

**STATEN ISLAND CHILDREN'S MUSEUM**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**



**LUTZ AND CARR**  
CERTIFIED PUBLIC ACCOUNTANTS, LLP  
551 FIFTH AVENUE - SUITE 400, NEW YORK, NY 10176  
212-697-2299 FAX: 212-949-1768

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
Staten Island Children's Museum

We have audited the accompanying financial statements of Staten Island Children's Museum (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditors' 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 of 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 auditors' 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 Staten Island Children's Museum as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Lotz + Carr, LLP*

New York, New York  
January 15, 2020

**STATEN ISLAND CHILDREN'S MUSEUM**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2019 AND 2018**

|  | <u>2019</u>                 | <u>2018</u>                 |
|--|-----------------------------|-----------------------------|
| <b>Assets</b>  |                             |                             |
| Cash and cash equivalents (Notes 1b and 11a)                                       | \$ 363,224                  | \$ 264,051                  |
| Certificates of deposit  | 167,101                     | 177,404                     |
| Investments (Notes 1c, 1d and 5)   | 1,968,075                   | 1,826,877                   |
| Unconditional promises to give (Notes 1e and 4)                                    |                             |                             |
| Without donor restrictions   | 63,783                      | 43,167                      |
| With donor restrictions  | 10,000                      | 27,750                      |
| Accounts receivable  | 96,349                      | 178,160                     |
| Prepaid expenses and other current assets  | 15,162                      | 14,729                      |
| Property and equipment, at cost (net of accumulated depreciation) (Notes 1f and 6) | 109,754                     | 106,032                     |
| Museum exhibits (Note 1g)  | -                           | -                           |
|  | <u>                    </u> | <u>                    </u> |
| <b>Total Assets</b>  | <u><u>\$2,793,448</u></u>   | <u><u>\$2,638,170</u></u>   |
| <b>Liabilities and Net Assets</b>  |                             |                             |
| Liabilities  |                             |                             |
| Accounts payable and accrued expenses  | \$ 248,458                  | \$ 289,402                  |
| Deferred revenue (Note 1i)   | 55,316                      | 47,218                      |
| Total Liabilities  | <u>303,774</u>              | <u>336,620</u>              |
| Commitments and Contingency (Notes 8 and 10)                                       |                             |                             |
| Net Assets (Note 3)  |                             |                             |
| Without Donor Restrictions   |                             |                             |
| Operating  | 238,431                     | 186,634                     |
| Property and equipment   | 109,754                     | 106,032                     |
| Board designated educational initiative reserve fund                               | 1,951,769                   | 1,800,836                   |
| Total Without Donor Restrictions   | <u>2,299,954</u>            | <u>2,093,502</u>            |
| With Donor Restrictions  |                             |                             |
| Subject to time and program restrictions   | 139,636                     | 157,964                     |
| Perpetual in nature (Note 9)   | 50,084                      | 50,084                      |
| Total With Donor Restrictions  | <u>189,720</u>              | <u>208,048</u>              |
| Total Net Assets   | <u>2,489,674</u>            | <u>2,301,550</u>            |
|  | <u>                    </u> | <u>                    </u> |
| <b>Total Liabilities and Net Assets</b>  | <u><u>\$2,793,448</u></u>   | <u><u>\$2,638,170</u></u>   |

See notes to financial statements.

