

MUSEUM OF THE CITY OF NEW YORK, INC.

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

MUSEUM OF THE CITY OF NEW YORK, INC.

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INDEPENDENT AUDITORS' REPORT

To The Board of Trustees
Museum of the City of New York, Inc.
New York, New York

Opinion

We have audited the accompanying financial statements of Museum of the City of New York, Inc. which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Museum of the City of New York, Inc. as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Museum of the City of New York, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Museum of the City of New York, Inc. changed its accounting policy related to its recording of leases whereby it is recognizing a right-of-use asset and a lease liability for all lease agreements with a term greater than 12 months. The policy was adopted retrospectively effective July 1, 2022, with the cumulative effect of initially applying the policy recognized as of the date of application. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Museum of the City of New York, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Museum of the City of New York, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Museum of the City of New York, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
March 5, 2024

MUSEUM OF THE CITY OF NEW YORK, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 5,818,488	\$ 5,950,892
Investments	34,737,583	31,538,590
Contributions and grants receivable, net	6,590,767	4,736,980
Prepaid expenses and other assets	139,335	48,429
Inventory	200,184	218,607
Property and equipment, net	19,374,831	19,862,429
Operating lease right-of-use assets	1,532,010	-
Collections (Note 2)	<u>-</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 68,393,198</u>	 <u>\$ 62,355,927</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 692,213	\$ 409,424
Deferred revenue	231,299	108,135
Deferred rent	-	262,965
Operating lease right-of-use liabilities	<u>1,784,215</u>	<u>-</u>
Total Liabilities	<u>2,707,727</u>	<u>780,524</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions:		
Operating	9,537,308	7,734,226
Board-designated endowment	6,756,991	5,953,944
Plant	<u>19,374,831</u>	<u>19,862,429</u>
Total Net Assets Without Donor Restrictions	<u>35,669,130</u>	<u>33,550,599</u>
With donor restrictions:		
Purpose and time restricted	4,759,443	4,225,411
Perpetual in nature	<u>25,256,898</u>	<u>23,799,393</u>
Total Net Assets With Donor Restrictions	<u>30,016,341</u>	<u>28,024,804</u>
Total Net Assets	<u>65,685,471</u>	<u>61,575,403</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 68,393,198</u>	 <u>\$ 62,355,927</u>

The accompanying notes are an integral part of these financial statements.

MUSEUM OF THE CITY OF NEW YORK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

		Without Donor Restrictions	With Donor Restrictions			
			Purpose and Time Restricted	Perpetual in Nature	Total	Total
OPERATING REVENUES, GAINS AND OTHER SUPPORT:						
Membership		\$ 289,362	\$ -	\$ -	\$ -	\$ 289,362
Rental fees and other sales	\$ 1,200,843					
Cost of sales	<u>(66,835)</u>	1,134,008	-	-	-	1,134,008
Licensing and other fees		312,826	-	-	-	312,826
Museum shop	719,245					
Cost of sales	<u>(323,257)</u>	395,988	-	-	-	395,988
Investment Income	4,032,432					
Management fees	<u>(139,802)</u>	1,186,059	276,370	2,430,201	2,706,571	3,892,630
Educational programs		235,625	-	-	-	235,625
Admissions		879,939	-	-	-	879,939
Contributions and other grants:						
New York City - Department of Cultural Affairs		1,836,161	-	-	-	1,836,161
New York State - Council on the Arts		100,000	-	-	-	100,000
Other grants and contributions		3,082,433	5,441,131	-	5,441,131	8,523,564
In-kind contributions		745,137	-	-	-	745,137
Special events	2,614,343					
Direct expenses of special events	<u>(580,212)</u>	2,034,131	-	-	-	2,034,131
Net assets released from restrictions		<u>6,156,165</u>	<u>(5,183,469)</u>	<u>(972,696)</u>	<u>(6,156,165)</u>	<u>-</u>
Total Operating Revenues Gains and Other Support		<u>18,387,834</u>	<u>534,032</u>	<u>1,457,505</u>	<u>1,991,537</u>	<u>20,379,371</u>
OPERATING EXPENSES:						
Program services:						
Museum shop		434,893	-	-	-	434,893
Collection care		3,134,198	-	-	-	3,134,198
Educational programs		1,450,842	-	-	-	1,450,842
Exhibition and publications		<u>9,012,257</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,012,257</u>
Total Program Services Expenses		<u>14,032,190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,032,190</u>
Supporting services:						
Management and general		1,763,559	-	-	-	1,763,559
Membership and development		<u>2,309,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,309,561</u>
Total Supporting Services Expenses		<u>4,073,120</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,073,120</u>
Total Operating Expenses		<u>18,105,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,105,310</u>
CHANGE IN NET ASSETS FROM OPERATIONS		282,524	534,032	1,457,505	1,991,537	2,274,061
NON-OPERATING REVENUES:						
Other non-operating revenues		<u>1,836,007</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,836,007</u>
CHANGE IN NET ASSETS		2,118,531	534,032	1,457,505	1,991,537	4,110,068
NET ASSETS, BEGINNING OF YEAR		<u>33,550,599</u>	<u>4,225,411</u>	<u>23,799,393</u>	<u>28,024,804</u>	<u>61,575,403</u>
NET ASSETS, END OF YEAR		<u>\$ 35,669,130</u>	<u>\$ 4,759,443</u>	<u>\$ 25,256,898</u>	<u>\$ 30,016,341</u>	<u>\$ 65,685,471</u>

The accompanying notes are an integral part of these financial statements.

