

STATEN ISLAND CHILDREN'S MUSEUM

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019



LUTZ AND CARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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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, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, Staten Island Children's Museum has suspended some of its activities at the direction of the state and local governmental authorities. Our opinion is not modified with respect to this matter.

Lotz + Carr, LLP

New York, New York
January 28, 2021

STATEN ISLAND CHILDREN'S MUSEUM

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents (Notes 1b and 12a)	\$ 320,263	\$ 363,224
Certificates of deposit	230,785	167,101
Investments (Notes 1c, 1d and 5)	2,149,742	1,968,075
Unconditional promises to give (Notes 1e and 4)		
Without donor restrictions	323,079	63,783
With donor restrictions	100,000	10,000
Accounts receivable	88,689	96,349
Prepaid expenses and other current assets	21,725	15,162
Property and equipment, at cost (net of accumulated depreciation) (Notes 1f and 6)	145,903	109,754
Museum exhibits (Note 1g)	-	-
	<u> </u>	<u> </u>
Total Assets	<u><u>\$3,380,186</u></u>	<u><u>\$2,793,448</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 354,415	\$ 248,458
Deferred revenue (Note 1j)	-	55,316
Loan payable (Note 7)	178,700	-
Total Liabilities	<u>533,115</u>	<u>303,774</u>
Commitments and Contingencies (Notes 9, 11 and 13)		
Net Assets (Note 3)		
Without Donor Restrictions		
Operating	294,202	238,431
Property and equipment	145,903	109,754
Board designated educational initiative reserve fund	2,129,541	1,951,769
Total Without Donor Restrictions	<u>2,569,646</u>	<u>2,299,954</u>
With Donor Restrictions		
Subject to time and program restrictions	227,341	139,636
Perpetual in nature (Note 10)	50,084	50,084
Total With Donor Restrictions	<u>277,425</u>	<u>189,720</u>
Total Net Assets	<u>2,847,071</u>	<u>2,489,674</u>
	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u><u>\$3,380,186</u></u>	<u><u>\$2,793,448</u></u>

See notes to financial statements.

STATEN ISLAND CHILDREN'S MUSEUM

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Changes in Net Assets Without Donor Restrictions		
Operations		
Revenue, Gains and Other Support		
Grants and Contributions (Note 1e)		
Government (Notes 8 and 12b)	\$1,011,604	\$ 846,018
Individuals	28,560	28,809
Foundations and corporations	273,437	126,795
Fundraising events	57,324	107,625
Less: Direct benefit expenses	(7,835)	(14,024)
Parties and facility income	87,368	122,069
Admissions	129,900	186,643
Membership dues	58,473	76,251
Program income	243,195	322,222
Concession sales	14,823	21,937
Net investment income (Note 5)	5,660	3,580
	<u>1,902,509</u>	<u>1,827,925</u>
Appropriation from endowment to operations (Note 10)	4,693	4,457
Net assets released from restrictions		
Satisfaction of time and program restrictions	120,675	139,850
	<u>120,675</u>	<u>139,850</u>
Total Revenue, Gains and Other Support from Operations	<u>2,027,877</u>	<u>1,972,232</u>
Expenses		
Program Services	1,444,902	1,456,214
Supporting Services		
Management and general	279,693	233,640
Fundraising	209,525	212,391
Total Supporting Services	<u>489,218</u>	<u>446,031</u>
Total Expenses	<u>1,934,120</u>	<u>1,902,245</u>
Increase in Net Assets Without Donor Restrictions from Operations	93,757	69,987
Non-Operating		
Net investment income (Note 5)	<u>175,935</u>	<u>136,465</u>
Increase in Net Assets Without Donor Restrictions (carried forward)	<u>269,692</u>	<u>206,452</u>

See notes to financial statements.

STATEN ISLAND CHILDREN'S MUSEUM

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Increase in Net Assets Without Donor Restrictions (brought forward)	\$ 269,692	\$ 206,452
Changes in Net Assets With Donor Restrictions		
Grants and contributions (Note 1e)	206,750	120,675
Net investment income (Note 5)	6,323	5,304
Appropriation from endowment to operations (Note 10)	(4,693)	(4,457)
Net assets released from restrictions	<u>(120,675)</u>	<u>(139,850)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>87,705</u>	<u>(18,328)</u>
Increase in net assets	357,397	188,124
Net assets, beginning of year	<u>2,489,674</u>	<u>2,301,550</u>
Net Assets, End of Year	<u><u>\$2,847,071</u></u>	<u><u>\$2,489,674</u></u>

See notes to financial statements.