**STATEN ISLAND CHILDREN'S MUSEUM**

**STATEMENTS OF ACTIVITIES**

**YEARS ENDED JUNE 30, 2019 AND 2018**

|  | <u>2019</u>      | <u>2018</u>      |
|--|------------------|------------------|
| <b>Changes in Net Assets Without Donor Restrictions</b>                                |                  |                  |
| Operations   |                  |                  |
| Revenue, Gains and Other Support   |                  |                  |
| Grants and Contributions   |                  |                  |
| Government (Notes 7 and 11b)   | \$ 846,018       | \$ 683,440       |
| Individuals  | 28,809           | 31,039           |
| Foundations and corporations   | 126,795          | 186,289          |
| Fundraising events   | 107,625          | 108,220          |
| Less: Direct benefit expenses  | (14,024)         | (12,174)         |
| Parties and facility income  | 122,069          | 143,394          |
| Admissions   | 186,643          | 185,575          |
| Membership dues  | 76,251           | 76,387           |
| Program income   | 322,222          | 425,587          |
| Concession sales   | 21,937           | 18,947           |
| Net investment income (Note 5)   | 3,580            | 1,672            |
|  | <u>1,827,925</u> | <u>1,848,376</u> |
| Appropriation from endowment to operations (Note 9)                                    | 4,457            | 4,356            |
| Appropriation from board-designated educational initiative reserve fund for operations | -                | 50,000           |
| Net assets released from restrictions  |                  |                  |
| Satisfaction of time and program restrictions  |                  |                  |
| Contributions released to museum operations  | -                | 8,000            |
| Contributions released for exhibitions and programs                                    | 139,850          | 83,500           |
|  | <u>1,972,232</u> | <u>1,994,232</u> |
| Total Revenue, Gains and Other Support from Operations                                 |                  |                  |
| Expenses   |                  |                  |
| Program Services   | <u>1,456,214</u> | <u>1,560,025</u> |
| Supporting Services  |                  |                  |
| Management and general   | 233,640          | 199,595          |
| Fundraising  | 212,391          | 216,846          |
| Total Supporting Services  | <u>446,031</u>   | <u>416,441</u>   |
| Total Expenses   | <u>1,902,245</u> | <u>1,976,466</u> |
| Increase in Net Assets Without Donor Restrictions from Operations                      | <u>69,987</u>    | <u>17,766</u>    |
| Non-Operating  |                  |                  |
| Grants and contributions - capital (Note 4b)   | -                | 52,496           |
| Net investment income (Note 5)   | 136,465          | 218,830          |
| Appropriation from board-designated educational initiative reserve fund for operations | -                | (50,000)         |
|  | <u>136,465</u>   | <u>221,326</u>   |
| Increase in Net Assets Without Donor Restrictions (carried forward)                    | <u>206,452</u>   | <u>239,092</u>   |

**See notes to financial statements.**

**STATEN ISLAND CHILDREN'S MUSEUM**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

|  | <u>2019</u>               | <u>2018</u>               |
|--|---------------------------|---------------------------|
| Increase in Net Assets Without Donor Restrictions<br>(brought forward) | <u>\$ 206,452</u>         | <u>\$ 239,092</u>         |
| <b>Changes in Net Assets With Donor Restrictions</b>                   |                           |                           |
| Grants and contributions   | 120,675                   | 139,850                   |
| Net investment income (Note 5)   | 5,304                     | 8,656                     |
| Appropriation from endowment to operations (Note 9)                    | (4,457)                   | (4,356)                   |
| Net assets released from restrictions                                  |                           |                           |
| Contributions released to museum operations                            | -                         | (8,000)                   |
| Contributions released for exhibitions and programs                    | <u>(139,850)</u>          | <u>(83,500)</u>           |
| Increase (Decrease) in Net Assets With Donor Restrictions              | <u>(18,328)</u>           | <u>52,650</u>             |
| Increase in net assets   | 188,124                   | 291,742                   |
| Net assets, beginning of year  | <u>2,301,550</u>          | <u>2,009,808</u>          |
| <b>Net Assets, End of Year</b>   | <u><u>\$2,489,674</u></u> | <u><u>\$2,301,550</u></u> |

See notes to financial statements.

