

STATEN ISLAND CHILDREN'S MUSEUM

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021



LUTZ AND GARR

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

Opinion

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, 2022 and 2021, 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 Staten Island Children's Museum as of June 30, 2022 and 2021, 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 Staten Island Children's Museum 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.

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 Staten Island Children's Museum'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 Staten Island Children's Museum'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 Staten Island Children's Museum'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.

Lotz + Carr, LLP

STATEN ISLAND CHILDREN'S MUSEUM

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents (Notes 1b and 12a)	\$1,422,555	\$ 583,407
Certificates of deposit	77,995	131,326
Investments (Notes 1c, 1d and 5)	2,342,780	2,682,121
Unconditional promises to give (Notes 1e and 4)		
Without donor restrictions	275,565	295,613
With donor restrictions	6,250	35,500
Accounts receivable	16,318	6,071
Prepaid expenses and other current assets	21,806	23,761
Property and equipment, at cost (net of accumulated depreciation and amortization) (Notes 1f and 6)	216,073	241,914
Museum exhibits (Note 1g)	-	-
	<u> </u>	<u> </u>
Total Assets	<u>\$4,379,342</u>	<u>\$3,999,713</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 391,062	\$ 274,164
Deferred revenue (Note 1i)	92,940	55,425
Loans payable (Note 7)	-	141,250
Total Liabilities	<u>484,002</u>	<u>470,839</u>
Commitments and Contingencies (Notes 9 and 11)		
Net Assets (Note 3)		
Without Donor Restrictions		
Operating	1,199,742	463,506
Property and equipment	216,073	241,914
Board designated educational initiative reserve fund	2,259,772	2,611,446
Total Without Donor Restrictions	<u>3,675,587</u>	<u>3,316,866</u>
With Donor Restrictions		
Subject to time and program restrictions	169,669	161,924
Perpetual in nature (Note 10)	50,084	50,084
Total With Donor Restrictions	<u>219,753</u>	<u>212,008</u>
Total Net Assets	<u>3,895,340</u>	<u>3,528,874</u>
	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u>\$4,379,342</u>	<u>\$3,999,713</u>

See notes to financial statements.

STATEN ISLAND CHILDREN'S MUSEUM

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Changes in Net Assets Without Donor Restrictions		
Operations		
Revenue, Gains and Other Support		
Grants and Contributions (Note 1e)		
Government (Notes 7, 8 and 12b)	\$1,741,952	\$1,093,299
Individuals	48,274	42,439
Foundations and corporations	114,949	102,093
Parties and facility income	1,349	-
Admissions	131,922	18,748
Membership dues	35,626	8,627
Program income	334,320	130,414
Concession sales	13,401	2,053
Net investment income (Note 5)	3,774	2,696
	2,425,567	1,400,369
Appropriation from endowment to operations (Note 10)	5,197	4,851
Net assets released from restrictions		
Satisfaction of time and program restrictions	129,000	206,750
	2,559,764	1,611,970
Total Revenue, Gains and Other Support from Operations		
Expenses		
Program Services	1,486,119	1,063,523
Supporting Services		
Management and general	205,056	182,899
Fundraising	128,540	134,095
Total Supporting Services	333,596	316,994
Total Expenses	1,819,715	1,380,517
Increase in Net Assets Without Donor Restrictions from Operations	740,049	231,453
Non-Operating		
Net investment income (loss) (Note 5)	(381,328)	515,767
Increase in Net Assets Without Donor Restrictions (carried forward)	358,721	747,220

See notes to financial statements.

STATEN ISLAND CHILDREN'S MUSEUM

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Increase in Net Assets Without Donor Restrictions (brought forward)	\$ 358,721	\$ 747,220
Changes in Net Assets With Donor Restrictions		
Grants and contributions (Note 1e)	154,000	129,000
Net investment income (loss) (Note 5)	(12,058)	17,184
Appropriation from endowment to operations (Note 10)	(5,197)	(4,851)
Net assets released from restrictions	<u>(129,000)</u>	<u>(206,750)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>7,745</u>	<u>(65,417)</u>
Increase in net assets	366,466	681,803
Net assets, beginning of year	<u>3,528,874</u>	<u>2,847,071</u>
Net Assets, End of Year	<u><u>\$3,895,340</u></u>	<u><u>\$3,528,874</u></u>

See notes to financial statements.