MUSEUM OF THE CITY OF NEW YORK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions			Total
		Purpose and Time Restricted	Perpetual in Nature	Total	
OPERATING REVENUES, GAINS AND OTHER SUPPORT:					
Membership	\$ 327,814	\$ -	\$ -	\$ -	\$ 327,814
Rental fees and other sales	\$ 1,853,992				
Cost of sales	(44,906)	1,809,086	-	-	1,809,086
Licensing and other fees		535,833	-	-	535,833
Museum shop	564,180				
Cost of sales	(258,961)	305,219	-	-	305,219
Investment income (loss)	(4,306,779)				
Management fees	(178,475)	(1,009,441)	(245,217)	(3,230,596)	(4,485,254)
Educational programs		146,144	-	-	146,144
Admissions		640,825	-	-	640,825
Contributions and other grants					
New York City - Department of Cultural Affairs		1,588,922	-	-	1,588,922
New York State - Council on the Arts		50,010	-	-	50,010
Other grants and contributions		4,188,960	478,461	-	4,667,421
In-kind contributions		599,613	-	-	599,613
Special events	1,730,357				
Direct expenses of special events	(280,796)	1,449,561	-	-	1,449,561
Net assets released from restrictions		2,456,643	(1,322,045)	(1,134,598)	(2,456,643)
Total Operating Revenues Gains and Other Support	13,089,189	(1,088,801)	(4,365,194)	(5,453,995)	7,635,194
OPERATING EXPENSES:					
Program services:					
Museum shop	390,842	-	-	-	390,842
Collection care	2,508,604	-	-	-	2,508,604
Educational programs	1,204,552	-	-	-	1,204,552
Exhibition and publications	5,452,227	-	-	-	5,452,227
Total Program Expenses	9,556,225	-	-	-	9,556,225
Supporting services:					
Management and general	1,626,082	-	-	-	1,626,082
Membership and development (fundraising)	2,293,306	-	-	-	2,293,306
Total Supporting Services Expenses	3,919,388	-	-	-	3,919,388
Total Operating Expenses	13,475,613	-	-	-	13,475,613
CHANGE IN NET ASSETS FROM OPERATIONS	(386,424)	(1,088,801)	(4,365,194)	(5,453,995)	(5,840,419)
NON-OPERATING REVENUES:					
Forgiveness of debt	1,759,145	-	-	-	1,759,145
Government grant	1,260,494	-	-	-	1,260,494
Other non-operating revenues	13,370	-	-	-	13,370
CHANGE IN NET ASSETS	2,646,585	(1,088,801)	(4,365,194)	(5,453,995)	(2,807,410)
NET ASSETS, BEGINNING OF YEAR	30,904,014	5,314,212	28,164,587	33,478,799	64,382,813
NET ASSETS, END OF YEAR	\$ 33,550,599	\$ 4,225,411	\$ 23,799,393	\$ 28,024,804	\$ 61,575,403

The accompanying notes are an integral part of these financial statements.

MUSEUM OF THE CITY OF NEW YORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services					Supporting Services			
	Museum Shop	Collection Care	Educational Programs	Exhibition and Publications	Total	Management and General	Membership and Development	Special Events	Total
Salaries and related expenses	\$ 231,783	\$ 1,729,256	\$ 1,059,059	\$ 3,852,696	\$ 6,872,794	\$ 1,182,925	\$ 1,687,999	\$ -	\$ 9,743,718
Outside services	38,739	154,630	143,798	770,643	1,107,810	139,276	264,485	-	1,511,571
Legal and accounting	24	7,453	86	21,122	28,685	147,735	2,557	-	178,977
Depreciation and amortization	71,884	153,070	72,027	207,910	504,891	56,874	54,708	-	616,473
Public relations	2,350	-	8,925	265,729	277,004	6,802	2,665	-	286,471
Design, shipping and fabrication	14,141	18,706	2,474	2,620,429	2,655,750	19,968	86,597	-	2,762,315
Printing	523	7,078	3,545	27,372	38,518	3,808	45,656	-	87,982
Occupancy	18,733	706,650	69,694	472,320	1,267,397	51,862	73,659	-	1,392,918
Supplies and expenses	13,936	173,835	20,723	242,658	451,152	44,232	12,572	208,250	716,206
Computing services	5,408	87,520	21,984	125,274	240,186	15,706	20,718	-	276,610
Cost of sales	323,257	-	-	18	323,275	66,835	-	-	390,110
Insurance	3,568	63,599	12,784	108,682	188,633	11,298	13,676	-	213,607
Miscellaneous	33,804	32,401	35,743	297,404	399,352	83,073	44,269	371,962	898,656
Total Expenses	758,150	3,134,198	1,450,842	9,012,257	14,355,447	1,830,394	2,309,561	580,212	19,075,614
Less direct cost of special events deducted from revenue on the statement of activities	-	-	-	-	-	-	-	(580,212)	(580,212)
Less cost of sales netted against rental fees and other sales	-	-	-	-	-	(66,835)	-	-	(66,835)
Less cost of sales netted against museum shop income	(323,257)	-	-	-	(323,257)	-	-	-	(323,257)
Total Expenses Reported by Function on the Statement of Activities	\$ 434,893	\$ 3,134,198	\$ 1,450,842	\$ 9,012,257	\$ 14,032,190	\$ 1,763,559	\$ 2,309,561	\$ -	\$ 18,105,310

