued)***

***Foreign government obligations*** - Valued at the closing price reported on the active market on which the individual securities are traded or based upon yields currently available on comparable securities of issuers with similar credit ratings.

***Mutual funds*** - Valued at the net asset value (“NAV”) of shares held at year end.

***Alternative investments*** - There are no observable inputs and certain of the underlying investments are not publicly traded and there is no secondary market for such funds. The fund of funds is valued at the NAV of shares held at year end by the managers of the underlying funds.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Museum believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

See Note 3 for table which sets forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2015 and 2014.

***Contributions and grants receivable*** - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Grants receivable are recorded based on contracts for services provided. Interest is not charged on outstanding receivables.

***Allowance for doubtful accounts*** - Bad debt expense is charged if the receivable is determined to be uncollectible based on periodic review by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year end.

***Inventory*** - Inventory consists of finished goods held for sale in connection with the Museum’s gift shop operation. Inventory is valued at cost or net realizable value, whichever is lower. Cost is determined by the first-in, first-out (“FIFO”) method.

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**MUSEUM OF THE CITY OF NEW YORK, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2015 AND 2014****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Collections*** - The Museum's collections, which were acquired through purchases and contributions since its inception, are not recognized as assets on the balance sheet. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions are reflected as increases in the appropriate net asset classes. Detailed inventory records, however, are maintained for collections. The value of the collection is not readily determinable and the Museum is not fully insured for the cost of its replacement.

***Building and equipment*** - The building occupied by the Museum was constructed with private funds on land owned by the City. Title to the building and land is held by the City; however, under an agreement with the City dated January 26, 1928, the Museum has the exclusive right to the use of the facility for the duration of its occupancy.

Building improvements and equipment with a cost of \$1,000 or more with a useful life of greater than one year are capitalized and stated at cost. Depreciation of assets is computed using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is computed using the straight-line method over the lesser of the term of the lease or the estimated useful lives of the improvements. Computer equipment is depreciated over three to five years. Furniture and equipment are depreciated over two to ten years. Building improvements are depreciated over fifty years. Leasehold improvements are amortized over 10 years.

***Operating leases*** - Operating leases are straight-lined over the term of the lease. Deferred rent is recorded where there are material differences between the fixed payment and rent expense.

***Membership and rental fees*** - Membership dues and rental fees are recorded when earned.

***Contributions and grants*** - Unconditional contributions and grants, including promises to give cash and other assets, are reported at fair value at the date the contribution or grant is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limited the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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**MUSEUM OF THE CITY OF NEW YORK, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2015 AND 2014****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Contributions and grants (continued)*** - Revenues from government contracts are recognized when reimbursable expenses are incurred under the terms of the contract. Such revenues are subject to audit by the agencies. No provision for any disallowances is reflected in the financial statements, since management does not anticipate any material adjustments.

***Admissions*** - Fees received in connection with the tours of exhibitions organized by the Museum are recognized as revenues when the exhibition is shown. Fees received in advance are, accordingly, deferred as a liability on the balance sheet.

***Contributed services*** - Contributed services are recognized as revenue if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. The value of contributed services (principally goods and services) meeting the requirements for recognition in the accompanying financial statements amounted to approximately \$258,605 in 2015 and \$195,570 in 2014. The value of the services is based on information obtained from the providers, and are included in other grants and contributions.

***Advertising*** - Advertising costs are expensed as they are incurred.

***Grants*** - Grants are recorded when awarded.

***Functional allocation of expenses*** - The costs of providing the Museum's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

***Measure of operations*** - The Museum includes in its measure of operations all revenues and expenses that are an integral part of its program and supporting activities.

***Uncertainty in income taxes*** - The Museum has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending June 30, 2012 and subsequent remain subject to examination by applicable taxing authorities.

***Subsequent events*** - Subsequent events have been evaluated through February 18, 2016, which is the date the financial statements were available to be issued.

