

Museum of the City of New York

Independent Auditor's Report and Financial Statements

June 30, 2019 and 2018



Museum of the City of New York
June 30, 2019 and 2018

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Independent Auditor's Report

Board of Trustees
Museum of the City of New York
New York, New York

We have audited the accompanying financial statements of Museum of the City of New York, which comprise the statements of financial position as of June 30, 2019 and 2018, 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 audits 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 as of June 30, 2019 and 2018, 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.

Emphasis of Matter

As discussed in *Note 2* to the financial statements, in 2019 Museum of the City of New York adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

BKD, LLP

New York, New York
March 4, 2020

Museum of the City of New York
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 3,731,882	\$ 4,076,847
Investments	30,032,323	29,416,066
Contributions and grants receivable, net	487,274	1,280,122
Prepaid expenses and other assets	633,074	543,568
Inventory	194,617	214,307
Property and equipment, net	21,622,830	22,356,356
Total assets	\$ 56,702,000	\$ 57,887,266
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 958,837	\$ 953,101
Deferred revenue	292,635	243,525
Deferred rent	230,491	199,286
Total liabilities	1,481,963	1,395,912
Net Assets		
Net assets without donor restrictions		
Operating	3,724,406	3,857,982
Board-designated endowment	4,880,833	4,804,373
Plant	21,622,830	22,356,356
Net assets without donor restrictions	30,228,069	31,018,711
Net assets with donor restrictions		
Purpose and time restricted	3,112,800	4,660,751
Perpetual in nature	21,879,168	20,811,892
Total net assets	55,220,037	56,491,354
Total liabilities and net assets	\$ 56,702,000	\$ 57,887,266

Museum of the City of New York
Statements of Activities
Years Ended June 30, 2019 and 2018

	2019					Total
	Without Donor Restrictions	With Donor Restrictions			Total	
		Purpose and Time Restricted	Perpetual in Nature			
Revenues, Gains and Other Support						
Membership		\$ 486,422	\$ -	\$ -	\$ -	\$ 486,422
Rental fees and other sales	\$ 994,704					
Cost of sales	<u>(63,032)</u>	931,672	-	-	-	931,672
Licensing and other fees		433,293	-	-	-	433,293
Museum shop	790,788					
Cost of sales	<u>(505,513)</u>	285,275	-	-	-	285,275
Investment income	1,759,381					
Investment fees	<u>(114,865)</u>	433,197	137,383	1,073,936	1,211,319	1,644,516
Educational programs		488,171	-	-	-	488,171
Admissions		1,125,045	-	-	-	1,125,045
Contributions and grants						
New York City – Department of Cultural Affairs		1,721,027	-	-	-	1,721,027
New York State – Council on the Arts		75,625	-	-	-	75,625
Other grants and contributions		2,699,543	1,652,866	800,000	2,452,866	5,152,409
Special events	3,274,608					
Less direct expense of special events	<u>(428,288)</u>	2,846,320	-	-	-	2,846,320
Net revenue from special events		2,846,320	-	-	-	2,846,320
Net assets released from restrictions		<u>4,144,860</u>	<u>(3,338,200)</u>	<u>(806,660)</u>	<u>(4,144,860)</u>	<u>-</u>
Total revenues, gains and other support		<u>15,670,450</u>	<u>(1,547,951)</u>	<u>1,067,276</u>	<u>(480,675)</u>	<u>15,189,775</u>
Expenses						
Program services						
Museum shop		439,477	-	-	-	439,477
Collections care		3,120,237	-	-	-	3,120,237
Educational programs		1,603,125	-	-	-	1,603,125
Renovation and expansion		123,396	-	-	-	123,396
Exhibitions and publications		<u>7,062,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,062,542</u>
Total program services		<u>12,348,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,348,777</u>
Supporting services						
Management and general		1,834,215	-	-	-	1,834,215
Fundraising						
Membership and development		<u>2,311,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,311,006</u>
Total supporting services		<u>4,145,221</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,145,221</u>
Total expenses		<u>16,493,998</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,493,998</u>
Change in net assets from operations		(823,548)	(1,547,951)	1,067,276	(480,675)	(1,304,223)
Sale of collection material		<u>32,906</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,906</u>
Change in Net Assets		(790,642)	(1,547,951)	1,067,276	(480,675)	(1,271,317)
Net Assets, Beginning of Year		<u>31,018,711</u>	<u>4,660,751</u>	<u>20,811,892</u>	<u>25,472,643</u>	<u>56,491,354</u>
Net Assets, End of Year		<u>\$ 30,228,069</u>	<u>\$ 3,112,800</u>	<u>\$ 21,879,168</u>	<u>\$ 24,991,968</u>	<u>\$ 55,220,037</u>