## STATEN ISLAND CHILDREN'S MUSEUM

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE TOTALS FOR 2018

|                                   | 2019                      |                           |                          |                         | 2018                      |                           |
|-----------------------------------|---------------------------|---------------------------|--------------------------|-------------------------|---------------------------|---------------------------|
|                                   | Program<br>Services       | Supporting Services       |                          |                         | Total<br>Expenses         | Total<br>Expenses         |
|                                   |                           | Management<br>and General | Fundraising              | Total                   |                           |                           |
| Salaries                          | \$ 646,438                | \$ 86,191                 | \$ 129,287               | \$215,478               | \$ 861,916                | \$ 859,866                |
| Payroll taxes and fringe benefits | 192,442                   | 25,659                    | 38,488                   | 64,147                  | 256,589                   | 270,271                   |
| Exhibits and public programs      | 292,256                   | -                         | -                        | -                       | 292,256                   | 423,600                   |
| Office supplies                   | 39,126                    | 1,478                     | 4,050                    | 5,528                   | 44,654                    | 39,502                    |
| Insurance                         | 20,707                    | 782                       | 2,144                    | 2,926                   | 23,633                    | 26,018                    |
| Occupancy                         | 43,810                    | 1,655                     | 4,535                    | 6,190                   | 50,000                    | 50,000                    |
| Telephone                         | 11,033                    | 417                       | 1,142                    | 1,559                   | 12,592                    | 13,572                    |
| Automotive                        | 18                        | 666                       | -                        | 666                     | 684                       | 163                       |
| Postage                           | 1,003                     | 3,842                     | 54                       | 3,896                   | 4,899                     | 6,177                     |
| Professional fees                 | 12,949                    | 77,354                    | -                        | 77,354                  | 90,303                    | 51,994                    |
| Advertising and promotion         | 17,072                    | 2,359                     | 1,550                    | 3,909                   | 20,981                    | 26,315                    |
| Hospitality                       | 2,602                     | 1,079                     | 24                       | 1,103                   | 3,705                     | 1,684                     |
| Concession expense                | 8,068                     | 3,348                     | 74                       | 3,422                   | 11,490                    | 9,684                     |
| Travel                            | 1,886                     | 71                        | 195                      | 266                     | 2,152                     | 1,886                     |
| Repairs and maintenance           | 124,837                   | 4,549                     | 12,465                   | 17,014                  | 141,851                   | 107,288                   |
| Printing and reproduction         | 7,852                     | 296                       | 813                      | 1,109                   | 8,961                     | 10,825                    |
| Dues and subscriptions            | 1,532                     | 5,308                     | -                        | 5,308                   | 6,840                     | 6,844                     |
| Indirect benefit expenses         | -                         | -                         | 12,195                   | 12,195                  | 12,195                    | 17,814                    |
| Credit card fees                  | 2,223                     | 11,058                    | -                        | 11,058                  | 13,281                    | 12,993                    |
| Depreciation                      | 25,002                    | 946                       | 2,588                    | 3,534                   | 28,536                    | 27,710                    |
| Miscellaneous                     | 5,358                     | 6,582                     | 2,787                    | 9,369                   | 14,727                    | 12,260                    |
| <b>Total Expenses, 2019</b>       | <b><u>\$1,456,214</u></b> | <b><u>\$ 233,640</u></b>  | <b><u>\$ 212,391</u></b> | <b><u>\$446,031</u></b> | <b><u>\$1,902,245</u></b> |                           |
| <b>Total Expenses, 2018</b>       | <b><u>\$1,560,025</u></b> | <b><u>\$ 199,595</u></b>  | <b><u>\$ 216,846</u></b> | <b><u>\$416,441</u></b> |                           | <b><u>\$1,976,466</u></b> |

See notes to financial statements.