The accompanying notes are an integral part of these financial statements.

MUSEUM OF THE CITY OF NEW YORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services					Supporting Services			
	Museum Shop	Collection Care	Educational Programs	Exhibition and Publications	Total	Management and General	Membership and Development	Special Events	Total
Salaries and related expenses	\$ 236,290	\$ 1,341,642	\$ 867,655	\$ 3,149,759	\$ 5,595,346	\$ 1,075,845	\$ 1,562,204	\$ -	\$ 8,233,395
Outside services	14,036	88,202	147,329	557,755	807,322	131,715	437,948	-	1,376,985
Legal and accounting	193	10,385	741	1,586	12,905	132,934	55	-	145,894
Depreciation and amortization	62,262	169,161	62,703	167,497	461,623	68,179	83,229	-	613,031
Public relations	3,000	-	1,500	132,292	136,792	1,147	6,800	-	144,739
Design, shipping and fabrication	9,166	43,260	4,422	584,905	641,753	13,908	42,741	-	698,402
Printing	944	12,747	11,204	31,095	55,990	3,270	29,159	-	88,419
Occupancy	15,693	641,101	55,971	391,557	1,104,322	73,792	59,914	-	1,238,028
Supplies and expenses	10,343	67,529	10,890	135,531	224,293	22,930	11,016	124,981	383,220
Computing services	4,586	60,583	17,697	121,058	203,924	13,726	18,573	-	236,223
Cost of sales	258,301	-	-	-	258,301	44,906	-	-	303,207
Insurance	3,120	42,117	11,179	78,500	134,916	9,879	11,959	-	156,754
Miscellaneous	31,209	32,322	13,476	100,692	177,699	78,757	29,708	155,815	441,979
Total Expenses	649,143	2,509,049	1,204,767	5,452,227	9,815,186	1,670,988	2,293,306	280,796	14,060,276
Less direct cost of special events deducted from revenue on the statement of activities	-	-	-	-	-	-	-	(280,796)	(280,796)
Less cost of sales netted against rental fees and other sales	-	-	-	-	-	(44,906)	-	-	(44,906)
Less cost of sales netted against museum shop income	(258,301)	(445)	(215)	-	(258,961)	-	-	-	(258,961)
Total Expenses Reported by Function on the Statement of Activities	\$ 390,842	\$ 2,508,604	\$ 1,204,552	\$ 5,452,227	\$ 9,556,225	\$ 1,626,082	\$ 2,293,306	\$ -	\$ 13,475,613

The accompanying notes are an integral part of these financial statements.

MUSEUM OF THE CITY OF NEW YORK, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 4,110,068	\$ (2,807,410)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	616,473	613,031
Noncash lease expense	267,250	-
Deferred rent	(262,965)	280
Forgiveness of debt	-	(1,759,145)
Investment (gains) losses	(3,578,907)	4,743,199
Interest and dividends restricted for long-term investment	(141,857)	(139,163)
(Increase) decrease in assets:		
Contributions and grants receivable	(2,153,787)	(2,123,344)
Prepaid expenses and other assets	(90,906)	(5,135)
Inventory	18,423	8,177
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	282,789	71,510
Deferred revenue	123,164	(2,130)
Operating lease liabilities	(15,045)	-
NET CASH USED IN OPERATING ACTIVITIES	<u>(825,300)</u>	<u>(1,400,130)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(128,875)	(58,190)
Purchase of investments	(5,280,850)	(12,942,746)
Proceeds from sale of investments	5,660,764	13,387,031
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>251,039</u>	<u>386,095</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for long-term investment	300,000	270,000
Interest and dividends restricted for long-term investment	141,857	139,163
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>441,857</u>	<u>409,163</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(132,404)	(604,872)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,950,892</u>	<u>6,555,764</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,818,488</u>	<u>\$ 5,950,892</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES:		
Forgiveness of debt	<u>\$ -</u>	<u>\$ 1,759,145</u>
Right-of-use assets obtained in exchange for lease obligations:		
Operating	<u>\$ 1,799,260</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 1 - Nature of Organization

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

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

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

The Museum is exempt from 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.