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**MUSEUM OF THE CITY OF NEW YORK, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015 AND 2014**

**NOTE 3 - INVESTMENTS**

The following table sets forth by level, within the fair value hierarchy, the assets at fair value:

	<b>June 30, 2015</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investments at fair value				
Common stock - domestic	\$ 6,810,141	\$ -	\$ -	\$ 6,810,141
Common stock - foreign	2,368,419	-	-	2,368,419
Fixed income securities				
U.S. Government obligations	200,362	-	-	200,362
Corporate obligations	1,325,990	-	-	1,325,990
Foreign government obligations	-	39,900	-	39,900
Mutual funds				
Money market	3,018,028	-	-	3,018,028
Fixed income	479,161	-	-	479,161
Equities	181,383	-	-	181,383
Alternative investments	-	-	<u>5,748,311</u>	<u>5,748,311</u>
Total investments at fair value	<u>\$ 14,383,484</u>	<u>\$ 39,900</u>	<u>\$ 5,748,311</u>	20,171,695
Cash and cash equivalents				<u>3,101,610*</u>
				<u>\$ 23,273,305</u>

\* As of June 30, 2015, the Museum had committed to transferring \$3,000,000 to Alternative investments, \$1,000,000 to Corre Partners Management, LLC and \$2,000,000 to Valinor Capital Partners Offshore, LTD. The funds were subsequently transferred on July 1, 2015.

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## MUSEUM OF THE CITY OF NEW YORK, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

## NOTE 3 - INVESTMENTS (continued)

	June 30, 2014			Total
	Level 1	Level 2	Level 3	
Investments at fair value				
Common stock - domestic	\$ 7,462,224	\$ -	\$ -	\$ 7,462,224
Common stock - foreign	2,871,594			2,871,594
Fixed income				
U.S. Government obligations	788,486	-	-	788,486
Corporate obligations	1,217,299	-	-	1,217,299
Foreign government obligations	-	39,900	-	39,900
Mutual funds				
Money market	2,796,815	-	-	2,796,815
Fixed income	736,467	-	-	736,467
Equities	204,746	-	-	204,746
Alternative investments	-	-	7,085,506	7,085,506
Total investments at fair value	<u>\$16,077,631</u>	<u>\$ 39,900</u>	<u>\$ 7,085,506</u>	23,203,037
Cash and cash equivalents				<u>34,564</u>
				<u>\$23,237,601</u>

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The organization's assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy. The following table presents the Museum's Level 3 asset balances measured at fair value on a recurring basis as of June 30, 2015 and 2014.

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**MUSEUM OF THE CITY OF NEW YORK, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015 AND 2014**

**NOTE 3 - INVESTMENTS (continued)**

	<u>Fair Value 2015</u>	<u>Fair Value 2014</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
King Street Capital, LTD (a)	\$ 2,820,632	\$ 2,881,957	Quarterly	65 days
Taconic Opportunity Offshore Fund (b)	1,267,102	1,295,915	Quarterly	60 days
Mason Capital LTD (c)	422,207	1,711,634	Quarterly	45 days
Riva Ridge Overseas Fund (d)	1,238,370	1,196,000	Quarterly	90 days
Corre Partners Management, LLC (e)	-	-	Quarterly	90 days
Valinor Capital Partners Offshore, LTD (f)	-	-	Quarterly	60 days
	<u>\$ 5,748,311</u>	<u>\$ 7,085,506</u>		

- (a) King Street Capital, LTD: Investments include public equity and fixed-income markets globally with a focus in distressed companies, equity, bonds, foreign exchange, warrants and options. The fair value is estimated with the net asset value per share of the investment.
- (b) Taconic Opportunity Offshore Fund: Multi-strategy fund with positions in arbitrage, credit, special situations and reorganizations. Additionally, portfolio hedging focuses on protecting the portfolio in a severe market dislocation. The fair value is estimated with the net asset value per share of the investment.
- (c) Mason Capital LTD: Principal objective is to achieve attractive capital appreciation over time relatively independent of the returns generated by the overall equity and debt markets by employing certain event-driven investment strategies such as merger, arbitrage, distressed securities and special situations. The fair value is estimated with the net asset value per share of the investment. Redemptions are limited to once a year, beginning the date of the last redemption. As of June 30, 2015, the Museum committed to closing this holding.

