

Museum of the City of New York

Independent Auditor's Report and Financial Statements

June 30, 2020 and 2019



Museum of the City of New York
June 30, 2020 and 2019

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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, 2020 and 2019, 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 as of June 30, 2020 and 2019, 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 described in *Note 2* to the financial statements, in 2020, Museum of the City of New York adopted new accounting guidance regarding recognition of revenue with customers. Our opinion is not modified with respect to this matter.

BKD, LLP

New York, New York
January 7, 2021

Museum of the City of New York
Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 4,456,571	\$ 3,731,882
Investments	28,281,463	30,032,323
Contributions and grants receivable, net	2,997,582	487,274
Prepaid expenses and other assets	63,248	633,074
Inventory	265,403	194,617
Property and equipment, net	21,003,540	21,622,830
Total assets	\$ 57,067,807	\$ 56,702,000
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 362,266	\$ 958,837
Contract liabilities	128,450	292,635
Deferred rent	251,740	230,491
Loan payable	1,737,755	-
Total liabilities	2,480,211	1,481,963
Net Assets		
Net assets without donor restrictions		
Operating	3,323,090	3,724,406
Board-designated endowment	3,331,256	4,880,833
Plant	21,003,540	21,622,830
Net assets without donor restrictions	27,657,886	30,228,069
Net assets with donor restrictions		
Purpose and time restricted	3,112,650	3,112,800
Perpetual in nature	23,817,060	21,879,168
Net assets with donor restrictions	26,929,710	24,991,968
Total net assets	54,587,596	55,220,037
Total liabilities and net assets	\$ 57,067,807	\$ 56,702,000

Museum of the City of New York
Statements of Activities
Years Ended June 30, 2020 and 2019

	2020					Total
	Without Donor Restrictions	With Donor Restrictions			Total	
		Purpose and Time Restricted	Perpetual in Nature	Total		
Revenues, Gains and Other Support						
Membership	\$ 342,786	\$ -	\$ -	\$ -	\$ -	\$ 342,786
Rental fees and other sales	\$ 705,349					
Cost of sales	<u>(35,868)</u>	669,481	-	-	-	669,481
Licensing and other fees		508,535	-	-	-	508,535
Museum shop	462,462					
Cost of sales	<u>(248,236)</u>	214,226	-	-	-	214,226
Investment income (loss)	122,357					
Investment fees	<u>(128,348)</u>	(236,494)	(15,157)	245,660	230,503	(5,991)
Educational programs		352,767	-	-	-	352,767
Admissions		641,340	-	-	-	641,340
Contributions and grants						
New York City – Department of Cultural Affairs		1,791,367	-	-	-	1,791,367
New York State – Council on the Arts		160,120	-	-	-	160,120
Other grants and contributions		2,283,467	2,355,724	2,500,000	4,855,724	7,139,191
Special events	1,608,276					
Less direct expense of special events	<u>(267,817)</u>					
Net revenue from special events		1,340,459	-	-	-	1,340,459
Net assets released from restrictions		<u>3,148,485</u>	<u>(2,340,717)</u>	<u>(807,768)</u>	<u>(3,148,485)</u>	<u>-</u>
Total revenues, gains and other support		<u>11,216,539</u>	<u>(150)</u>	<u>1,937,892</u>	<u>1,937,742</u>	<u>13,154,281</u>
Expenses						
Program services						
Museum shop		390,117	-	-	-	390,117
Collections care		2,663,719	-	-	-	2,663,719
Educational programs		1,249,142	-	-	-	1,249,142
Renovation and expansion		22,810	-	-	-	22,810
Exhibitions and publications		<u>5,913,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,913,913</u>
Total program services		<u>10,239,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,239,701</u>
Supporting services						
Management and general		1,703,857	-	-	-	1,703,857
Membership and development (fundraising)		<u>2,197,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,197,296</u>
Total supporting services		<u>3,901,153</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,901,153</u>
Total expenses		<u>14,140,854</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,140,854</u>
Change in net assets from operations		(2,924,315)	(150)	1,937,892	1,937,742	(986,573)
Other nonoperating revenues		<u>354,132</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>354,132</u>
Change in Net Assets		<u>(2,570,183)</u>	<u>(150)</u>	<u>1,937,892</u>	<u>1,937,742</u>	<u>(632,441)</u>
Net Assets, Beginning 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>
Net Assets, End of Year		<u>\$ 27,657,886</u>	<u>\$ 3,112,650</u>	<u>\$ 23,817,060</u>	<u>\$ 26,929,710</u>	<u>\$ 54,587,596</u>