Note 2 - Summary of Significant Accounting Policies

Adoption of ASU No. 2016-02

As of July 1, 2022, the Museum adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)* ("ASC 842"). This ASU requires all lessees to recognize a right-of-use asset for the underlying leased asset and a lease liability for the corresponding lease liability for all lease agreements with a term greater than 12 months, initially measured at the present value of the lease payments. It also requires that initial direct costs (incremental costs of a lease that would not have been incurred if the lease had not been obtained) be assessed and added to the right-of-use asset and be included in its subsequent amortization.

In accordance with ASC 842, the modified retrospective method was applied to all lease agreements in effect at July 1, 2022. Under the modified retrospective method, the cumulative effect of applying ASC 842 is recognized at the date of initial application. As a result of adopting ASC 842 effective July 1, 2022, the Museum recorded operating right-of use assets and lease liabilities of \$1,799,260 and \$15,045, respectively, and a write off of \$262,965 of deferred rent payable.

As of July 1, 2022 (the implementation date of ASC 842), right-of-use assets and the corresponding lease liabilities were recognized based on the present value of lease payments as of the application date over the remaining life of the lease term. Thereafter, right-of-use assets and the corresponding lease liabilities will be recognized as of the lease commencement date based on the present value of lease payments over the life of the lease term. To determine the present value of lease payments, the Museum must use the rate implicit in the lease if it is readily determinable; otherwise, the Museum may use either a borrowing rate based on similar debt or (b) the practical expedient option provided by ASC 842, which allows an entity to use a risk-free rate for each class of underlying asset for a period comparable to the lease term to discount the lease payments to present value.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Adoption of ASU No. 2016-02 (cont'd.)

The Museum considers the lease term to be the non-cancellable period that it has the right to use the underlying asset, including all periods covered by an option to (1) extend the lease, if the Museum is reasonably certain to exercise the option, (2) terminate the lease, if the Museum is reasonably certain not to exercise that option, and (3) extend or not to terminate the lease, in which exercise of the option is controlled by the lessor. The Museum has elected to use the practical expedient provided by ASC 842 and has used the risk-free rate to determine the present value of its lease payments. The Museum's right-of-use assets and lease liabilities relate to warehouse space.

The Museum has also utilized the following practical expedients:

- Short-term leases - for leases that are for a period of 12 months or less, the Museum will not apply the recognition requirements of ASC 842.
- For leases that contain related non-lease components, such as maintenance, the Museum will account for these payments as a single lease component.

In addition, the Museum has utilized transitional practical expedients as follows:

As of July 1, 2022, the Museum has not reassessed -

- Whether any expired or existing contracts are or contain leases;
- The lease classification for any expired or existing leases; and
- Initial direct costs related to any expired or existing leases.

Leases are classified as either finance or operating leases. For operating leases, the lease liability is initially and subsequently measured at the present value of the future payments at the lease commencement date. For finance leases, the lease liability is initially measured in the same manner and is subsequently measured similar to financed purchases, with interest expense recorded in connection with the lease liability. The classification between operating and finance leases determines whether lease expenses are recognized based on an effective interest method or on a straight-line basis, respectively, over the term of the lease.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred and less any incentives received. Right-of-use assets under finance leases are amortized on a straight-line basis over the lease term. Right-of-use assets for operating and finance leases are periodically reduced by impairment losses.

The Museum monitors for events or changes that could require a reassessment of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment will be made to the carrying amount of the corresponding right-of-use asset unless doing so would reduce the carrying amount of the right-of-use asset to an amount less than zero.

Operating lease right-of-use assets are presented as "Operating lease right-of-use assets" on the statements of financial position.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Adoption of ASU No. 2016-02 (cont'd.)

Operating lease right-of-use liabilities are presented as "Operating lease right-of-use liabilities" on the statements of financial position.

Basis of Accounting

The financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the amount of revenue and expenses recognized during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Museum considers all liquid investments with original maturities of three months or less to be cash equivalents. 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. Uninvested cash and cash equivalents held in accounts managed by professional fund advisors are included within investments.

Investments

Investments in marketable securities are stated at fair value, based on quoted market prices. Investments in hedge funds are recorded at net asset value (NAV), as a practical expedient. Investment income, which consists of gains and losses on the sale of investments, unrealized gains and losses, and interest and dividends, net of investment fees, are recorded as operating activities and are recognized as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulations.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Fair Value Measurement (cont'd.)