**STATEN ISLAND CHILDREN'S MUSEUM**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2018**

|                                   | <b>Program<br/>Services</b> | <b>Supporting Services</b>        |                    |                  | <b>Total<br/>Expenses</b> |
|-----------------------------------|-----------------------------|-----------------------------------|--------------------|------------------|---------------------------|
|                                   |                             | <b>Management<br/>and General</b> | <b>Fundraising</b> | <b>Total</b>     |                           |
| Salaries                          | \$ 644,901                  | \$ 85,985                         | \$ 128,980         | \$214,965        | \$ 859,866                |
| Payroll taxes and fringe benefits | 202,704                     | 27,027                            | 40,540             | 67,567           | 270,271                   |
| Exhibits and public programs      | 423,600                     | -                                 | -                  | -                | 423,600                   |
| Office supplies                   | 34,611                      | 1,308                             | 3,583              | 4,891            | 39,502                    |
| Insurance                         | 22,797                      | 861                               | 2,360              | 3,221            | 26,018                    |
| Occupancy                         | 43,810                      | 1,655                             | 4,535              | 6,190            | 50,000                    |
| Telephone                         | 11,892                      | 449                               | 1,231              | 1,680            | 13,572                    |
| Automotive                        | 4                           | 159                               | -                  | 159              | 163                       |
| Postage                           | 1,264                       | 4,845                             | 68                 | 4,913            | 6,177                     |
| Professional fees                 | 7,456                       | 44,538                            | -                  | 44,538           | 51,994                    |
| Advertising and promotion         | 21,412                      | 2,958                             | 1,945              | 4,903            | 26,315                    |
| Hospitality                       | 1,182                       | 491                               | 11                 | 502              | 1,684                     |
| Concession expense                | 6,800                       | 2,822                             | 62                 | 2,884            | 9,684                     |
| Travel                            | 1,653                       | 62                                | 171                | 233              | 1,886                     |
| Repairs and maintenance           | 94,006                      | 3,551                             | 9,731              | 13,282           | 107,288                   |
| Printing and reproduction         | 9,485                       | 358                               | 982                | 1,340            | 10,825                    |
| Dues and subscriptions            | 1,533                       | 5,311                             | -                  | 5,311            | 6,844                     |
| Indirect benefit expenses         | -                           | -                                 | 17,814             | 17,814           | 17,814                    |
| Credit card fees                  | 2,175                       | 10,818                            | -                  | 10,818           | 12,993                    |
| Depreciation                      | 24,280                      | 917                               | 2,513              | 3,430            | 27,710                    |
| Miscellaneous                     | 4,460                       | 5,480                             | 2,320              | 7,800            | 12,260                    |
| <b>Total Expenses</b>             | <b>\$1,560,025</b>          | <b>\$ 199,595</b>                 | <b>\$ 216,846</b>  | <b>\$416,441</b> | <b>\$1,976,466</b>        |

See notes to financial statements.



**STATEN ISLAND CHILDREN'S MUSEUM**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

|   | <u>2019</u>             | <u>2018</u>             |
|---|-------------------------|-------------------------|
| <b>Cash Flows From Operating Activities</b>   |                         |                         |
| Increase in net assets  | \$188,124               | \$291,742               |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: |                         |                         |
| Net realized gains on sale of investments   | (117,286)               | (161,200)               |
| Net unrealized (gains) loss on investments  | 11,288                  | (46,304)                |
| Depreciation  | 28,536                  | 27,710                  |
| (Increase) decrease in:   |                         |                         |
| Unconditional promises to give  | (2,866)                 | (40,804)                |
| Accounts receivable   | 81,811                  | (42,041)                |
| Prepaid expenses and other current assets   | (433)                   | (4,414)                 |
| Increase (decrease) in:   |                         |                         |
| Accounts payable and accrued expenses   | (40,944)                | 144,952                 |
| Deferred revenue  | 8,098                   | (38,994)                |
| Net Cash Provided By Operating Activities   | <u>156,328</u>          | <u>130,647</u>          |
| <b>Cash Flows From Investing Activities</b>   |                         |                         |
| Acquisition of property and equipment   | (32,258)                | (26,095)                |
| Purchase of investments and certificates of deposit   | (813,196)               | (487,183)               |
| Proceeds from the sale of investments and certificates of deposit                             | 788,299                 | 526,397                 |
| Net Cash Provided (Used) By Investing Activities  | <u>(57,155)</u>         | <u>13,119</u>           |
| Net increase in cash and cash equivalents   | 99,173                  | 143,766                 |
| Cash and cash equivalents, beginning of year  | <u>264,051</u>          | <u>120,285</u>          |
| <b>Cash and Cash Equivalents, End of Year</b>   | <u><u>\$363,224</u></u> | <u><u>\$264,051</u></u> |

See notes to financial statements.