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**MUSEUM OF THE CITY OF NEW YORK, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015 AND 2014**

**NOTE 3 - INVESTMENTS (continued)**

- (d) Riva Ridge Overseas Fund: Small event-driven/distressed hedge fund with long/short positions. Short portfolio predominantly composed of larger single-name, high dollar priced, high yield bonds. The fair value is estimated with the net asset value per share of the investment.
- (e) Corre Partners Management, LLC: Deep value, event driven funds that aim to achieve equity-like returns while taking less risk by investing across the capital structure. The fair value is estimated with the net asset value per share of the investment. Investors may also be charged a redemption fee of 5% of the amount redeemed if the redemption is not made at least one year from the date of purchase.
- (f) Valinor Capital Partners Offshore, LTD (Valinor): Valinor's investment objective, is to generate long-term, superior, risk-adjusted returns by investing primarily in publicly traded equity securities. Valinor will seek to achieve the investment objective by employing a strict fundamentals-based investment strategy. Valinor will generally invest in companies that it believes are trading at a discount to their intrinsic value and will cause the fund to short companies that the fund believes are trading at a premium to the intrinsic values. The fair value is estimated with the net asset value per share of the investment. Shares may be redeemed, in whole or in part, on the first quarter end occurring on or after the first anniversary of each investment and each one year anniversary thereafter.

***Level 3 Gains and Losses***

The table below sets forth a summary of changes in the fair value of the Level 3 assets:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 7,085,506	\$ 6,444,211
Sales	(1,000,000)	-
Unrealized gains (loss) relating to instruments still held at the reporting date	<u>(337,195)</u>	<u>641,295</u>
Balance, end of year	<u>\$ 5,748,311</u>	<u>\$ 7,085,506</u>

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**MUSEUM OF THE CITY OF NEW YORK, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015 AND 2014**

**NOTE 3 - INVESTMENTS (continued)**

Investment income:

	<u>2015</u>	<u>2014</u>
Dividends and interest	\$ 222,555	\$ 289,389
Realized and unrealized gains (losses)	(120,726)	2,759,831
Investment fees	<u>(123,079)</u>	<u>(122,053)</u>
	<u>\$ (21,250)</u>	<u>\$ 2,927,167</u>

**NOTE 4 - BUILDING AND EQUIPMENT**

	<u>2015</u>	<u>2014</u>
Building improvements	\$ 21,920,275	\$ 21,813,991
Furniture and equipment	3,305,095	3,290,230
Computer equipment	571,226	547,409
Leasehold improvements	64,506	64,506
Construction in progress	<u>5,069,242</u>	<u>3,179,378</u>
	30,930,344	28,895,514
Accumulated depreciation	(7,840,043)	(7,006,411)
Accumulated amortization	<u>(39,345)</u>	<u>(32,894)</u>
Net	<u>\$ 23,050,956</u>	<u>\$ 21,856,209</u>

In 2014, the Museum elected not to purchase the capital lease equipment when the capital lease expired and wrote off \$81,076 of fully amortized capital lease equipment.

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**MUSEUM OF THE CITY OF NEW YORK, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015 AND 2014**

**NOTE 5 - CONTRIBUTIONS AND GRANTS RECEIVABLE**

Contributions and grants receivable have been recorded at present value. Those receivables that are due in more than one year have been discounted to their present value using discount rates of 3-6%. Contributions receivable consist of the following:

2016		\$ 2,209,690
2017		668,519
2018		443,333
2019		<u>265,000</u>
		3,586,542
Less present value discount		<u>(82,241)</u>
		3,504,301
Less allowance for uncollectible accounts		<u>(93,500)</u>
Net		<u>\$ 3,410,801</u>

The allowance for uncollectible accounts was \$93,500 in both 2015 and 2014.

**NOTE 6 - PENSION PLAN**

All full-time employees of the Museum who have had one year of service and are over 21 years old are eligible for membership in the Cultural Institutions Retirement System's (CIRS) Pension Plan, a defined benefit plan. The expense for the years ended June 30, 2015 and 2014 were \$444,645 and \$433,154, respectively, and are included in salaries and related expenses.

The following information relates to the Museum's pension plan:

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status	Contributions		Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		2015	2014	Pending/ Implemented	2015	2014		
The Cultural Institutions Pension Plan	EIN 11- 2001170/ 001	Green*	Green	N/A	\$444,645	\$433,154	No	June 30, 2015**

\* As of the date the financial statements were issued, Form 5500 was not available for the Plan's year end of June 30, 2015.

\*\* As of the date of this report, negotiations with the union are in progress.