STATEN ISLAND CHILDREN'S MUSEUM

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022 WITH COMPARATIVE TOTALS FOR 2021

	2022				2021	
	Program Services	Supporting Services			Total Expenses	Total Expenses
		Management and General	Fundraising	Total		
Salaries	\$ 526,616	\$ 79,993	\$ 59,994	\$139,987	\$ 666,603	\$ 508,726
Payroll taxes and fringe benefits	180,659	27,442	20,581	48,023	228,682	225,027
Exhibits and public programs	483,468	-	-	-	483,468	270,256
Office supplies	31,452	1,188	3,256	4,444	35,896	26,180
Insurance	16,680	630	1,727	2,357	19,037	16,116
Occupancy	43,810	1,655	4,535	6,190	50,000	50,000
Telephone	15,404	582	1,595	2,177	17,581	14,384
Postage	401	1,538	22	1,560	1,961	2,397
Professional fees	8,474	29,331	19,715	49,046	57,520	56,506
Advertising and promotion	29,253	4,041	2,657	6,698	35,951	18,274
Hospitality	1,209	502	11	513	1,722	608
Concession expense	6,898	2,863	63	2,926	9,824	2,082
Travel	4,203	159	435	594	4,797	18
Repairs and maintenance	122,371	4,623	12,667	17,290	139,661	128,349
Printing and reproduction	-	-	-	-	-	401
Dues and subscriptions	1,402	4,971	-	4,971	6,373	7,040
Credit card fees	1,578	7,851	-	7,851	9,429	3,513
Depreciation and amortization	9,775	34,657	-	34,657	44,432	43,857
Miscellaneous	2,466	3,030	1,282	4,312	6,778	6,783
Total Expenses, 2022	<u>\$1,486,119</u>	<u>\$ 205,056</u>	<u>\$ 128,540</u>	<u>\$333,596</u>	<u>\$1,819,715</u>	
Total Expenses, 2021	<u>\$1,063,523</u>	<u>\$ 182,899</u>	<u>\$ 134,095</u>	<u>\$316,994</u>		<u>\$1,380,517</u>

See notes to financial statements.

STATEN ISLAND CHILDREN'S MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services	Supporting Services			Total Expenses
		Management and General	Fundraising	Total	
Salaries	\$ 381,545	\$ 50,872	\$ 76,309	\$127,181	\$ 508,726
Payroll taxes and fringe benefits	168,770	22,503	33,754	56,257	225,027
Exhibits and public programs	270,256	-	-	-	270,256
Office supplies	22,939	866	2,375	3,241	26,180
Insurance	14,121	533	1,462	1,995	16,116
Occupancy	43,810	1,655	4,535	6,190	50,000
Telephone	12,603	476	1,305	1,781	14,384
Postage	491	1,880	26	1,906	2,397
Professional fees	5,149	51,357	-	51,357	56,506
Advertising and promotion	14,870	2,054	1,350	3,404	18,274
Hospitality	427	177	4	181	608
Concession expense	1,462	607	13	620	2,082
Travel	16	-	2	2	18
Repairs and maintenance	112,459	4,249	11,641	15,890	128,349
Printing and reproduction	351	14	36	50	401
Dues and subscriptions	1,549	5,491	-	5,491	7,040
Credit card fees	588	2,925	-	2,925	3,513
Depreciation and amortization	9,649	34,208	-	34,208	43,857
Miscellaneous	2,468	3,032	1,283	4,315	6,783
Total Expenses	\$1,063,523	\$ 182,899	\$ 134,095	\$316,994	\$1,380,517

See notes to financial statements.

STATEN ISLAND CHILDREN'S MUSEUM

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities		
Increase in net assets	\$ 366,466	\$681,803
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized gains on investments	(84,709)	(61,715)
Net unrealized (gains) losses on investments	510,476	(444,870)
Depreciation and amortization	44,432	43,857
Forgiveness of loans payable	(141,250)	(178,700)
(Increase) decrease in:		
Unconditional promises to give	49,298	91,966
Accounts receivable	(10,247)	82,618
Prepaid expenses and other current assets	1,955	(2,036)
Increase (decrease) in:		
Accounts payable and accrued expenses	116,898	(80,251)
Deferred revenue	37,515	55,425
Net Cash Provided By Operating Activities	890,834	188,097
 Cash Flows From Investing Activities		
Acquisition of property and equipment	(18,591)	(139,868)
Purchases and sales of investments and certificates of deposit, net	(33,095)	73,660
Net Cash Used By Investing Activities	(51,686)	(66,208)
 Cash Flows From Financing Activities		
Proceeds from loans payable	-	141,250
Net increase in cash and cash equivalents	839,148	263,139
Cash and cash equivalents, beginning of year	583,407	320,268
 Cash and Cash Equivalents, End of Year	\$1,422,555	\$583,407

See notes to financial statements.