Museum of the City of New York
Statements of Activities (Continued)
Years Ended June 30, 2020 and 2019

	2019					
		With Donor Restrictions			Total	Total
Without Donor Restrictions		Purpose and Time Restricted	Perpetual in Nature	Total		
Revenues, Gains and Other Support						
Membership		\$ 486,422	\$ -	\$ -	\$ -	\$ 486,422
Rental fees and other sales	\$ 994,704					
Cost of sales	(63,032)	931,672	-	-	-	931,672
Licensing and other fees		433,293	-	-	-	433,293
Museum shop	790,788					
Cost of sales	(505,513)	285,275	-	-	-	285,275
Investment income	1,759,381					
Investment fees	(114,865)	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	(428,288)					
Net revenue from special events		2,846,320	-	-	-	2,846,320
Net assets released from restrictions		4,144,860	(3,338,200)	(806,660)	(4,144,860)	-
Total revenues, gains and other support		15,670,450	(1,547,951)	1,067,276	(480,675)	15,189,775
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		7,062,542	-	-	-	7,062,542
Total program services		12,348,777	-	-	-	12,348,777
Supporting services						
Management and general		1,834,215	-	-	-	1,834,215
Membership and development (fundraising)		2,311,006	-	-	-	2,311,006
Total supporting services		4,145,221	-	-	-	4,145,221
Total expenses		16,493,998	-	-	-	16,493,998
Change in net assets from operations		(823,548)	(1,547,951)	1,067,276	(480,675)	(1,304,223)
Other nonoperating revenues		32,906	-	-	-	32,906
Change in Net Assets		(790,642)	(1,547,951)	1,067,276	(480,675)	(1,271,317)
Net Assets, Beginning of Year		31,018,711	4,660,751	20,811,892	25,472,643	56,491,354
Net Assets, End of Year		\$ 30,228,069	\$ 3,112,800	\$ 21,879,168	\$ 24,991,968	\$ 55,220,037

Museum of the City of New York
Statements of Functional Expenses
Years Ended June 30, 2020 and 2019

	2020									
	Program Services					Supporting Services				
	Museum Shop	Collections Care	Educational Programs	Renovation and Expansion	Exhibitions and Publications	Total	Management and General	Membership and Development (Fundraising)	Special Events	Total
Salaries and related expenses	\$ 216,261	\$ 1,573,770	\$ 954,720	\$ 12,573	\$ 3,350,076	\$ 6,107,400	\$ 1,120,543	\$ 1,700,450	\$ -	\$ 8,928,393
Outside services	26,191	85,908	78,762	408	615,975	807,244	103,973	203,545	-	1,114,762
Legal and accounting	3,587	260	319	6	482	4,654	118,462	68	-	123,184
Depreciation and amortization	75,124	173,237	65,183	1,231	189,733	504,508	70,138	77,863	-	652,509
Public relations	-	-	1,280	-	124,759	126,039	5,143	3,168	-	134,350
Design, shipping and fabrication	16,714	6,305	4,143	4	746,112	773,278	20,674	48,248	-	842,200
Printing	746	10,072	8,974	249	106,312	126,353	4,235	43,706	-	174,294
Occupancy	15,759	578,773	56,602	5,253	395,650	1,052,037	71,725	56,174	-	1,179,936
Supplies and expenses	13,466	93,135	29,578	882	143,052	280,113	21,197	10,886	76,513	388,709
Computing services	3,350	38,909	12,636	938	72,394	128,227	9,349	10,335	-	147,911
Cost of sales	248,236	-	-	-	-	248,236	35,868	1,200	-	285,304
Insurance	3,173	72,235	11,370	1,058	79,323	167,159	10,048	11,105	-	188,312
Miscellaneous	15,746	31,115	25,575	208	90,045	162,689	148,370	30,548	191,304	532,911
Total expenses	638,353	2,663,719	1,249,142	22,810	5,913,913	10,487,937	1,739,725	2,197,296	267,817	14,692,775
Less direct cost of special events deducted from revenue on the statements of activities	-	-	-	-	-	-	-	-	(267,817)	(267,817)
Less cost of sales netted against rental fees and other sales	-	-	-	-	-	-	(35,868)	-	-	(35,868)
Less cost of sales netted against museum shop income	(248,236)	-	-	-	-	(248,236)	-	-	-	(248,236)
Total expenses reported by function on the statements of activities	\$ 390,117	\$ 2,663,719	\$ 1,249,142	\$ 22,810	\$ 5,913,913	\$ 10,239,701	\$ 1,703,857	\$ 2,197,296	\$ -	\$ 14,140,854