To increase the comparability of fair value measurements, a framework for measuring fair value is used which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy under FASB Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement*, are described as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting the Museum's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Refer to Note 4 for assets measured at fair value at June 30, 2023 and 2022 in accordance with FASB ASC Topic 820.

Allowance for Doubtful Accounts

The Museum determines whether an allowance for doubtful accounts should be provided for contributions and grants receivable. Such estimates are based on management's assessment of the aged basis of the receivables, current economic conditions and historical information. The allowance for doubtful accounts is adjusted based upon management's assessment of the collectability of the contributions and grants receivable. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Interest is not charged on outstanding receivables.

At June 30, 2023 and 2022, the Museum did not have any allowance for doubtful accounts.

Inventory

Inventory, which consists of finished goods held for sale in connection with the Museum's gift shop operation, is valued at the lower of cost or net realizable value, with cost determined using the first in, first out (FIFO) method or net realizable value defined as the estimated selling prices in the ordinary course of business.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

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.

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 the long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2023 and 2022.

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.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Contract Liabilities

Revenue from rental fees for events occurring in future periods is 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 are 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.

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.

MUSEUM OF THE CITY OF NEW YORK, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Contributions (cont'd.)

The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restrictions</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.e., the donor-imposed barrier is met
<i>Unconditional gifts, with or without restrictions</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.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

In-kind Contributions

The Museum receives various forms of gift-in-kind (GIK) including utilities and legal services. GIK are reported as contributions at their estimated fair value on the date of receipt and reported as expense when utilized GIK are valued based upon appraisal reports received from third parties. Donated GIK are not sold and goods are only utilized for program use.

Non-financial contributions by category	Type of contributions for beneficiaries	Valuation	2023	2022
Utilities	Utilities from the New York Department of Cultural Affairs ("DCA")	Appraisal reports received from independent third parties	\$ 572,698	\$ 517,441
Legal services	Outside legal services	Appraisal reports received from independent third parties	172,439	82,172
			\$ 745,137	\$ 599,613

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.

Revenue Recognition

As referenced in Note 10, 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 the Museum expects to receive in exchange for providing goods or services. The Museum determines the transaction price based on standard charges for goods and services provided.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

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.

Functional 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.

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, including forgiveness of debt.

Accounting for Uncertainty in Income Taxes

The Museum has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The Museum is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Museum believes it is no longer subject to income tax examinations for years prior to 2020.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

New Accounting Pronouncement

ASU No. 2016-13

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU modifies the measurement of expected credit losses on certain financial instruments and broadens the information that an entity must consider in developing its expected credit loss estimate to include such factors as current market conditions. Under current guidance, recognition of the full amount of credit losses generally is delayed until the loss is probable of occurring.

The amendments in ASU No. 2016-13 are effective for nonpublic entities for fiscal years beginning after December 15, 2022, and interim periods within that year, based on the update in ASU No. 2019-10 to defer the implementation date. The Museum has not yet determined if this ASU will have a material effect on its financial statements.

Note 3 - Concentration of Credit Risk

The Museum maintains cash balances in several financial institutions. Such balances are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 per institution. At June 30, 2023, and periodically throughout the years ended June 30, 2023 and 2022, the Museum's balances exceeded these limits.

Approximately 43% and 41% of all contributions and grants were received from two donors/grantors in 2023 and 2022, respectively. In addition, approximately 30% and 69% of all contributions and grants receivable as of June 30, 2023 and 2022, respectively, were due from two donors/grantors.

Note 4 - Fair Value Measurement

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2023 and 2022.

Equities and mutual funds are stated at fair value using Level 1 inputs based on quoted market prices of identical securities in active markets.

Fixed income securities are stated at fair value using Level 2 inputs based on pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Alternative investments - Valued at NAV as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

Cash - Valued at amortized cost, which approximates fair value.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 4 - Fair Value Measurement (cont'd.)

The following table presents 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 at June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities:				
Domestic	\$ 23,650,337	\$ -	\$ -	\$ 23,650,337
Fixed income securities:				
U.S. government obligations	-	1,434,006	-	1,434,006
Corporate obligations	-	772,656	-	772,656
Foreign obligations	-	91,171	-	91,171
Mutual funds:				
Fixed income	1,424,260	-	-	1,424,260
Equities	364,268	-	-	364,268
Cash and cash equivalents	<u>1,244,575</u>	<u>-</u>	<u>-</u>	<u>1,244,575</u>
Total investments, at fair value	<u>\$ 26,683,440</u>	<u>\$ 2,297,833</u>	<u>\$ -</u>	28,981,273
Alternative investments (a):				
Equity long/short hedge funds measured at net asset value				4,087,215
Multi strategy hedge funds measured at net asset value				<u>1,669,095</u>
Total Investments				<u>\$ 34,737,583</u>

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 4 - Fair Value Measurement (cont'd.)