Museum of the City of New York
Statements of Activities (Continued)
Years Ended June 30, 2019 and 2018

	2018				
	Without Donor Restrictions	With Donor Restrictions			Total
		Purpose and Time Restricted	Perpetual in Nature	Total	Total
Revenues, Gains (Losses) and Other Support					
Membership	\$ 488,946	\$ -	\$ -	\$ -	\$ 488,946
Rental fees	827,085	-	-	-	827,085
Licensing and other fees	352,844	-	-	-	352,844
Museum shop	\$ 650,540				
Cost of sales	<u>(322,455)</u>	328,085	-	-	328,085
Investment income	2,134,259				
Investment fees	<u>(103,067)</u>	525,290	153,724	1,352,178	2,031,192
Educational programs		475,338	-	-	475,338
Admissions		1,057,379	-	-	1,057,379
Contributions and grants					
New York City – Department of Cultural Affairs		1,657,140	-	-	1,657,140
New York State – Council on the Arts		70,000	-	-	70,000
Other grants and contributions		2,750,400	1,581,021	-	4,331,421
Loss on bad debt		-	(395,000)	-	(395,000)
Special events	2,784,408				
Less direct expense of special events	<u>(470,659)</u>	2,313,749	-	-	2,313,749
Net revenue from special events		4,870,578	(3,961,263)	(909,315)	-
Net assets released from restrictions				<u>(4,870,578)</u>	<u>-</u>
Total revenues, gains (losses) and other support		<u>15,716,834</u>	<u>(2,621,518)</u>	<u>442,863</u>	<u>(2,178,655)</u>
Expenses					
Program services					
Museum shop		368,581	-	-	368,581
Collections care		2,919,642	-	-	2,919,642
Educational programs		1,649,917	-	-	1,649,917
Renovation and expansion		202,044	-	-	202,044
Exhibitions and publications		<u>7,203,001</u>	<u>-</u>	<u>-</u>	<u>7,203,001</u>
Total program services		<u>12,343,185</u>	<u>-</u>	<u>-</u>	<u>12,343,185</u>
Supporting services					
Management and general		1,558,869	-	-	1,558,869
Fundraising					
Membership and development		<u>2,090,574</u>	<u>-</u>	<u>-</u>	<u>2,090,574</u>
Total supporting services		<u>3,649,443</u>	<u>-</u>	<u>-</u>	<u>3,649,443</u>
Total expenses		<u>15,992,628</u>	<u>-</u>	<u>-</u>	<u>15,992,628</u>
Change in net assets from operations		(275,794)	(2,621,518)	442,863	(2,454,449)
Sale of collection material		<u>55,418</u>	<u>-</u>	<u>-</u>	<u>55,418</u>
Change in Net Assets		(220,376)	(2,621,518)	442,863	(2,399,031)
Net Assets, Beginning of Year		<u>31,239,087</u>	<u>7,282,269</u>	<u>20,369,029</u>	<u>58,890,385</u>
Net Assets, End of Year		<u>\$ 31,018,711</u>	<u>\$ 4,660,751</u>	<u>\$ 20,811,892</u>	<u>\$ 56,491,354</u>

Museum of the City of New York
Statements of Functional Expenses
Years Ended June 30, 2019 and 2018