Museum of the City of New York
Statements of Functional Expenses (Continued)
Years Ended June 30, 2020 and 2019

	2019									
	Program Services					Supporting Services				
	Museum Shop	Collections Care	Educational Programs	Renovation and Expansion	Exhibitions and Publications	Total	Management and General	Membership and Development (Fundraising)	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
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 Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	\$ (632,441)	\$ (1,271,317)
Items not requiring (providing) operating cash flows		
Depreciation and amortization	652,509	750,269
Investment losses (gains)	220,083	(1,391,914)
Contributions restricted for long-term investment	(1,030,000)	(800,000)
Interest and dividends restricted for long-term investment	(159,442)	(195,406)
Changes in		
Contributions and grants receivable	(2,510,308)	792,848
Prepaid expenses and other assets	569,826	(89,506)
Inventory	(70,786)	19,690
Accounts payable and accrued expenses	(596,571)	5,736
Deferred revenue	(164,185)	49,110
Deferred rent	21,249	31,205
	<u>(3,700,066)</u>	<u>(2,099,285)</u>
Investing Activities		
Purchase of property and equipment	(33,219)	(16,743)
Purchase of investments	(11,856,254)	(6,002,445)
Proceeds from sale of investments	13,387,031	6,778,102
	<u>1,497,558</u>	<u>758,914</u>
Financing Activities		
Proceeds from contributions restricted for long-term investment	1,030,000	800,000
Interest and dividends restricted for long-term investment	159,442	195,406
Proceeds from loans payable	1,737,755	-
	<u>2,927,197</u>	<u>995,406</u>
Increase (Decrease) in Cash and Cash Equivalents	724,689	(344,965)
Cash and Cash Equivalents, Beginning of Year	3,731,882	4,076,847
Cash and Cash Equivalents, End of Year	\$ 4,456,571	\$ 3,731,882
Supplemental Cash Flows Information		
Unrelated business income tax paid	\$ 407	\$ 21,065

Museum of the City of New York
Notes to Financial Statements
June 30, 2020 and 2019

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.

Due to the spread of the COVID-19 coronavirus, the Museum was closed for the duration from March through August 2020. As a result, certain operations of the Museum were shut down and reduction of workforce was in effect.

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. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts, are not considered to be cash and cash equivalents on the statements of financial position and cash flows. Operating and deposit accounts restricted internally by the Board are considered to be cash and cash equivalents on the statements of financial position and cash flows. At June 30, 2020 and 2019, cash equivalents consisted primarily of money market accounts with brokers.

At June 30, 2020, the Museum's cash accounts exceeded federally insured limits by approximately \$4,165,000.

Investments and Investment Return

The Museum measures securities, other than investments that qualify for the equity method of accounting, at fair value. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments.

Museum of the City of New York

Notes to Financial Statements

June 30, 2020 and 2019

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. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

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.

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.

Allowance for Doubtful Accounts

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.

At June 30, 2020 and 2019, the Museum did not have any allowance for doubtful accounts.

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 2020 and 2019.

Property and Equipment

Property and equipment acquisitions over \$5,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the lease term or 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	5 years
Computer equipment	2-3 years
Leasehold improvements	10 years

The buildings occupied by the Museum are constructed on properties owned by the City 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.

Museum of the City of New York

Notes to Financial Statements

June 30, 2020 and 2019

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.

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, 2020 and 2019.

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.

Contract Liabilities

Revenue from rental fees for events occurring in future periods are deferred and recognized according to the rental agreement. All contract liabilities are expected to be recognized into revenue in the following year.

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.