The following table presents 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 at June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities:				
Domestic	\$ 21,173,654	\$ -	\$ -	\$ 21,173,654
Foreign	-	-	-	-
Fixed income securities:				
U.S. government obligations	-	1,528,020	-	1,528,020
Corporate obligations	-	885,515	-	885,515
Foreign obligations	-	121,050	-	121,050
Mutual funds:				
Fixed income	1,121,930	-	-	1,121,930
Equities	360,470	-	-	360,470
Cash and cash equivalents	<u>720,126</u>	<u>-</u>	<u>-</u>	<u>720,126</u>
Total investments, at fair value	<u>\$ 23,376,180</u>	<u>\$ 2,534,585</u>	<u>\$ -</u>	25,910,765
Alternative investments (a):				
Equity long/short hedge funds measured at net asset value				3,961,038
Multi strategy hedge funds measured at net asset value				<u>1,666,787</u>
Total Investments				<u>\$ 31,538,590</u>

a) In accordance with FASB ASC Subtopic 820-10, certain investments that were measured at net asset value ("NAV") per share have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 4 - Fair Value Measurement (cont'd.)

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</u> 2023	<u>Fair Value</u> 2022	<u>Redemption</u> Frequency	<u>Redemption</u> Notice period
Equity Long/Short term Hedge Funds:				
King Street Capital, Ltd. (a)	\$ 61,120	\$ 92,674	Not Redeemable	Not Redeemable
Valinor Capital Partners Offshore, Ltd. (b)	128,252	120,614	Not Redeemable	Not Redeemable
Riva Ridge Overseas Fund (c)	2,125,845	2,026,913	Quarterly	90 days
Corre Partners Management, LLC (d)	1,771,998	1,720,837	Quarterly	90 days
Multistrategy Hedge Funds:				
Taconic Opportunity Offshore Fund (e)	<u>1,669,095</u>	<u>1,666,787</u>	Quarterly	60 days
	<u>\$ 5,756,310</u>	<u>\$ 5,627,825</u>		

There were no unfunded commitments at June 30, 2023 and 2022.

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

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 5 - Contributions and Grants Receivable

Contributions and grants receivable consisted of the following:

	June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 1,273,284	\$ 2,902,643	\$ 4,175,927
Due within one to five years	-	2,457,800	2,457,800
	1,273,284	5,360,443	6,633,727
Less: unamortized discount	-	(42,960)	(42,960)
	\$ 1,273,284	\$ 5,317,483	\$ 6,590,767
	June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 2,352,670	\$ 1,326,895	\$ 3,679,565
Due within one to five years	-	1,093,000	1,093,000
	2,352,670	2,419,895	4,772,565
Less: unamortized discount	-	(35,585)	(35,585)
	\$ 2,352,670	\$ 2,384,310	\$ 4,736,980

The discount rates used ranged from 0.18% to 0.25% at June 30, 2023 and 2022.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 6 - 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, 2023 that are not recognized in the financial statements:

Conditional Promise to Give/Grant	Term	Amount	Earned through 2023	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	\$ (500,000)	\$ 125,000
New York State - Council of the Arts	1/1/2021 - 12/31/2024	<u>150,000</u>	<u>(36,433)</u>	<u>113,567</u>
		<u>\$ 775,000</u>	<u>\$ (536,433)</u>	<u>\$ 238,567</u>

Note 7 - Property and Equipment

Property and equipment at June 30, 2023 and 2022 consists of:

	<u>2023</u>	<u>2022</u>
Building	\$ 28,492,405	\$ 28,476,630
Furniture and equipment	3,711,039	3,711,039
Computer equipment	961,184	848,084
Leasehold improvements	64,506	64,506
Construction in progress	<u>4,105</u>	<u>4,105</u>
	33,233,239	33,104,364
Accumulated depreciation	(13,793,902)	(13,177,429)
Accumulated amortization	<u>(64,506)</u>	<u>(64,506)</u>
	<u>\$ 19,374,831</u>	<u>\$ 19,862,429</u>

Depreciation and amortization expense was \$616,473 and \$613,031 for the years ended June 30, 2023 and 2022, respectively.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 8 - Paycheck Protection Program Loan Payable

In February 2021, the Museum received \$1,759,145 from a financial institution under a second draw Paycheck Protection Program (“PPP”), administered by the SBA with support from the Department of the Treasury. The loan was unsecured, bore interest at 1% per annum and was set to mature in February 2026; however, the PPP provided for the forgiveness of up to the entire amount of the loan (including interest) if certain conditions were met. In October 2021, the Museum was granted forgiveness for the full amount of the loan. As a result, loan forgiveness was reported in the statement of activities for the year ending June 30, 2022.

Note 9 - Leases

The Museum leases warehouse space to house part of its permanent collection under a 14-year lease which will expire September 30, 2028.

Lease components in the Museum’s leases are accounted for following the guidance in ASC 842 for the capitalization of long-term leases. At June 30, 2023, the lease liability is equal to the present value of the remaining lease payments, discounted using the practical expedient provided by ASC 842.