	2019									
	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	\$ 265,526	\$ 1,829,725	\$ 1,194,362	\$ 100,791	\$ 4,243,405	\$ 7,633,809	\$ 1,261,056	\$ 1,865,330	\$ -	\$ 10,760,195
Outside services	7,075	68,157	147,802	2,583	441,130	666,747	162,156	121,707	-	950,610
Legal and accounting	-	-	-	-	-	-	109,410	-	-	109,410
Depreciation and amortization	81,129	153,682	87,166	7,063	284,967	614,007	69,593	66,669	-	750,269
Public relations	15	249	4,327	5	211,357	215,953	7,730	4,566	-	228,249
Design, shipping and fabrication	17,464	36,944	6,316	463	886,198	947,385	7,323	43,678	-	998,386
Printing	753	10,214	5,160	251	80,923	97,301	3,615	60,494	-	161,410
Occupancy	13,571	575,028	48,713	4,524	339,366	981,202	43,058	47,582	-	1,071,842
Supplies and expenses	17,474	275,501	44,398	1,723	217,694	556,790	44,738	13,094	48,608	663,230
Catering and entertainment	-	-	-	-	-	-	-	-	-	-
Computing services	5,324	65,871	17,723	1,642	129,176	219,736	15,614	17,190	-	252,540
Cost of sales	505,513	-	-	-	892	506,405	63,032	4,444	-	573,881
Insurance	3,200	57,895	11,465	1,067	81,875	155,502	10,132	11,199	-	176,833
Miscellaneous	27,946	46,971	35,693	3,284	145,559	259,453	99,790	55,053	379,680	793,976
Total expenses	944,990	3,120,237	1,603,125	123,396	7,062,542	12,854,290	1,897,247	2,311,006	428,288	17,490,831
Less direct cost of special events deducted from revenue on the statements of activities	-	-	-	-	-	-	-	-	(428,288)	(428,288)
Less cost of sales netted against rental fees and other sales	-	-	-	-	-	-	(63,032)	-	-	(63,032)
Less cost of sales netted against museum shop income	(505,513)	-	-	-	-	(505,513)	-	-	-	(505,513)
Total expenses reported by function on the statements of activities	\$ 439,477	\$ 3,120,237	\$ 1,603,125	\$ 123,396	\$ 7,062,542	\$ 12,348,777	\$ 1,834,215	\$ 2,311,006	\$ -	\$ 16,493,998

Museum of the City of New York
Statements of Functional Expenses (Continued)
Years Ended June 30, 2019 and 2018

	2018									
	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	\$ 192,775	\$ 1,763,545	\$ 1,229,101	\$ 178,472	\$ 4,063,265	\$ 7,427,158	\$ 1,058,109	\$ 1,677,688	\$ -	\$ 10,162,955
Outside services	12,368	52,712	94,176	1,012	445,707	605,975	184,984	131,863	-	922,822
Legal and accounting	-	26,053	-	-	7,224	33,277	66,358	-	-	99,635
Depreciation and amortization	87,716	192,693	99,978	8,199	357,229	745,815	80,525	78,204	-	904,544
Public relations	16	447	4,044	2	231,767	236,276	5,566	3,393	-	245,235
Design, shipping and fabrication	18,035	10,483	10,564	4,373	1,074,204	1,117,659	7,487	40,576	-	1,165,722
Printing	6,256	75	13,475	2	135,256	155,064	2,391	46,688	-	204,143
Occupancy	12,142	558,897	43,957	4,047	304,386	923,429	38,448	42,495	-	1,004,372
Supplies and expenses	10,500	148,464	77,738	2,639	246,533	485,874	45,554	13,751	-	545,179
Catering and entertainment	-	-	-	-	-	-	-	-	470,659	470,659
Computing services	3,992	52,779	12,425	911	117,261	187,368	7,912	9,628	-	204,908
Cost of sales	322,455	-	-	-	-	322,455	-	-	-	322,455
Insurance	3,731	50,370	13,370	1,244	93,216	161,931	11,815	13,059	-	186,805
Miscellaneous	21,050	63,124	51,089	1,143	126,953	263,359	49,720	33,229	-	346,308
Total expenses	691,036	2,919,642	1,649,917	202,044	7,203,001	12,665,640	1,558,869	2,090,574	470,659	16,785,742
Less direct cost of special events deducted from revenue on the statements of activities	-	-	-	-	-	-	-	-	(470,659)	(470,659)
Less cost of sales netted against museum shop income	(322,455)	-	-	-	-	(322,455)	-	-	-	(322,455)
Total expenses reported by function on the statements of activities	\$ 368,581	\$ 2,919,642	\$ 1,649,917	\$ 202,044	\$ 7,203,001	\$ 12,343,185	\$ 1,558,869	\$ 2,090,574	\$ -	\$ 15,992,628