**STATEN ISLAND CHILDREN'S MUSEUM****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2019 AND 2018****Note 1 - Organization and Summary of Significant Accounting Principles****a - Organization**

Staten Island Children's Museum (the "Museum") provides high quality, stimulating museum experiences for the children of the community. The Museum's programs are designed to nurture the creativity and curiosity natural to all children, recognize and celebrate many different learning styles, and to demonstrate vividly that learning can be exciting and fun. The Museum is a member of the New York City Cultural Institutions Group and, accordingly, receives significant support from the City of New York (Note 7).

**b - Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Museum considers all highly liquid debt instruments purchased with a maturity of six months or less, including money market accounts, to be cash equivalents, except for cash and short-term investments managed by the Museum's investment managers as part of their long-term investment strategies.

**c - Investments**

The Museum reflects investments at fair value in the statement of financial position. Interest, dividends and gains and losses on investments are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as net assets with donor restrictions. When a restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**d - Fair Value Measurements**

Generally accepted accounting principles establish a fair value measurement hierarchy that prioritizes the inputs to valuation techniques. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of unobservable inputs and have the lowest priority. The Museum uses the higher priority valuation techniques based on available inputs to measure fair values. The fair value of the Museum's investments is measured using Level 1 inputs, quoted prices in active markets.

**STATEN ISLAND CHILDREN'S MUSEUM****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2019 AND 2018****Note 1 - Organization and Summary of Significant Accounting Principles (continued)****e - Contributions and Unconditional Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Museum that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**f - Property and Equipment**

Property and equipment are being depreciated using the straight-line method over the estimated useful life of the asset.

The Museum, per an agreement with The City of New York, is permitted to maintain, operate and program the facility on city property for an annual fee of \$1. Capital additions, improvements and equipment funded by The City of New York and for which the Museum does not have title, are not capitalized by the Museum. Property and equipment acquired using the Museum's funds are reflected as assets on the accompanying statements of financial position (Note 6).

**g - Museum Exhibits**

The Museum maintains exhibits for use in education programs. The value of these exhibits are not reflected on the statement of financial position. Purchases of items are recorded as decreases in net assets in the year in which the items are acquired. Contributed exhibition items are not reflected on the financial statements. Proceeds from de-accessions or insurance recoveries are used to acquire other items for the Museum.

Contributions and unconditional promises to give for the purchase of items for the exhibits are classified as net assets with donor restrictions until acquisitions are made. The cost of these items is reported as a separate program expense.

**h - Advertising Costs**

Advertising costs are charged to operations when the cost is incurred. Advertising and promotion costs were \$20,981 and \$26,315 for the years ended June 30, 2019 and 2018, respectively.

**i - Deferred Revenue**

Deferred revenue is income for activities that will occur in future fiscal years including special events and admissions.

**STATEN ISLAND CHILDREN'S MUSEUM****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2019 AND 2018****Note 1 - Organization and Summary of Significant Accounting Principles (continued)****j - Financial Statement Presentation**

The financial statements of the Museum have been prepared in accordance with U.S. generally accepted accounting principles, which require the Museum to report information regarding its financial position and activities according to the following net asset classifications:

**Net Assets Without Donor Restrictions**

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Museum. These net assets may be used at the discretion of the Museum's management and Board of Trustees.

**Net Assets With Donor Restrictions**

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Museum or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**k - Functional Allocation of Expenses**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis. A substantial portion of the Museum's expenses are directly related to program activities. The expenses that are allocated include salaries, depreciation, interest, insurance, general office expenses, and occupancy costs, which are allocated on a basis of time and effort.

**l - Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**m - Tax Status**

Staten Island Children's Museum is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

**STATEN ISLAND CHILDREN'S MUSEUM****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2019 AND 2018****Note 1 - Organization and Summary of Significant Accounting Principles (continued)****n - Subsequent Events**

The Museum has evaluated subsequent events through January 15, 2020, the date that the financial statements are considered available to be issued.

**o - New Accounting Pronouncement**

In 2019, the Museum adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restriction"; (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose the methods used to allocate costs; and (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. As permitted under the ASU in the year of adoption, the Museum opted to not disclose liquidity and availability information for 2018.