The following table represents lease activity for the year ended June 30, 2023:

Lease cost:	
Operating lease cost	<u>\$ 315,660</u>
Other information:	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	<u>\$ 326,419</u>
Weighted-average remaining lease term - operating leases	<u>14 years</u>
Weighted-average discount rate - operating leases	<u>2.50%</u>

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 9 - Leases (cont'd.)

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as of June 30, 2023:

<u>Years Ending June 30:</u>	<u>Operating Leases</u>
2024	\$ 337,844
2025	349,668
2026	361,907
2027	374,573
2028	387,683
Thereafter	<u>97,747</u>
Total minimum lease payments	1,909,422
Less: Amount representing interest	<u>125,207</u>
Present value of future payments	1,784,215
Less: Current lease liabilities	<u>326,419</u>
Long-term lease liabilities	<u><u>\$ 1,457,796</u></u>

Note 10 - Revenue from Contracts

Membership, 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 the Museum expects to receive 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 they relate to the Museum's obligation for goods or services to a customer when some consideration has already been received from the customer.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 10 - Revenue from Contracts (cont'd.)

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 at a point in time and when 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 the Museum expects to receive 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.

Special Events Revenue

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

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 years ended June 30, 2023 and 2022, the Museum recognized revenue of \$1,971,821 and \$2,818,877, respectively, from goods and services that transfer to the customer over time. For the years ended June 30, 2023 and 2022, the Museum recognized revenue of \$1,856,139 and \$1,226,841, respectively, 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.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 10 - Revenue from Contracts (cont'd.)

Accounting Policies and Practical Expedients Elected

The Museum has elected the practical expedient allowed under FASB ASC Subtopic 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 11 - Multiemployer Pension Plan

The Museum contributes to a multiemployer defined benefit pension plan under the terms of an agreement that covers its union-represented employees. The risks of participating in the multiemployer plan are 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 a multiemployer plan, the Museum may be required to pay that plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Museum's participation in this plan for the years ended June 30, 2023 and 2022, 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.
- The most recent Pension Protection Act ("PPA") zone status available in 2023 is for the plan's year-end at June 30, 2023.
- 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 are generally less than 65 percent funded, plans in the yellow zone are 65 percent to 80 percent funded, and plans in the green zone are at least 80 percent funded.
- The "FIP/RP Status Pending/Implemented" column indicates if a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented.
- The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 11 - Multiemployer Pension Plan (cont'd.)

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Contributions for the Years Ended June 30,		Surcharge Imposed	Expiration Date of Agreement
		2023	2022		2023	2022		
The Cultural Institutions Pension Plan	11-2001170 001	Green	Green	N/A	\$ 496,406	\$ 477,970	No	12/31/23*

*Subsequent to year end, the collective-bargaining agreement was extended through July 1, 2024.

Note 12 - Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2023 and 2022 are restricted for the following purposes or periods:

	2023	2022
Subject to expenditure for specified purpose:		
Exhibitions, collections and programs	\$ 4,257,274	\$ 3,878,257
Endowments:		
Perpetual in nature - endowment corpus:		
Louis Auchincloss Prize Endowment	697,829	651,747
Frederick AO Schwarz Family Endowment	1,824,261	1,699,812
Hearst Foundation - Education	268,035	254,435
Laura and Ray Johnson Fund	1,280,204	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	411,061	-
Gallery Programming - Puffin Foundation	-	365,042
John and Barbara Robinson Fund - Education	1,503,858	1,353,580
Ronay Menschel Director/CEO of the Museum of the City of New York Endowment	1,667,102	1,482,716
Evelyn Spitalny - Music in Museum Concerts	3,204,862	3,004,519
Robert Jeffe - Lecture series	42,820	37,539
Robert and Elizabeth Jeffe Endowment Chief Curator	308,115	287,098
Thompson Family Foundation Endowment - Education	2,696,058	2,519,155
	<u>10,752,693</u>	<u>10,263,548</u>
Total perpetual in nature	25,256,898	23,799,393
Subject to NFP endowment spending policy and appropriation:		
Accumulated investment gains restricted by donors for programs	502,169	347,154
Total Endowments	<u>25,759,067</u>	<u>24,146,547</u>
	<u>\$ 30,016,341</u>	<u>\$ 28,024,804</u>

MUSEUM OF THE CITY OF NEW YORK, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023 AND 2022

Note 12 - Net Assets with Donor Restrictions (cont'd.)

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

	2023	2022
Satisfaction of purpose restrictions:		
Exhibitions, collections and programs	\$ 5,183,469	\$ 1,322,045
Restricted purpose spending-rate distributions and appropriations	972,696	1,134,598
	\$ 6,156,165	\$ 2,456,643

Note 13 - Endowment Funds

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 are also 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 preservations of the fund
2. Purpose of the Museum 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 Museum
7. Investment policies of the Museum

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 U.S. 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.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 13 - Endowment Funds (cont'd.)