Museum of the City of New York
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Activities		
Change in net assets	\$ (1,271,317)	\$ (2,399,031)
Items not requiring (providing) operating cash flows		
Depreciation and amortization	750,269	904,544
Investment gains	(1,391,914)	(1,768,901)
Loss on bad debt	-	395,000
Contributions restricted for long-term investment	(800,000)	-
Interest and dividends restricted for long-term investment	(195,406)	(215,723)
Changes in		
Contributions and grants receivable	792,848	439,304
Prepaid expenses and other assets	(89,506)	86,110
Inventory	19,690	(47,523)
Accounts payable and accrued expenses	5,736	49,592
Deferred revenue	49,110	57,581
Deferred rent	31,205	40,824
	<u>(2,099,285)</u>	<u>(2,458,223)</u>
Investing Activities		
Purchase of property and equipment	(16,743)	(195,315)
Purchase of investments	775,657	(962,689)
Proceeds from sale of investments	-	1,561,028
	<u>758,914</u>	<u>403,024</u>
Financing Activities		
Proceeds from contributions restricted for long-term investment	800,000	-
Interest and dividends restricted for long-term investment	195,406	215,723
	<u>995,406</u>	<u>215,723</u>
Net Change in Cash and Cash Equivalents	(344,965)	(1,839,476)
Cash and Cash Equivalents, Beginning of Year	<u>4,076,847</u>	<u>5,916,323</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,731,882</u>	<u>\$ 4,076,847</u>
Supplemental Cash Flows Information		
Unrelated business income tax paid	\$ 21,065	\$ -

Museum of the City of New York
Notes to Financial Statements
June 30, 2019 and 2018

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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.

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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Museum considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2019 and 2018, cash equivalents consisted primarily of money market accounts with brokers.

At June 30, 2019, the Museum's cash accounts exceeded federally insured limits by approximately \$1,400,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value at time of donation, if acquired by contribution or fair value.

Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

Investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Museum of the City of New York

Notes to Financial Statements

June 30, 2019 and 2018

The Museum maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Accounts Receivable

Grants are recorded as receivables to the extent that expenses have been incurred for the purpose specified by the grantor. Interest is not charged on the outstanding receivables. The Museum provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Inventory

Inventory consists of finished goods held for sale in connection with the Museum's gift shop operation. Costs of goods sold are determined using the first-in, first-out (FIFO) method. FIFO inventories are stated at the lower of cost and net realizable value for 2019 and 2018.

Property and Equipment

The buildings occupied by the Museum are constructed on properties owned by the City of New York and the Museum. Title to the buildings are held by the City; however, under an agreement with the City, the Museum has exclusive rights to use the facility.

Building and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building improvements	50 years
Furniture and equipment	2-10 years
Computer equipment	3-5 years
Leasehold improvements	10 years

The City as owner of certain of the Museum's land and of all its buildings, also at times directly contracts for, manages, and pays the cost of certain capital projects. Those costs are not reflected in the financial statements.

Museum of the City of New York
Notes to Financial Statements
June 30, 2019 and 2018

Long-Lived Asset Impairment

The Museum evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2019 and 2018.

Collections

The Museum's collections, which were acquired through purchases and contributions since its inception, are not recognized as assets on the statements of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired, or as net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. As a matter of policy, proceeds from deaccessions shall be used to fund the purchase of other images or objects or the direct care of collections and 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. The Museum strives to preserve and maintain its collection.

Deferred Revenue

Revenue from rental fees for events occurring in future periods are deferred and recognized according to the rental agreement.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor or certain grantor restrictions, net assets for a board-designated endowment.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Membership Fees and Admissions

Membership dues are recorded when earned based upon established rates. Fees received in connection with the tours of exhibitions organized by the Museum are recognized as revenues when the exhibition is shown.

Museum of the City of New York

Notes to Financial Statements

June 30, 2019 and 2018

Contributions

Contributions are provided to the Museum either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Museum overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Government Grants

Support funded by grants is recognized as the Museum performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Museum of the City of New York
Notes to Financial Statements
June 30, 2019 and 2018

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contribution revenue recognized from contributed services for museum docents and guides totaled \$88,632 and \$31,989 for the years ended June 30, 2019 and 2018, respectively. In addition, contribution revenue from donated legal services was \$44,038 and \$26,053 for the years ended June 30, 2019 and 2018, respectively. Contributed services have been included in other grants and contributions on the statements of activities.