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**MUSEUM OF THE CITY OF NEW YORK, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015 AND 2014**

**NOTE 7 - OPERATING LEASE**

The Museum leases warehouse space to house part of its permanent collection. Rental expense (including surcharges for utilities and maintenance) related to the warehouse lease was \$233,566 and \$271,445 in fiscal years 2015 and 2014, respectively.

This operating lease was set to expire in 2018. The Museum negotiated to relocate and on September 15, 2014, the Museum signed a new 14-year lease which will expire September 30, 2028.

Future minimum payments under the new lease are as follows:

2016	\$ 256,563
2017	265,542
2018	274,836
2019	284,455
2020	294,411
Thereafter	<u>2,855,939</u>
Total future minimum lease payments	<u>\$ 4,231,746</u>

The Museum also leases office equipment from different vendors with maturity dates through July 31, 2019. Rent expense related to leased equipment was \$26,781 in 2015 and \$22,800 in 2014.

Future minimum payments under these leases are as follows:

2016	\$ 28,641
2017	28,641
2018	23,900
2019	22,320
2020	<u>1,860</u>
Total future minimum lease payments	<u>\$ 105,362</u>

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**MUSEUM OF THE CITY OF NEW YORK, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015 AND 2014**

**NOTE 8 - RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following at June 30:

	<u>2015</u>	<u>2014</u>
Capital improvements	\$ 2,062,325	\$ 3,372,079
Collections, exhibitions and programs	<u>14,859,715</u>	<u>12,119,908</u>
	<u>\$ 16,922,040</u>	<u>\$ 15,491,987</u>

Temporarily restricted net assets of \$7,995,924 and \$5,071,868 in 2015 and 2014, respectively, were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the following:

	<u>2015</u>	<u>2014</u>
Capital improvement	\$ 2,273,299	\$ 2,153,456
Collections, exhibitions and programs	<u>5,722,625</u>	<u>2,918,412</u>
	<u>\$ 7,995,924</u>	<u>\$ 5,071,868</u>

Permanently restricted net assets consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Louis Auchincloss Prize Endowment	\$ 619,099	\$ 644,754
Frederick AO Schwarz Family Endowment	1,656,018	1,732,827
Hearst Foundation - Education	211,709	226,202
Laura and Ray Johnson Fund	1,832,850	1,842,685
Mary Flagler Cary Endowment	144,286	145,052
Grace Mayer Conservation Fund	354,941	356,801
Charles E. Merrill - Education	58,319	58,319
Mary and Donald Oenslager Fund	289,050	290,602
Gallery Programming - Puffin Foundation	1,046,399	1,046,399
John and Barbara Robinson Fund - Education	1,096,985	1,102,876
Ronay Menschel Director/CEO of the Museum of the City of New York Endowment	2,900,152	3,046,399
Evelyn Spitalny - Music in Museum Concerts	<u>28,905</u>	<u>29,060</u>
	<u>\$ 10,238,713</u>	<u>\$ 10,521,976</u>

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**MUSEUM OF THE CITY OF NEW YORK, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2015 AND 2014****NOTE 8 - RESTRICTED NET ASSETS (continued)****Permanently Restricted Net Assets (Endowment Funds)*****General***

The Museum has donor-restricted endowment funds established to help fund various projects at the Museum. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

***Interpretation of Relevant Law***

The Board of Trustees of the Museum has adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA moves away from the “historic dollar value” standard, and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. The Museum is now governed by the NYPMIFA spending policy, which establishes a standard maximum prudent spending limit of 7% of the average of its previous five years’ balance. 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. 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 in a manner consistent with the standards of prudence prescribed by NYPMIFA.

***Return Objectives, Strategies Employed and Spending Policy***

The objective of the Museum is to maintain the principal endowment funds at the original amount designated by the donor and to generate investment income for the specified purpose. The investments are pooled and summarized in Note 3. Income is distributed on a total return basis to either unrestricted or temporarily restricted funds as designated by the donor. Certain donors have specified that investment income, net of investment fees, be added to the corpus of the endowment funds and have established criteria different from the spending rate formula.

***Funds with Deficiencies***

The Museum does not have any funds with deficiencies.