Endowment Net Asset Composition by Type of Fund at June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unspent Accumulated Earnings	Original Gifts	
Board-designated endowment fund	\$ 6,756,991	\$ -	\$ -	\$ 6,756,991
Donor-restricted endowment fund	-	502,169	25,256,898	25,759,067
	<u>\$ 6,756,991</u>	<u>\$ 502,169</u>	<u>\$ 25,256,898</u>	<u>\$ 32,516,058</u>

Endowment Net Asset Composition by Type of Fund at June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unspent Accumulated Earnings	Original Gifts	
Board-designated endowment fund	\$ 5,953,944	\$ -	\$ -	\$ 5,953,944
Donor-restricted endowment fund	-	347,154	23,799,393	24,146,547
	<u>\$ 5,953,944</u>	<u>\$ 347,154</u>	<u>\$ 23,799,393</u>	<u>\$ 30,100,491</u>

Changes in Endowment Net Assets for the Year Ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unspent Accumulated Earnings	Original Gifts	
Endowment net assets, beginning of year	\$ 5,953,944	\$ 347,154	\$ 23,799,393	\$ 30,100,491
Investment income	707,979	166,840	2,430,201	3,305,020
Contributions	300,000	-	-	300,000
Appropriation of endowment assets for expenditure	(204,932)	(11,825)	-	(216,757)
Released from restrictions	-	-	(972,696) *	(972,696)
Endowment net assets, end of year	<u>\$ 6,756,991</u>	<u>\$ 502,169</u>	<u>\$ 25,256,898</u>	<u>\$ 32,516,058</u>

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 13 - Endowment Funds (cont'd.)

Changes in Endowment Net Assets for the Year Ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unspent Accumulated Earnings	Original Gifts	
Endowment net assets, beginning of year	\$ 6,083,173	\$ 588,692	\$ 28,164,587	\$ 34,836,452
Investment loss	(634,250)	(234,248)	(3,230,596)	(4,099,094)
Contributions	2,899,251	-	-	2,899,251
Appropriation of endowment assets for expenditure	(2,394,230)	(7,290)	-	(2,401,520)
Released from restrictions	-	-	(1,134,598) *	(1,134,598)
Endowment net assets, end of year	<u>\$ 5,953,944</u>	<u>\$ 347,154</u>	<u>\$ 23,799,393</u>	<u>\$ 30,100,491</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 4. 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% of the prior 5-year average balance as measured on a quarterly basis.

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.

For the year ended June 30, 2023, a deficiency of this nature exists in one donor-restricted endowment fund, which have an original gift value of \$100,000, a current fair value of \$98,566, and a deficiency of \$1,434. For the year ended June 30, 2022, deficiencies of this nature exist in two donor-restricted endowment funds, which had an original gift value of \$300,000, a current fair value of \$282,635, and a deficiency of \$17,365. These deficiencies resulted from unfavorable market fluctuation.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 13 - Endowment Funds (cont'd.)

Underwater Endowments (cont'd.)

The Museum has interpreted NYPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. 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 funds during the years ended June 30, 2023 and 2022.

Note 14 - Expansion

The City has advised the Museum that it has paid \$36,433 and \$634,976 for the renovation or purchase of equipment for the years ended June 30, 2023 and 2022, respectively.

These purchases are not included in the financial statements.

Note 15 - Sale of Collection Material

In 2023 and 2022, 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 2023 and 2022. The net proceeds were \$1,836,007 and \$13,370 in 2023 and 2022, respectively, which are included in other nonoperating revenues on the statements of activities.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 16 - Available Resources and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2023 and 2022, comprise the following:

	2023	2021
Financial assets:		
Cash and cash equivalents	\$ 5,818,488	\$ 5,950,892
Investments	34,737,583	31,538,590
Contributions and grants receivable, net	6,590,767	4,736,980
Total financial assets	47,146,838	42,226,462
Less:		
Donor-imposed restrictions:		
Purpose and time restricted	(4,759,443)	(4,225,411)
Perpetual in nature	(25,256,898)	(23,799,393)
Net financial assets after donor-imposed restrictions	17,130,497	14,201,658
Internal designations:		
Board-designated endowment	(6,756,991)	(5,953,944)
Financial assets available to meet cash needs for general expenditures within one year	\$ 10,373,506	\$ 8,247,714

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 5% as described in Note 13. 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. The Museum regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. To achieve this goal, the Museum forecasts its future cash flows and monitors its liquidity on a monthly basis. The Museum has various sources of liquidity at its disposal, including cash and cash equivalents and marketable securities.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 17 - Contingencies

PPP

The SBA may elect to undertake an audit of the Company's PPP loans.

Note 18 - Subsequent Events

The Museum has evaluated all events or transactions that occurred after June 30, 2023 through March 5, 2024, which is the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.