In-Kind Contributions

In addition to receiving cash contributions, the Museum receives in-kind contributions of utilities from the New York City Department of Cultural Affairs (DCA). It is the policy of the Museum to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by a like amount. For the years ended June 30, 2019 and 2018, \$513,568 and \$484,107, respectively, was received in in-kind contributions.

Special Events

The Museum conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special events revenues in the accompanying financial statements.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, management and general and fund raising categories based on ratio value and other methods.

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.

Advertising

Advertising costs are expensed as incurred and included in public relations.

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 and excludes the sale of collection material.

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Income Taxes

The Museum is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Museum is subject to federal income tax on any unrelated business taxable income.

The Museum files tax returns in the U.S. federal jurisdiction.

Subsequent Events

Subsequent events have been evaluated through March 4, 2020, which is the date the financial statements were available to be issued.

Note 2: Change in Accounting Principle

In 2018, the Museum adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets – those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted and permanently restricted.

Statement of Activities

- Investment income is shown net of investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Statement of Functional Expenses

- Expenses are reported by both nature and function in one location.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.

Certain reclassifications have been made to the 2018 financial statements for the adoption of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which were deemed to be immaterial. These reclassifications had no effect on earnings.

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Note 3: Investments, Investment Return, and Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019 and 2018:

	2019			
	Total	Fair Value Measurements Using		Investments Measured at NAV (A)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Assets				
Investments				
Equity Securities				
Domestic	\$ 10,584,354	\$ 10,584,354	\$ -	\$ -
Foreign	1,912,901	1,912,901	-	-
Fixed Income Securities				
U.S. government obligations	1,890,966	1,890,966	-	-
Corporate obligations	1,254,796	-	1,254,796	-
Foreign government obligations	-	-	-	-
Mutual Funds				
Money market	779,996	779,996	-	-
Fixed income	-	-	-	-
Equities	6,969,505	6,969,505	-	-
Alternative Investments				
Equity long/short hedge funds measured at net asset value	5,074,638	-	-	5,074,638
Multistrategy hedge funds measured at net asset value	1,539,513	-	-	1,539,513
	<u>30,006,669</u>	<u>\$ 22,137,722</u>	<u>\$ 1,254,796</u>	<u>\$ 6,614,151</u>
Total investments reported on the fair value hierarchy				
Cash and cash equivalents	25,654			
Total investments	<u>\$ 30,032,323</u>			

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	2018			
	Total	Fair Value Measurements Using		Investments Measured at NAV (A)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Assets				
Investments				
Equity Securities				
Domestic	\$ 9,653,182	\$ 9,653,182	\$ -	\$ -
Foreign	1,420,667	1,420,667	-	-
Fixed Income Securities				
U.S. government obligations	1,245,507	1,245,507	-	-
Corporate obligations	811,039	-	811,039	-
Foreign government obligations	157,819	-	157,819	-
Mutual Funds				
Money market	1,081,231	1,081,231	-	-
Fixed income	697,399	697,399	-	-
Equities	6,776,658	6,776,658	-	-
Alternative Investments				
Equity long/short hedge funds measured at net asset value	6,028,913	-	-	6,028,913
Multistrategy hedge funds measured at net asset value	1,472,773	-	-	1,472,773
Total investments reported on the fair value hierarchy	29,345,188	<u>\$ 20,874,644</u>	<u>\$ 968,858</u>	<u>\$ 7,501,686</u>
Cash and cash equivalents	<u>70,878</u>			
Total investments	<u>\$ 29,416,066</u>			

(A) Certain investments that are measured at fair value using NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2019. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

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Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

Alternative Investments

Investments in certain entities measured at fair value using NAV per share as a practical expedient consist of the following:

	Fair Value 2019	Fair Value 2018	Redemption Frequency	Redemption Notice Period
Equity Long/Short Hedge Funds				
King Street Capital, Ltd. (a)	\$ 214,017	\$ 1,252,259	Quarterly	65 days
Valinor Capital Partners Offshore, Ltd. (b)	1,942,093	1,953,717	Quarterly	60 days
Riva Ridge Overseas Fund (c)	1,481,300	1,434,210	Quarterly	90 days
Corre Partners Management, LLC (d)	1,437,228	1,388,727	Quarterly	90 days
Multistrategy Hedge Funds				
Taconic Opportunity Offshore Fund (e)	<u>1,539,513</u>	<u>1,472,773</u>	Quarterly	60 days
	<u>\$ 6,614,151</u>	<u>\$ 7,501,686</u>		

There were no unfunded commitments at June 30, 2019 and 2018.