STATEN ISLAND CHILDREN'S MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020 WITH COMPARATIVE TOTALS FOR 2019

	2020				2019	
	Program Services	Supporting Services			Total Expenses	Total Expenses
	Management and General	Fundraising	Total			
Salaries	\$ 650,235	\$ 86,696	\$ 130,047	\$216,743	\$ 866,978	\$ 861,916
Payroll taxes and fringe benefits	201,173	26,823	40,235	67,058	268,231	256,589
Exhibits and public programs	287,076	-	-	-	287,076	292,256
Office supplies	34,873	1,317	3,610	4,927	39,800	44,654
Insurance	22,475	849	2,327	3,176	25,651	23,633
Occupancy	43,810	1,655	4,535	6,190	50,000	50,000
Telephone	11,906	450	1,232	1,682	13,588	12,592
Automotive	19	721	-	721	740	684
Postage	889	3,408	48	3,456	4,345	4,899
Professional fees	20,822	124,380	-	124,380	145,202	90,303
Advertising and promotion	21,932	3,030	1,992	5,022	26,954	20,981
Hospitality	2,941	1,220	27	1,247	4,188	3,705
Concession expense	6,210	2,577	57	2,634	8,844	11,490
Travel	1,090	41	113	154	1,244	2,152
Repairs and maintenance	99,102	3,743	10,259	14,002	113,104	141,851
Printing and reproduction	6,743	255	698	953	7,696	8,961
Dues and subscriptions	2,031	7,034	-	7,034	9,065	6,840
Indirect benefit expenses	-	-	8,708	8,708	8,708	12,195
Credit card fees	1,439	7,159	-	7,159	8,598	13,281
Depreciation	24,093	911	2,494	3,405	27,498	28,536
Miscellaneous	6,043	7,424	3,143	10,567	16,610	14,727
Total Expenses, 2020	<u>\$1,444,902</u>	<u>\$ 279,693</u>	<u>\$ 209,525</u>	<u>\$489,218</u>	<u>\$1,934,120</u>	
Total Expenses, 2019	<u>\$1,456,214</u>	<u>\$ 233,640</u>	<u>\$ 212,391</u>	<u>\$446,031</u>		<u>\$1,902,245</u>

See notes to financial statements.

STATEN ISLAND CHILDREN'S MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

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

See notes to financial statements.

STATEN ISLAND CHILDREN'S MUSEUM
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Increase in net assets	\$357,397	\$188,124
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Net realized gains on sale of investments	(558,015)	(117,286)
Net unrealized loss on investments	401,234	11,288
Depreciation	27,498	28,536
(Increase) decrease in:		
Unconditional promises to give	(349,296)	(2,866)
Accounts receivable	7,660	81,811
Prepaid expenses and other current assets	(6,563)	(433)
Increase (decrease) in:		
Accounts payable and accrued expenses	105,957	(40,944)
Deferred revenue	(55,316)	8,098
Net Cash Provided (Used) By Operating Activities	<u>(69,444)</u>	<u>156,328</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	(63,647)	(32,258)
Purchases and sales of investments and certificates of deposit	(88,570)	(24,897)
Net Cash Used By Investing Activities	<u>(152,217)</u>	<u>(57,155)</u>
Cash Flows From Financing Activities		
Proceeds from loans payable	178,700	-
Net increase (decrease) in cash and cash equivalents	(42,961)	99,173
Cash and cash equivalents, beginning of year	<u>363,224</u>	<u>264,051</u>
Cash and Cash Equivalents, End of Year	<u><u>\$320,263</u></u>	<u><u>\$363,224</u></u>

See notes to financial statements.

STATEN ISLAND CHILDREN'S MUSEUM**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****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, 2020 AND 2019****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.

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 \$26,954 and \$20,981 for the years ended June 30, 2020 and 2019, respectively.

STATEN ISLAND CHILDREN'S MUSEUM**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****Note 1 - Organization and Summary of Significant Accounting Principles (continued)****i - Revenue Recognition**

Parties and facility income, admissions, membership dues, program income, and concession sales are recognized as revenue in the period that the related goods or services are provided.

j - Deferred Revenue

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

k - 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.

l - 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, interest, insurance, general office expenses, and occupancy costs, which are allocated on a basis of time and effort.

m - 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.

STATEN ISLAND CHILDREN'S MUSEUM**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****Note 1 - Organization and Summary of Significant Accounting Principles (continued)****n - 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.

o - Subsequent Events

The Museum has evaluated subsequent events through January 28, 2021, the date that the financial statements are considered available to be issued.

p - New Accounting Pronouncements

In 2020, the Museum adopted Accounting Standards Update (ASU) No 2014-09, *Revenue from Contracts with Customers* (Topic 606), and ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605). Analysis of the various provisions of these standards resulted in no significant changes in the way the Museum recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

In February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*". The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statements of financial position for all leases with terms longer than twelve months and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. The Museum is currently evaluating the impact of ASU 2016-02 on its financial statements.

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, 2020 AND 2019

Note 2 - Information Regarding Liquidity and Availability (continued)

The Museum's financial assets as of June 30, 2020 and 2019 and those available within one year to meet cash needs for general expenditures are summarized as follows:

	<u>2020</u>	<u>2019</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 320,263	\$ 363,224
Certificates of deposit	230,785	167,101
Investments	2,149,742	1,968,075
Unconditional promises to give	423,079	73,783
Accounts receivable	<u>88,689</u>	<u>96,349</u>
Total Financial Assets	3,212,558	2,668,532
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	(227,341)	(139,636)
Plus: Net assets with donor restrictions expected to be met in less than one year	227,341	120,675
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	4,500	4,500
Net assets restricted by Board, subject to spending policy and appropriation	<u>(2,129,541)</u>	<u>(1,951,769)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$1,037,433</u>	<u>\$ 652,218</u>

In addition to these financial assets available within one year, the Museum maintains board designated funds of \$2,129,541, 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 9c.