STATEN ISLAND CHILDREN'S MUSEUM**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2022 AND 2021****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 8).

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 increases in net assets without donor restrictions if the restrictions are met in the same fiscal year in which the gains and other investment income are recognized. 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, 2022 AND 2021****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.

Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return or release, are not recognized until the conditions on which they depend have been met.

The Museum uses the allowance method to determine uncollectible unconditional promises to give. The allowance, if any, is based on management's analysis of specific promises made.

f - Property and Equipment

Property and equipment are being depreciated and amortized 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.

STATEN ISLAND CHILDREN'S MUSEUM**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2022 AND 2021****Note 1 - Organization and Summary of Significant Accounting Principles (continued)****h - Advertising Costs**

Advertising costs are charged to operations when the cost is incurred. Advertising and promotion costs were \$35,951 and \$18,274 for the years ended June 30, 2022 and 2021, respectively.

i - Revenue Recognition

The Museum has multiple revenue streams that are accounted for as exchange transactions including parties and facility income, admissions, membership dues, program income and concession sales. With the exception of memberships, which can be for a period of approximately one year, all of the Museum's revenue from contracts with customers are from performance obligations with an initial expected duration of one year or less. Prices are specific to a distinct performance obligation and do not consist of multiple transactions. The Museum records deferred revenue in situations when amounts are collected, but the performance obligations have not yet been met.

Membership revenue is collected at the commencement of the membership period. Membership revenue is primarily contribution revenue, and a portion represents an exchange transaction and entitles members to certain discounts and events over the course of the membership period. The Museum recognizes membership revenue as contribution revenue in the year received since the substantial portion of the Museum's performance obligations is completed by the end of each year and the value related to other membership benefits is de minimus.

j - Financial Statement Presentation

The financial statements of the Museum have been prepared in accordance with accounting principles generally accepted in the United States of America, 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.

STATEN ISLAND CHILDREN'S MUSEUM**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2022 AND 2021****Note 1 - Organization and Summary of Significant Accounting Principles (continued)****k - Functional Allocation of Expenses**

The cost of providing the various programs and supporting services has been summarized on a functional basis in the statement of activities. Expenses are allocated 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 and amortization, 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.

n - Subsequent Events

The Museum has evaluated subsequent events through December 13, 2022, the date that the financial statements are considered available to be issued.

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, 2022 AND 2021

Note 2 - Information Regarding Liquidity and Availability (continued)

The Museum's financial assets as of June 30, 2022 and 2021 available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2022</u>	<u>2021</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$1,422,555	\$ 583,407
Certificates of deposit	77,995	131,326
Investments	2,342,780	2,682,121
Unconditional promises to give	281,815	331,113
Accounts receivable	<u>16,318</u>	<u>6,071</u>
Total Financial Assets	4,141,463	3,734,038
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	(169,669)	(161,924)
Plus: Net assets with donor restrictions expected to be met in less than one year	169,669	161,924
Net assets with donor restrictions for endowment, subject to spending policy and appropriation	(50,084)	(50,084)
Plus: Amounts appropriated for use within one year	5,197	4,500
Net assets restricted by Board, subject to spending policy and appropriation	<u>(2,259,772)</u>	<u>(2,611,446)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$1,836,804</u>	<u>\$1,077,008</u>

In addition to these financial assets available within one year, the Museum maintains board designated funds of \$2,259,772, 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 \$250,000 line of credit from which it may draw upon, the terms of which are described in Note 9c.

STATEN ISLAND CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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.