**Note 2 - Information Regarding Liquidity and Availability**

The Museum operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. A substantial portion of the Museum's general expenditures during a given year are funded with contributions and program revenue raised during the current year. The Museum considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general and administrative and fundraising activities undertaken to support those services.

The Museum regularly monitors liquidity to meet its operating needs and other commitments and obligations, while seeking to maximize the investment of available funds. Management prepares regular cash flow projections to determine liquidity needs and has a policy to maintain liquid financial assets sufficient to cover expenditures as they arise.

**STATEN ISLAND CHILDREN'S MUSEUM**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

**Note 2 - Information Regarding Liquidity and Availability (continued)**

The Museum's financial assets as of June 30, 2019 and those available within one year to meet cash needs for general expenditures are summarized as follows:

|   |                          |
|---|--------------------------|
| Financial Assets at Year End:   |                          |
| Cash and cash equivalents   | \$ 363,224               |
| Certificates of deposit   | 167,101                  |
| Investments   | 1,968,075                |
| Unconditional promises to give  | 73,783                   |
| Accounts receivable   | <u>96,349</u>            |
| <b>Total Financial Assets</b>   | <b>2,668,532</b>         |
| Less: Amounts not Available to be Used within One Year:   |                          |
| Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time | (139,636)                |
| Plus: Net assets with donor restrictions expected to be met in less than one year                   | 120,675                  |
| Net assets with donor restrictions for endowment subject to spending policy and appropriation       | (50,084)                 |
| Plus: Amounts appropriated for use within one year  | 4,500                    |
| Net assets restricted by Board, subject to spending policy and appropriation                        | <u>(1,951,769)</u>       |
| <b>Financial Assets Available to Meet General Expenditures within One Year</b>                      | <b><u>\$ 652,218</u></b> |

In addition to these financial assets available within one year, the Museum maintains board designated funds of \$1,951,769, which are invested for long-term appreciation and current income. Although the Museum does not intend to spend these funds, these funds could be made available at any time to meet cash needs for general expenditures at the discretion of the Board. The Museum also has available a \$100,000 line of credit from which it may draw upon, the terms of which are described in Note 8b.

**Note 3 - Net Assets**

a - Net Assets Without Donor Restrictions - Board Designated Net Assets

The Board has established an education fund to be used to further the Museum's educational programs. Appropriations to operations in the amount of \$50,000 were made for the year ended June 30, 2018.

**STATEN ISLAND CHILDREN'S MUSEUM**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

**Note 3 - Net Assets (continued)**

b - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

- Subject to time and program restrictions
- Perpetual in nature - endowment for programs and exhibits

**Note 4 - Promises to Give**

a - Unconditional Promises to Give

Unconditional promises to give are due within one year. Uncollectible promises are expected to be insignificant.

b - Conditional Promise to Give

The Museum received a conditional promise to give from the State of New York in the amount of \$125,000. The grant is for the renovation of the building and the purchase of equipment. All expenditures are subject to the review and approval of the State Agency, and the Museum is unsure of how much will be received. During the year ended June 30, 2018, the Museum received \$52,496 under the terms of this grant.

**Note 5 - Investments**

Investments, which are all classified as Level 1 in the fair value hierarchy, are reflected at fair value and consist of the following:

|                           | <u>2019</u>        |                    | <u>2018</u>        |                    |
|---------------------------|--------------------|--------------------|--------------------|--------------------|
|                           | <u>Cost</u>        | <u>Fair Value</u>  | <u>Cost</u>        | <u>Fair Value</u>  |
| Cash and cash equivalents | \$ 212,053         | \$ 212,053         | \$ 158,512         | \$ 158,512         |
| Mutual Funds:             |                    |                    |                    |                    |
| Equity                    | 313,886            | 359,617            | 293,038            | 339,840            |
| Fixed income              | 44,212             | 43,706             | 33,045             | 32,145             |
| Domestic common stock     | <u>971,665</u>     | <u>1,352,699</u>   | <u>904,735</u>     | <u>1,296,380</u>   |
| Total                     | <u>\$1,541,816</u> | <u>\$1,968,075</u> | <u>\$1,389,330</u> | <u>\$1,826,877</u> |