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## MUSEUM OF THE CITY OF NEW YORK, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

## NOTE 8 - RESTRICTED NET ASSETS (continued)

*Permanently Restricted Net Assets (Endowment Funds) (continued)**Endowment Net Asset Composition by Type of Fund*

	<u>2015</u>	<u>2014</u>
Donor-restricted endowment funds	\$ <u>10,238,713</u>	\$ <u>10,521,976</u>

*Changes in Endowment Net Assets for the Year Ended June 30, 2015*

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year		\$ <u>10,521,976</u>	\$ <u>10,521,976</u>
Investment return			
Dividends and interest	\$ 40,019	23,241	63,260
Realized and unrealized losses	<u>(37,832)</u>	<u>(49,011)</u>	<u>(86,843)</u>
Total investment return	<u>2,187</u>	<u>(25,770)</u>	<u>(23,583)</u>
Appropriation of endowment assets for expenditures		<u>(257,493)*</u>	<u>(257,493)*</u>
Released from restriction	<u>(2,187)</u>		<u>(2,187)</u>
Endowment net assets, end of year	\$ <u>-</u>	\$ <u>10,238,713</u>	\$ <u>10,238,713</u>

\* This amount is comprised of the following:

\$25,000 was released from the Louis Auchincloss Prize Endowment to general operations.

\$14,493 was released from the Hearst Foundation - Education endowment to general operations.

\$143,000 was released from the Ronay Menschel Director/CEO of the Museum of the City of New York endowment to general operations.

\$75,000 was released from the Frederick AO Schwartz Family Endowment to general operations.

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## MUSEUM OF THE CITY OF NEW YORK, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

## NOTE 8 - RESTRICTED NET ASSETS (continued)

*Permanently Restricted Net Assets (Endowment Funds) (continued)**Changes in Endowment Net Assets for the Year Ended June 30, 2014*

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year		\$ <u>9,063,084</u>	\$ <u>9,063,084</u>
Contributions		<u>479,899</u>	<u>479,899</u>
Investment return			
Dividends and interest	\$ 29,877	43,818	73,695
Realized and unrealized gains	<u>45,404</u>	<u>1,160,175</u>	<u>1,205,579</u>
Total investment return	<u>75,281</u>	<u>1,203,993</u>	<u>1,279,274</u>
Appropriation of endowment assets for expenditures		<u>(225,000)*</u>	<u>(225,000)*</u>
Released from restriction	<u>(75,281)</u>		<u>(75,281)</u>
Endowment net assets, end of year	\$ <u>-</u>	\$ <u>10,521,976</u>	\$ <u>10,521,976</u>

\* This amount is comprised of the following:

\$25,000 was released from the Louis Auchincloss Prize Endowment to general operations.

\$125,000 was released from the Ronay Menschel Director/CEO of the Museum of the City of New York endowment to general operations.

\$75,000 was released from the Frederick AO Schwartz Family Endowment to general operations.

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**MUSEUM OF THE CITY OF NEW YORK, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2015 AND 2014****NOTE 8 - RESTRICTED NET ASSETS (continued)*****Permanently Restricted Net Assets (Endowment Funds) (continued)***

In accordance with certain donor stipulations, investment income (loss) net of investment fees on said funds were added to the corpus.

Certain permanently restricted funds permitted release based on donor-specified criteria. \$257,493 and \$225,000 were released from restriction in 2015 and 2014, respectively.

**NOTE 9 - EXPANSION**

The City of New York has advised the Museum that they have paid \$10,642,268 in 2015 and \$6,191,824 in 2014 to improve the facility. The City has made a commitment to expend \$64,543,000 for Phases I, II and III. Historically, the City has contributed \$104,691,092 on capital expenses from 1999 to 2015. This has not been reflected on the accompanying financial statements.

**NOTE 10 - CONCENTRATIONS**

Financial instruments which potentially subject the Museum to a concentration of credit risk are cash accounts with financial institutions in excess of FDIC insurance limits.

The Museum utilizes a building owned by the City of New York.

**NOTE 11 - SALE OF COLLECTION MATERIAL**

In 2015 and 2014, the Museum deaccessioned a collection of books and other items that were determined to be off-mission. The books and other items belonging to the Museum were auctioned in 2015 and 2014. The net proceeds were \$59,417 and \$161,439 in 2015 and 2014, respectively.

**NOTE 12 - CONTINGENCY**

The Museum is party to litigation which, in the opinion of management, will not have an adverse effect on the financial statements of the Museum.