Museum of the City of New York

Notes to Financial Statements

June 30, 2020 and 2019

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.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

Museum of the City of New York

Notes to Financial Statements

June 30, 2020 and 2019

Revenue Recognition

As referenced in *Note 9*, licensing, rental and other fees, museum shop and admissions, educational programs, and special events revenues are recognized as the Museum satisfies performance obligations under its contracts. Revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Museum expects to be entitled in exchange for providing goods or services. The Museum determines the transaction price based on standard charges for goods and services provided.

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.

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 \$56,837 and \$88,632 for the years ended June 30, 2020 and 2019, respectively. The related expenses are included in outside services on the statements of functional expenses. In addition, contribution revenue from donated legal services was \$60,281 and \$44,038 for the years ended June 30, 2020 and 2019, respectively. The related expenses are included on legal and accounting on the statements of functional expenses. 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, 2020 and 2019, \$510,943 and \$513,568, respectively, was received in in-kind contributions. The revenue is included in contributions and grants on the statements of activities and the related expenses are included in occupancy on the statements of functional expenses.

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.

Taxes Collected from Customers and Remitted to Governmental Authorities

Taxes collected from customers and remitted to governmental authorities are presented in the accompanying statements of activities on a net basis.

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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. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and membership and development categories based on estimated time spent by employees, square footage and other methods.

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.

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 other nonoperating revenues.

Revisions

Certain immaterial revisions have been made to the 2019 financial statements for the presentation of cash flow activities relating to purchases and proceeds from sales of investments on a gross-basis rather than net. As a result, previously reported purchase of investments of \$775,657 have been adjusted to (\$6,002,445) and previously reported proceeds from sales of investments of \$0 have been adjusted to \$6,778,102. These revisions did not have a significant impact on the financial statement line items impacted.

Subsequent Events

Subsequent events have been evaluated through January 7, 2021, which is the date the financial statements were available to be issued.

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Note 2: Changes in Accounting Principles

ASC 606, Revenue from Contracts with Customers (Topic 606)

On July 1, 2019, the Museum adopted the Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, (ASU 2014-09) using a modified retrospective method of adoption to all contracts with customers not completed at July 1, 2019.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the Museum expects to be entitled in exchange for those goods or services.

The amount to which the Museum expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services.

Adoption of ASU 2014-09 resulted in changes related disclosures in the notes to the financial statements. The Museum's adoption of ASU 2014-09 did not result in a change to the timing of revenue recognition.

ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

On July 1, 2019, the Museum adopted FASB ASU 2018-08 (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The core guidance in ASU 2018-08 is to clarify 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 adoption had no impact on change in net assets.

Note 3: Investments 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

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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, 2020 and 2019:

	2020			Investments Measured at NAV (A)
	Total	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Assets				
Investments				
Equity Securities				
Domestic	\$ 12,524,632	\$ 12,524,632	\$ -	\$ -
Foreign	1,814,436	1,814,436	-	-
Fixed Income Securities				
U.S. government obligations	2,243,272	2,243,272	-	-
Corporate obligations	849,048	849,048	-	-
Foreign government obligations	152,847	152,847	-	-
Mutual Funds				
Money market	281,106	281,106	-	-
Fixed income	907,286	907,286	-	-
Equities	2,570,550	2,570,550	-	-
Alternative Investments				
Equity long/short hedge funds measured at net asset value	5,021,386	-	-	5,021,386
Multistrategy hedge funds measured at net asset value	1,495,146	-	-	1,495,146
Total investments excluding cash and cash equivalents	27,859,709	<u>\$ 21,343,177</u>	<u>\$ -</u>	<u>\$ 6,516,532</u>
Cash and cash equivalents	421,754			
Total investments	<u>\$ 28,281,463</u>			

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	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	-
Mutual Funds				
Money market	779,996	779,996	-	-
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
Total investments excluding cash and cash equivalents	30,006,669	<u>\$ 22,137,722</u>	<u>\$ 1,254,796</u>	<u>\$ 6,614,151</u>
Cash and cash equivalents	<u>25,654</u>			
Total investments	<u>\$ 30,032,323</u>			

(A) Certain investments that are measured at fair value using the net asset value 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 years ended June 30, 2020 or 2019.

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.