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 - Unconditional Promises to Give

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

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>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 50,151	\$ 50,151	\$ 59,902	\$ 59,902
Mutual Funds:				
Equity	990,380	882,947	878,300	876,694
Fixed income	<u>1,342,830</u>	<u>1,409,682</u>	<u>1,274,024</u>	<u>1,745,525</u>
Total	<u>\$2,383,361</u>	<u>\$2,342,780</u>	<u>\$2,212,226</u>	<u>\$2,682,121</u>

STATEN ISLAND CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 5 - Investments (continued)

Net investment income (loss) consists of the following:

	<u>2022</u>	<u>2021</u>
Net realized gains on investments	\$ 84,709	\$ 61,715
Net unrealized gains (losses)	(510,476)	444,870
Interest and dividends	56,269	46,668
Investment management fee	<u>(20,114)</u>	<u>(17,606)</u>
	<u><u>\$(389,612)</u></u>	<u><u>\$535,647</u></u>

Net investment income (loss) has been allocated as follows:

	<u>2022</u>	<u>2021</u>
Without donor restrictions		
Operations	\$ 3,774	\$ 2,696
Non-operating	(381,328)	515,767
With donor restrictions - endowment	<u>(12,058)</u>	<u>17,184</u>
	<u><u>\$(389,612)</u></u>	<u><u>\$535,647</u></u>

Note 6 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2022</u>	<u>2021</u>
Furniture and fixtures	5 Years	\$ 88,190	\$ 83,824
Capital and leasehold improvements	7-20 Years	551,202	536,977
Website	3 Years	<u>13,000</u>	<u>13,000</u>
		652,392	633,801
Less: Accumulated depreciation and amortization		<u>(436,319)</u>	<u>(391,887)</u>
		<u><u>\$216,073</u></u>	<u><u>\$241,914</u></u>

STATEN ISLAND CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 7 - Loans Payable and Employee Retention Tax Credits

On April 20, 2020, the Museum received a loan totaling \$178,700 under the Paycheck Protection Program administered by the U.S. Small Business Administration. On April 27, 2021 the loan was forgiven. On February 4, 2021 the Museum received a second loan of \$141,250 under the Paycheck Protection Program. On November 12, 2021, this loan was also forgiven.

Employee Retention Tax Credits (ERTC) in the amount of \$219,825 have been recognized as government revenue in the accompany statement of activities for the year ended June 30, 2022.

Note 8 - 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>2022</u>	<u>2021</u>
Department of Cultural Affairs		
Operational support	\$603,320	\$473,767
Cultural Institution Retirement program	53,311	48,729
Program support	60,000	72,000
Staten Island Boro President	10,000	10,000
Met Funds	229,024	229,024
Disability Forward Fund	-	2,042
Emergency Preparedness	2,500	-
The Department of Youth and Community Development	<u>10,000</u>	<u>-</u>
	<u>\$968,155</u>	<u>\$835,562</u>

Note that Operational support also includes Energy appropriations.

The City of New York paid \$349,656 toward capital projects of the Museum (Note 9a).

STATEN ISLAND CHILDREN'S MUSEUM**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2022 AND 2021****Note 9 - 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, 2022.

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 - The Museum has a \$250,000 line of credit with a bank, renewable annually, with interest at prime plus one percent. As of June 30, 2022 and 2021, there was no balance outstanding.

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, 2022 in the amount of \$48,462. Due to the nature of the Trust, the balance is not reflected in the accompanying financial statements.

Note 10 - 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.

STATEN ISLAND CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 10 - Endowment Funds (continued)

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.

Changes in the Museum's endowment funds for the years ended June 30, 2022 and 2021 are summarized as follows:

	<u>2022</u>		
	<u>Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Endowment funds, beginning of year	\$32,924	\$50,084	\$83,008
Net investment loss, net of investment fees	(12,058)	-	(12,058)
Appropriation of endowment assets for expenditure	<u>(5,197)</u>	<u>-</u>	<u>(5,197)</u>
Endowment Funds, End of Year	<u>\$15,669</u>	<u>\$50,084</u>	<u>\$65,753</u>

STATEN ISLAND CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 10 - Endowment Funds (continued)

	<u>2021</u>		
	<u>Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Endowment funds, beginning of year	\$20,591	\$50,084	\$70,675
Net investment income, net of investment fees	17,184	-	17,184
Appropriation of endowment assets for expenditure	<u>(4,851)</u>	<u>-</u>	<u>(4,851)</u>
Endowment Funds, End of Year	<u>\$32,924</u>	<u>\$50,084</u>	<u>\$83,008</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.

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.

STATEN ISLAND CHILDREN'S MUSEUM**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2022 AND 2021****Note 11 - 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, 2022 and 2021 was \$56,187 and \$51,559, respectively, which was financed, in part, by an appropriation from the City of New York (Note 8).

Note 12 - 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 year ended June 30, 2022, contributions from two government agencies represented approximately 53% of total revenue, gains and other support. For the year ended June 30, 2021, contributions from one of the government agencies represented approximately 47% of total revenue, gains and other support.