**STATEN ISLAND CHILDREN'S MUSEUM**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

**Note 5 - Investments (continued)**

Net investment income consists of the following:

|                                   | <u>2019</u>      | <u>2018</u>      |
|-----------------------------------|------------------|------------------|
| Net realized gains on investments | \$117,286        | \$161,200        |
| Net unrealized gains (loss)       | (11,288)         | 46,304           |
| Interest and dividends            | 55,869           | 37,012           |
| Investment management fee         | <u>(16,518)</u>  | <u>(15,358)</u>  |
|                                   | <u>\$145,349</u> | <u>\$229,158</u> |

Net investment income has been allocated as follows:

|                                     | <u>2019</u>      | <u>2018</u>      |
|-------------------------------------|------------------|------------------|
| Without donor restrictions          |                  |                  |
| Operations                          | \$ 3,580         | \$ 1,672         |
| Non-operating                       | 136,465          | 218,830          |
| With donor restrictions - endowment | <u>5,304</u>     | <u>8,656</u>     |
|                                     | <u>\$145,349</u> | <u>\$229,158</u> |

**Note 6 - Property and Equipment**

Property and equipment consist of the following:

|                                    | <u>Life</u> | <u>2019</u>      | <u>2018</u>      |
|------------------------------------|-------------|------------------|------------------|
| Furniture and fixtures             | 5 Years     | \$256,168        | \$253,227        |
| Capital and leasehold improvements | 7-20 Years  | 417,342          | 388,025          |
| Website                            | 3 Years     | 11,604           | 11,604           |
| Museum lab                         | 5 Years     | <u>27,488</u>    | <u>27,488</u>    |
|                                    |             | 712,602          | 680,344          |
| Less: Accumulated depreciation     |             | <u>(602,848)</u> | <u>(574,312)</u> |
|                                    |             | <u>\$109,754</u> | <u>\$106,032</u> |



**STATEN ISLAND CHILDREN'S MUSEUM**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

**Note 7 - Public Support Appropriations from the City of New York**

The City of New York made the following appropriations to the Museum which are included in public support:

|   | <u>2019</u>      | <u>2018</u>      |
|---|------------------|------------------|
| Department of Cultural Affairs          |                  |                  |
| Operational support                     | \$529,335        | \$508,385        |
| Energy appropriations                   | 4,420            | 5,182            |
| Cultural Institution Retirement program | 51,343           | 56,370           |
| Program support                         | 60,000           | 60,000           |
| Staten Island Boro President            | 8,000            | 4,500            |
| Department of Emergency Management      | 2,500            | 2,500            |
| Met Funds                               | 100,000          | -                |
| Disability Forward Fund                 | <u>35,000</u>    | <u>-</u>         |
|   | <u>\$790,598</u> | <u>\$636,937</u> |

The City of New York paid \$31,153 and \$14,410 in 2019 and 2018, respectively, toward capital projects of the Museum (Note 8a).

**Note 8 - Commitments, Contingency and Other Matter**

a - The facility occupied by the Museum is owned by the City of New York (the "City"), and the City has designated the Snug Harbor Cultural Center and Botanical Gardens ("Snug Harbor") as the campus landlord. The City is currently renegotiating its licensing agreement with Snug Harbor to which the Museum is one of a number of sub-licensees. Common charges of \$50,000 were assessed to all sub-licensees during the year ended June 30, 2019.

The Museum has the responsibility to provide and pay for all services and ordinary maintenance and repair of the premises. All capital expenditures paid for by the City belong to the City of New York and are not included in these financial statements.

b - Government supported projects are subject to audit by the applicable granting agency.

c - In May 2016, the Museum established a \$100,000 line of credit with a bank, renewable annually, with interest at prime plus one percent. As of June 30, 2019, there was no balance outstanding.