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Alternative Investments

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

	<u>Fair Value 2020</u>	<u>Fair Value 2019</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Equity Long/Short Hedge Funds				
King Street Capital, Ltd. (a)	\$ 117,020	\$ 214,017	Not Redeemable	Not Redeemable
Valinor Capital Partners Offshore, Ltd. (b)	1,996,582	1,942,093	Quarterly	60 days
Riva Ridge Overseas Fund (c)	1,531,610	1,481,300	Quarterly	90 days
Corre Partners Management, LLC (d)	1,376,174	1,437,228	Quarterly	90 days
Multistrategy Hedge Funds				
Taconic Opportunity Offshore Fund (e)	<u>1,495,146</u>	<u>1,539,513</u>	Quarterly	60 days
	<u>\$ 6,516,532</u>	<u>\$ 6,614,151</u>		

There were no unfunded commitments at June 30, 2020 and 2019.

- (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. Although not redeemable directly by the Museum, the fund is in the process of redeeming the classes of shares held by the Museum. Timing of full redemption is unknown as of the date of this report.
- (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. 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.
- (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.

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Note 4: Contributions and Grants Receivable

Contributions and grants receivable consisted of the following:

	June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 424,450	\$ 929,327	\$ 1,353,777
Due within one to five years	-	1,650,139	1,650,139
	424,450	2,579,466	3,003,916
Less unamortized discount	-	(6,334)	(6,334)
	\$ 424,450	\$ 2,573,132	\$ 2,997,582
	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 361,649	\$ 125,625	\$ 487,274

The discount rate used was 0.25 percent for June 30, 2020.

Note 5: Conditional Gifts and Grants and Future Commitments

The Museum receives conditional promises to give and grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. The following are commitments that extend beyond June 30, 2020 that are not recognized in the financial statements:

Conditional Promise to Give/Grant	Term	Amount	Earned Through 2020	Available
If a certain endowment fund balance is less than a specified amount after an annual \$125,000 withdrawal	1/1/2019 - 12/31/2023	\$ 625,000	\$ (125,000)	\$ 500,000
New York State - Council of the Arts	1/1/2020 - 12/31/2022	\$ 150,000	\$ (27,500)	\$ 122,500

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Note 6: Property and Equipment

Property and equipment at June 30, 2020 and 2019 consists of:

	2020	2019
Building improvements	\$ 28,476,630	\$ 28,444,431
Furniture and equipment	3,711,039	3,710,409
Computer equipment	739,210	714,780
Leasehold improvements	64,506	64,506
Construction in progress	4,105	36,304
	32,995,490	32,970,430
Accumulated depreciation	(11,927,444)	(11,284,368)
Accumulated amortization	(64,506)	(63,232)
Net	\$ 21,003,540	\$ 21,622,830

Note 7: Loan Payable

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act*. In April 2020, the Museum received a loan in the amount of \$1,737,755 pursuant to the Paycheck Protection Program (PPP). The Museum has elected to account for the funding as a loan in accordance with Accounting Standards Codification (ASC) Topic 470, *Debt*. The loan is due two years from the date of the first disbursement under the loan and has a fixed interest rate of 1 percent per year. Any forgiveness of the loan will be recognized as a gain in the financial statements in the period the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration or lender; as a result of such audit, adjustments could be required to any gain recognized.

Annual maturities of loan payable as of June 30, 2020 are:

2021	\$ 764,428
2022	973,327
	\$ 1,737,755

Note 8: 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 \$385,113 and \$387,591 in fiscal years 2020 and 2019, respectively.

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Future minimum lease payments under operating leases are:

2021	\$ 304,716
2022	315,381
2023	326,419
2024	337,844
2025	349,668
Later years	<u>1,221,911</u>
Total minimum lease payments	<u>\$ 2,855,939</u>

Note 9: Revenue from Contracts

Licensing, Rental and Other Fees

Revenue from contracts with others is recognized as the Museum satisfies performance obligations under its contracts over time. Revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Museum expects to be entitled in exchange for providing goods or services. The Museum determines the transaction price based on standard charges for goods and services provided. The Museum recognizes contract liabilities as it relates to the Museum's obligation to goods or services to a customer when some consideration has already been received from the customer.