STATEN ISLAND CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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 - 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. Through June 30, 2020, the Museum received \$65,963 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>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 83,694	\$ 83,694	\$ 212,053	\$ 212,053
Mutual Funds:				
Equity	1,338,709	1,362,119	313,886	359,617
Fixed income	702,314	703,929	44,212	43,706
Domestic common stock	-	-	<u>971,665</u>	<u>1,352,699</u>
Total	<u>\$2,124,717</u>	<u>\$2,149,742</u>	<u>\$1,541,816</u>	<u>\$1,968,075</u>

STATEN ISLAND CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 5 - Investments (continued)

Net investment income consists of the following:

	<u>2020</u>	<u>2019</u>
Net realized gains on investments	\$558,015	\$117,286
Net unrealized losses	(401,234)	(11,288)
Interest and dividends	44,707	55,869
Investment management fee	<u>(13,570)</u>	<u>(16,518)</u>
	<u>\$187,918</u>	<u>\$145,349</u>

Net investment income has been allocated as follows:

	<u>2020</u>	<u>2019</u>
Without donor restrictions		
Operations	\$ 5,660	\$ 3,580
Non-operating	175,935	136,465
With donor restrictions - endowment	<u>6,323</u>	<u>5,304</u>
	<u>\$187,918</u>	<u>\$145,349</u>

Note 6 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2020</u>	<u>2019</u>
Furniture and fixtures	5 Years	\$281,385	\$256,168
Capital and leasehold improvements	7-20 Years	442,772	417,342
Website	3 Years	24,604	11,604
Museum lab	5 Years	<u>27,488</u>	<u>27,488</u>
		776,249	712,602
Less: Accumulated depreciation		<u>(630,346)</u>	<u>(602,848)</u>
		<u>\$145,903</u>	<u>\$109,754</u>

STATEN ISLAND CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 7 - Loan Payable

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. The loan bears interest at 1% per annum, is due on April 20, 2022, and may be forgiven if the Museum meets certain employee retention requirements and the funds are used for eligible expenses.

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>2020</u>	<u>2019</u>
Department of Cultural Affairs		
Operational support	\$614,823	\$529,335
Energy appropriations	-	4,420
Cultural Institution Retirement program	60,204	51,343
Program support	38,000	60,000
Staten Island Boro President	-	8,000
Department of Emergency Management	-	2,500
Met Funds	229,024	100,000
Disability Forward Fund	<u>28,000</u>	<u>35,000</u>
	<u>\$970,051</u>	<u>\$790,598</u>

The City of New York paid \$230,133 and \$31,153 in 2020 and 2019, respectively, toward capital projects of the Museum (Note 9a).

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, 2020.

STATEN ISLAND CHILDREN'S MUSEUM**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****Note 9 - Commitments, Contingency and Other Matter (continued)**

a - (continued)

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, 2020, 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, 2020 in the amount of \$25,126. 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, 2020 AND 2019

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, 2020 and 2019 are summarized as follows:

	2020		
	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
Endowment funds, beginning of year	\$18,961	\$50,084	\$69,045
Net investment income, net of investment fees	6,323	-	6,323
Appropriation of endowment assets for expenditure	<u>(4,693)</u>	<u>-</u>	<u>(4,693)</u>
Endowment Funds, End of Year	<u>\$20,591</u>	<u>\$50,084</u>	<u>\$70,675</u>

STATEN ISLAND CHILDREN'S MUSEUM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 10 - Endowment Funds (continued)

	<u>2019</u>		
	<u>Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Endowment funds, beginning of year	\$18,114	\$50,084	\$68,198
Net investment income, net of investment fees	5,304	-	5,304
Appropriation of endowment assets 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>

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, 2020 AND 2019****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, 2020 and 2019 was \$65,087 and \$64,407, 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, 2020, contributions from one government agency represented approximately 44% of total revenue, gains and other support. For the year ended June 30, 2019, contributions from two government agencies represented approximately 31%, respectively, of total revenue, gains and other support.

Note 13 - Risks and Uncertainties

The World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic in March 2020. This outbreak has severely restricted the level of economic activity around the world and has disrupted business in every sector of the economy. In response to this outbreak and to control the spread of this virus, New York State imposed restrictions on business operations, travel, and initiated a stay-at-home policy for its citizens. In accordance with directives issued by the New York State government, the Museum cancelled some of its programs and activities. This disruption lasted beyond the end of the Museum's fiscal year, June 30, 2020.

In response to the pandemic, the Museum transitioned to virtual work. The Museum's management has concluded that the Museum's current financial assets are sufficient to support operations on an ongoing basis.