**STATEN ISLAND CHILDREN'S MUSEUM****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2019 AND 2018****Note 8 - Commitments, Contingency and Other Matter (continued)**

d - The Museum participates in an unemployment insurance trust (the "Trust") in lieu of State unemployment insurance coverage. The Museum had a positive balance in the Trust at June 30, 2019 in the amount of \$25,126. Due to the nature of the Trust, the balance is not reflected in the accompanying financial statements.

**Note 9 - Endowment Funds**

The Museum's permanent endowment consists of two individual funds established to purchase objects for programs and exhibits. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Consistent with New York State not-for-profit Corporation Law and the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the Museum classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of any applicable donor gift instrument at the time of accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not perpetual in nature is classified as endowment subject to spending policy and appropriation until those amounts are appropriated for expenditure by the Museum.

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

- (i) the duration and preservation of the endowment fund;
- (ii) the purposes of the Museum and the endowment fund;
- (iii) general economic conditions;
- (iv) the possible effect of inflation or deflation;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of the Museum;
- (vii) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Museum; and
- (viii) the investment policy of the Museum

The Museum's endowment funds are all donor restricted endowment funds whose income is restricted for education.

**STATEN ISLAND CHILDREN'S MUSEUM**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019 AND 2018**

**Note 9 - Endowment Funds (continued)**

Changes in the Museum's endowment funds for the years ended June 30, 2019 and 2018 are summarized as follows:

|  | <b>2019</b>   |                                     |                 |
|--|---|-------------------------------------|-----------------|
|  | <b>Investment<br/>Income Above<br/>Original Gift<br/>Amount</b> | <b>Investment in<br/>Perpetuity</b> | <b>Total</b>    |
| Endowment funds, beginning of year                   | \$18,114  | \$50,084                            | \$68,198        |
| Net investment income, net of<br>investment fees     | 5,304   | -                                   | 5,304           |
| Appropriation of endowment assets<br>for expenditure | <u>(4,457)</u>  | <u>-</u>                            | <u>(4,457)</u>  |
| Endowment Funds, End of Year                         | <u>\$18,961</u>   | <u>\$50,084</u>                     | <u>\$69,045</u> |
|  | <b>2018</b>   |                                     |                 |
|  | <b>Investment<br/>Income Above<br/>Original Gift<br/>Amount</b> | <b>Investment in<br/>Perpetuity</b> | <b>Total</b>    |
| Endowment funds, beginning of year                   | \$13,814  | \$50,084                            | \$63,898        |
| Net investment income, net of<br>investment fees     | 8,656   | -                                   | 8,656           |
| Appropriation of endowment assets<br>for expenditure | <u>(4,356)</u>  | <u>-</u>                            | <u>(4,356)</u>  |
| Endowment Funds, End of Year                         | <u>\$18,114</u>   | <u>\$50,084</u>                     | <u>\$68,198</u> |

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in equities and fixed income investments. The Museum expects its endowment funds, over time, to provide an average rate of return of approximately 4% - 5% annually. Actual returns in any given year may vary from this amount.

**STATEN ISLAND CHILDREN'S MUSEUM****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2019 AND 2018****Note 9 - Endowment Funds (continued)**

To satisfy its long-term rate-of-return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Museum targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Museum has a policy of appropriation for distribution each year 7% of the average fair value of endowment funds over the prior twelve quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Museum considered the long-term expected return on its endowment.

**Note 10 - Pension Plan**

All eligible Museum employees are members of The Cultural Institution Retirement System (CIRS) pension plan. CIRS is a multi-employer plan administered by the City of New York. Pension expense for the years ended June 30, 2019 and 2018 was \$64,407 and \$69,127, respectively, which was financed, in part, by an appropriation from the City of New York (Note 7).

**Note 11 - Concentrations****a - Cash Balances**

The Museum maintains cash balances in a financial institution located in New York. Accounts at this institution are insured by the Federal Deposit Insurance Corporation, and at times, balances may exceed insured limits.

**b - Revenue, Gains and Other Support**

For the years ended June 30, 2019 and 2018, contributions from two government agencies represented approximately 31% and 28%, respectively, of total revenue, gains and other support.