- (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. As of June 30, 2019, the Museum committed to closing this holding.
- (b) 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. 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.
- (c) 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.
- (d) 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. Investors may also be charged a redemption fee of 5 percent of the amount redeemed if the redemption is not made at least one year from the date of purchase.

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- (e) 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.

Note 4: Contributions Receivable

Contributions receivable consisted of the following:

	June 30, 2019		
	Unrestricted	Temporarily Restricted	Total
Due within one year	\$ 361,649	\$ 125,625	\$ 487,274
	June 30, 2018		
	Unrestricted	Temporarily Restricted	Total
Due within one year	\$ 134,038	\$ 1,067,444	\$ 1,201,482
Due in one to five years	-	81,000	81,000
	134,038	1,148,444	1,282,482
Less unamortized discount	-	(2,360)	(2,360)
	<u>\$ 134,038</u>	<u>\$ 1,146,084</u>	<u>\$ 1,280,122</u>

The discount rate used was 3 percent for June 30, 2019 and 2018.

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Note 5: Property and Equipment

Property and equipment at June 30 consists of:

	2019	2018
Building improvements	\$ 28,444,431	\$ 28,427,688
Furniture and equipment	3,710,409	3,710,409
Computer equipment	714,780	714,780
Leasehold improvements	64,506	64,506
Construction in progress	36,304	36,304
	32,970,430	32,953,687
Accumulated depreciation	(11,284,368)	(10,538,635)
Accumulated amortization	(63,232)	(58,696)
Net	\$ 21,622,830	\$ 22,356,356

Note 6: Operating Leases

The Museum leases warehouse space to house part of its permanent collection under a 14-year lease which will expire September 30, 2028. Rental expense (including surcharges for utilities and maintenance) related to the warehouse lease was \$387,591 and \$394,619 in fiscal years 2019 and 2018, respectively.

Future minimum lease payments under operating leases are:

2020	\$ 294,411
2021	304,716
2022	315,381
2023	326,419
2024	337,844
Later years	1,571,578
Total minimum lease payments	\$ 3,150,349

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Note 7: Pension and Other Postretirement Benefit Plans

Multiemployer Pension Plan

The Museum contributes to a multiemployer defined benefit pension plan under the terms of its collective bargaining agreement that covers its union-represented employees. The risks of participating in the multiemployer plan is different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Museum chooses to stop participating in its multiemployer plan, the Museum may be required to pay an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Museum’s participation in the plan for the annual period ended June 30, 2019, is outlined in the table below.

- The “EIN/Pension Plan Number” column provides the Employer Identification Number (EIN) and the three-digit plan number, if applicable.
- Unless otherwise noted, the most recent *Pension Protection Act* (PPA) zone status available in 2019 and 2018 is for the plan’s year-end at June 30, 2018, and June 30, 2017, respectively.
- The zone status is based on information the Museum received from the plan and is certified by the plan’s actuary. Among other factors, plans in the red zone generally are less than 65 percent funded, plans in the yellow zone are less than 80 percent funded and plans in the green zone are at least 80 percent funded.
- The “FIP/RP Status Pending/Implemented” column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) either is pending or has been implemented.
- The last column lists the expiration date(s) of the collective bargaining agreement(s) to which the plans are subject.

There have been no significant changes that affect the comparability of 2017 and 2018 contributions.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Contributions of Organization			Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		2019	2018		2019	2018	2017		
The Cultural Institutions Pension Plan	11-2001170/001	Green as of June 30, 2019	Green as of June 30, 2018	N/A	\$ 670,000	\$ 663,608	\$ 674,882	No	6/30/2020

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At the date the financial statements were issued, Forms 5500 were not available for the plan year ending in 2019.