Museum Shop and Admissions Revenue

Museum shop revenue is recognized as the performance obligation is satisfied at a point in time, generally when the goods are provided to customers and the Museum does not believe it is required to provide additional goods related to that sale.

Fees received in connection with the tours of exhibitions organized by the Museum are recognized as revenues when the exhibition is shown (admission). These fees are recognized over time and the Museum does not believe it is required to provide additional services related to that sale.

Educational Programs Revenue

Revenue from contracts with individuals for educational program services is reported at the amount that reflects the consideration to which the Museum expects to be entitled in exchange for providing instruction. These amounts are due from individuals who register for the event.

Revenue is recognized as performance obligations are satisfied, which is ratably over the course of the program. Generally, the Museum bills and collects the fees from the individuals upon registration for the course.

If an individual withdraws within three days of the registration date, the individual is entitled to a full refund. No refunds are awarded after the three days prior to the close of the registration period.

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Special Events Revenue

Revenue from special events is reported at the amount that reflects the consideration to which the Museum expects to be entitled in exchange for the direct cost of the benefits received by the participant at the event. These revenues are recognized over time.

Transaction Price and Recognition

The Museum determines the transaction price based on standard charges for goods and services provided. Consideration amounts are not variable, and the contracts do not have significant financing components. For the year ended June 30, 2020, the Museum recognized revenue of \$2,189,966 from goods and services that transfer to the customer over time and \$483,464 from goods and services that transfer to the customer at a point in time.

The Museum has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payers (for example, customer, governmental programs and others) that have different reimbursement and payment methodologies
- Museum's line of business that provided the service.

Accounting Policies and Practical Expedients Elected

The Museum has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from customers and third parties for the effects of a significant financing component due to the Museum's expectation that the period between the time the service is provided to a customer and the time the customer or a third-party payer pays for that service will be one year or less.

The Museum is also applying an accounting policy election, which allows an entity to exclude from revenue any amounts collected from customers on behalf of third parties, such as sales taxes and other similar taxes the Museum collects concurrent with revenue-producing activities. Therefore, revenue is presented net of sales taxes and similar revenue-based taxes.

Note 10: Multiemployer Pension Plan

The Museum contributes to a multiemployer defined benefit pension plan under the terms of its 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.

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- 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, 2020, 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 2020 and 2019 is for the plan’s year-end at June 30, 2019, and June 30, 2018, 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 agreement(s) to which the plans are subject.

There have been no significant changes that affect the comparability of 2018, 2019 and 2020 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 Agreement
		2020	2019		2020	2019	2018		
The Cultural Institutions Pension Plan	11-2001170001	Green	Green	N/A	\$624,741	\$670,000	\$663,608	No	6/30/2020

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Note 11: Net Assets

Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose		
Exhibitions, collections and programs	\$ 3,049,529	\$ 2,867,762
Endowments		
Perpetual in nature - endowment corpus		
Louis Auchincloss Prize Endowment	588,962	623,048
Frederick AO Schwarz Family Endowment	1,578,785	1,686,486
Hearst Foundation - Education	242,911	263,074
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	339,924	345,487
Gallery Programming - Puffin Foundation	1,502,645	1,519,622
John and Barbara Robinson Fund - Education	1,255,358	1,279,734
Ronay Menschel Director/CEO of the Museum of the City of New York Endowment	2,778,813	2,957,521
Evelyn Spitalny - Music in Museum Concerts	31,110	31,803
Robert Jeffe - lecture series	272,347	287,561
Robert and Elizabeth Jeffe Endowment Chief Curator	2,451,692	-
Thompson Family Foundation Endowment - Education	10,894,311	11,004,630
	<u>23,817,060</u>	<u>21,879,168</u>
Subject to NFP endowment spending policy and appropriation		
Accumulated investment gains restricted by donors for programs	63,121	245,038
Total endowments	<u>23,880,181</u>	<u>22,124,206</u>
	<u>\$ 26,929,710</u>	<u>\$ 24,991,968</u>

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Net Assets Without Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 3,323,090	\$ 3,724,406
Designated by the board for endowment	3,331,256	4,880,833
Invested in property and equipment	<u>21,003,540</u>	<u>21,622,830</u>
Net assets without donor restrictions	<u>\$ 27,657,886</u>	<u>\$ 30,228,069</u>

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.