Note 8: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for specified purpose		
Exhibitions, collections and programs	\$ 2,867,762	\$ 4,365,586
Endowments		
Perpetual in nature - endowment corpus		
Louis Auchincloss Prize Endowment	623,048	612,467
Frederick AO Schwarz Family Endowment	1,686,486	1,674,255
Hearst Foundation - Education	263,074	265,119
Laura and Ray Johnson Fund	1,280,202	1,280,202
Mary Flagler Cary Endowment	100,000	100,000
Grace Mayer Conservation Fund	250,000	250,000
Charles E. Merrill - Education	50,000	50,000
Mary and Donald Oenslager Fund	200,000	200,000
Margareth and Stephen Ogden - Lecture series and exhibits for children and teenagers	345,487	-
Gallery Programming - Puffin Foundation	1,519,622	980,345
John and Barbara Robinson Fund - Education	1,279,734	1,207,314
Ronay Menschel Director/CEO of the Museum of the City of New York Endowment	2,957,521	2,926,943
Evelyn Spitalny - Music in Museum Concerts	31,803	29,750
Robert Jeffe - lecture series	287,561	270,873
Thompson Family Foundation Endowment - Education	11,004,630	10,964,624
	21,879,168	20,811,892
Subject to NFP endowment spending policy and appropriation		
Accumulated investment gains restricted by donors for programs	245,038	295,165
Total endowments	22,124,206	21,107,057
	\$ 24,991,968	\$ 25,472,643

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Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30 have been designated for the following purposes:

	2019	2018
Undesignated	\$ 3,724,406	\$ 3,857,982
Designated by the board for endowment	4,880,833	4,804,373
Invested in property and equipment, net of related debt	21,622,830	22,356,356
Net assets without donor restrictions	\$ 30,228,069	\$ 31,018,711

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2019	2018
Satisfaction or purpose restrictions		
Capital improvements	\$ -	\$ 288,574
Exhibitions, collections and programs	3,338,200	3,358,845
	3,338,200	3,647,419
Restricted purpose spending-rate distributions and appropriations		
Exhibitions, collections and programs	-	313,844
Endowment	806,660	909,315
	806,660	1,223,159
	\$ 4,144,860	\$ 4,870,578

Note 9: Endowment

The Museum's governing body is subject to the *State of New York Prudent Management of Institutional Funds Act* (NYPMIFA). As a result, the Museum classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with NYPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund

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2. Purposes of the organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the organization
7. Investment policies of the organization

The Museum's endowment consists of approximately 15 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at June 30, 2019 and 2018, was:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 4,880,833	\$ -	\$ 4,880,833
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	21,879,168	21,879,168
Accumulated investment gains	-	245,038	245,038
Total endowment funds	<u>\$ 4,880,833</u>	<u>\$ 22,124,206</u>	<u>\$ 27,005,039</u>
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 4,804,373	\$ -	\$ 4,804,373
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	20,811,892	20,811,892
Accumulated investment gains	-	295,165	295,165
Total endowment funds	<u>\$ 4,804,373</u>	<u>\$ 21,107,057</u>	<u>\$ 25,911,430</u>

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Changes in endowment net assets for the years ended June 30, 2019 and 2018 were:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 4,804,373	\$ 21,107,057	\$ 25,911,430
Investment return, net	289,574	1,194,448	1,484,022
Contributions	-	800,000	800,000
Appropriation of endowment assets for expenditures	(678,372)	(170,639)	(849,011)
Other changes			
Transfer to create board-designated endowment	465,258	-	465,258
Releases from restrictions	-	(806,660) *	(806,660)
Endowment net assets, end of year	<u>\$ 4,880,833</u>	<u>\$ 22,124,206</u>	<u>\$ 27,005,039</u>

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 4,474,660	\$ 20,825,085	\$ 25,299,745
Investment return, net	322,342	1,505,131	1,827,473
Contributions	-	-	-
Appropriation of endowment assets for expenditures	(754,199)	(313,844)	(1,068,043)
Other changes			
Transfer to create board-designated endowment	761,570	-	761,570
Releases from restrictions	-	(909,315) *	(909,315)
Endowment net assets, end of year	<u>\$ 4,804,373</u>	<u>\$ 21,107,057</u>	<u>\$ 25,911,430</u>

* \$806,660 in 2019 and \$909,315 in 2018 were released based on spending rates and purposes instructed by the donors.

Investment and Spending Policies

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 summarized in *Note 3*. Income is distributed on a total return basis to either non-donor designated funds or donor designated funds as designated by the donor. Certain donors have specified that investment income and losses, net of investment fees, be added to the corpus of the endowment funds and have established criteria different from the Museum's spending rate formula of 5 percent of the prior 5-year average balance as measured on a quarterly basis.

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Underwater Endowments

The Museum did not have any underwater endowments at June 30, 2019 and 2018.

Note 10: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 and 2018, comprise the following:

	<u>2019</u>	<u>2018</u>
Financial assets		
Cash	\$ 3,731,882	\$ 4,076,847
Investments	30,032,323	29,416,066
Contributions and grants receivable, net	<u>487,274</u>	<u>1,280,122</u>
Total financial assets	<u>34,251,479</u>	<u>34,773,035</u>
Donor-imposed restrictions		
Purpose and time restricted	3,112,800	4,660,751
Perpetual in nature	<u>21,879,168</u>	<u>20,811,892</u>
Net financial assets after donor-imposed restrictions	<u>24,991,968</u>	<u>25,472,643</u>
Internal designations		
Board-designated endowment	<u>4,880,833</u>	<u>4,804,373</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,378,678</u>	<u>\$ 4,496,019</u>

The Museum's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment is subject to an annual spending rate of five percent as described in *Note 9*. Although the Museum does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

The Museum manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

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Note 11: Expansion

The City of New York has advised the Museum that they have paid \$138,258 in 2019 and \$63,819 in 2018 to improve the facility.

Note 12: Sale of Collection Material

In 2019 and 2018, 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 2019 and 2018. The net proceeds were \$32,906 and \$55,418 in 2019 and 2018, respectively.

Note 13: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Investments

The Museum invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. 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 and that such change could materially affect the amounts reported in the accompanying statements of financial position.

Note 14: Future Changes in Accounting Principles

Revenue Recognition

The Financial Accounting Standards Board (FASB) amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018, for nonpublic entities, and any interim periods within annual reporting periods that begin after December 15, 2019, for nonpublic entities. The Museum is in the process of evaluating the impact the amendment will have on the financial statements.

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FASB Releases Not-for-Profit Accounting Standard for Grants and Contributions

Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, clarifies existing guidance on determining whether a transaction with a resource provider, *e.g.*, the receipt of funds under a government grant or contract, is a contribution or an exchange transaction. The guidance requires all organizations to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction, and whether contributions are conditional or unconditional. If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, *Revenue from Contracts with Customers*, or other topics. The standard clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provider, *i.e.*, the transaction is nonexchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional.

FASB expects that the new standard could result in more grants and contracts being accounted for as contributions (often conditional contributions) than under current generally accepted accounting principles. Because of this, FASB believes the clarifying guidance about whether a contribution is conditional or unconditional, which affects the timing of revenue recognition, is important. Both the recipient and resource provider would equally apply the guidance. For all non-public entities, the standard will be effective for reporting periods beginning on or after December 15, 2018, including interim periods within annual periods beginning after December 15, 2019. The Museum is in the process of evaluating the impact the amendment will have on the financial statements.

Accounting for Leases

FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2020, and any interim periods within annual reporting periods that begin after December 15, 2020.

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June 30, 2019 and 2018

Updating the Definition of Collections

ASU No. 2019-03, *Updating the Definition of Collections*, improves the definition of *collections* in the Master Glossary by realigning it with the definition in the Code. FASB also is making a technical correction in Topic 360, *Property, Plant, and Equipment*, to clarify that the accounting and disclosure guidance for collections in Subtopic 958-360, *Not-for-Profit Entities—Property, Plant, and Equipment*, applies to business entities as well as not-for-profit entities, consistent with what was indicated in Statement 116. The amendments in this Update modify the definition of the term *collections* and require that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned (that is, removed from a collection). If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of *direct care*. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2019 and for interim periods within fiscal years beginning after December 15, 2020. Early application of the amendments is permitted. The amendments in this Update should be applied on a prospective basis. The Museum is in the process of evaluating the impact the amendment will have on the financial statements.