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions		
Exhibitions, collections and programs	\$ 2,340,717	\$ 3,338,200
Restricted purpose spending-rate distributions and appropriations		
Endowment	<u>807,768</u>	<u>806,660</u>
	<u>\$ 3,148,485</u>	<u>\$ 4,144,860</u>

Note 12: 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
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

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- 6. Other resources of the organization
- 7. Investment policies of the organization

The Museum’s endowment consists of approximately 16 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, 2020 and 2019, was:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 3,331,256	\$ -	\$ 3,331,256
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	23,817,060	23,817,060
Accumulated investment gains	-	63,121	63,121
Total endowment funds	<u>\$ 3,331,256</u>	<u>\$ 23,880,181</u>	<u>\$ 27,211,437</u>
	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>

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Changes in endowment net assets for the years ended June 30, 2020 and 2019 were:

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment net assets, beginning of year	\$ 4,880,833	\$ 22,124,206	\$ 27,005,039
Investment return, net	(219,529)	221,354	1,825
Contributions	-	2,500,000	2,500,000
Appropriation of accumulated endowment earnings for expenditures	(1,330,048)	(157,611)	(1,487,659)
Releases from restrictions	-	(807,768) *	(807,768)
Endowment net assets, end of year	<u>\$ 3,331,256</u>	<u>\$ 23,880,181</u>	<u>\$ 27,211,437</u>

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
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 accumulated endowment earnings 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>

* Amounts 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 4 percent of the prior 5-year average balance as measured on a quarterly basis.

The Board has discretion to approve changes in spending rates from time to time. As of June 30, 2020 and 2019, the board approved spending rate was 5 percent.

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Underwater Endowments

The governing body of the Museum has interpreted NYPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Museum considers a fund to be underwater if the fair value of the fund is less than the original value of initial and subsequent gift amounts donated to the fund.

The Museum has interpreted NYPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

At June 30, 2020, a fund with an original gift value of \$2,500,000 (consisting of pledge receivable of \$1,470,000 and invested contributions of \$1,030,000), fair value of \$2,451,692 (consisting of pledge receivable of \$1,470,000 and investments of \$981,692), and deficiency of \$48,308 was reported in net assets with donor restrictions. This deficiency resulted from unfavorable market fluctuations that occurred shortly after investment of new restricted contributions of \$1,030,000.

The Museum has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor stipulations or laws and regulations. The governing board did not appropriate any expenditures from the underwater endowment fund during the year.

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

Note 13: Expansion

The City of New York has advised the Museum that they have paid \$368,214 and \$138,258 for the renovation or purchase of equipment in the fiscal years 2020 and 2019, respectively.

These purchases are not included in the financial statements.

Note 14: Sale of Collection Material

In 2020 and 2019, 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 2020 and 2019. The net proceeds were \$21,002 and \$32,906 in 2020 and 2019, respectively, which are included in other nonoperating revenues on the statements of activities.

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Note 15: 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, 2020 and 2019, comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash	\$ 4,456,571	\$ 3,731,882
Investments	28,281,463	30,032,323
Contributions and grants receivable, net	<u>2,997,582</u>	<u>487,274</u>
Total financial assets	<u>35,735,616</u>	<u>34,251,479</u>
Donor-imposed restrictions		
Purpose and time restricted	(3,112,650)	(3,112,800)
Perpetual in nature	<u>(23,817,060)</u>	<u>(21,879,168)</u>
Net financial assets after donor-imposed restrictions	<u>8,805,906</u>	<u>9,259,511</u>
Internal designations		
Board-designated endowment	<u>(3,331,256)</u>	<u>(4,880,833)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,474,650</u>	<u>\$ 4,378,678</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 12*. 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 16: 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:

Contributions and Grants

Approximately 47 percent and 25 percent of all contributions and grants were received from two and one donor(s)/grantor(s) in 2020 and 2019, respectively. In addition, approximately 66 percent and 72 percent of all contributions and grants receivable as of June 30, 2020 and 2019 were due from two and three donors/grantors, respectively.

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.

Economic Uncertainty

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, changes in net assets and cash flows of the Museum. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 17: Future Changes in Accounting Principles

Accounting for Leases

The Financial Accounting Standards Board 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 statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities 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, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Museum is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.

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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.