

MUSEUM OF THE CITY OF NEW YORK, INC.

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

MUSEUM OF THE CITY OF NEW YORK, INC.

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Museum of the City of New York, Inc., which comprise the statement of financial position at June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Museum of the City of New York, Inc. at June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Prior Year Financial Information

The June 30, 2020 financial statements were audited by other auditors, and their report thereon, dated January 7, 2021, expressed an unmodified opinion on those financial statements.

Grassi & Co, CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
February 16, 2022

MUSEUM OF THE CITY OF NEW YORK, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 6,555,764	\$ 4,456,571
Investments	36,726,074	28,281,463
Contributions and grants receivable, net	2,883,636	2,997,582
Prepaid expenses and other assets	43,294	63,248
Inventory	226,784	265,403
Property and equipment, net	<u>20,417,270</u>	<u>21,003,540</u>
 TOTAL ASSETS	 <u>\$ 66,852,822</u>	 <u>\$ 57,067,807</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 337,914	\$ 362,266
Deferred revenue	110,265	128,450
Deferred rent	262,685	251,740
Paycheck Protection Program loan payable	<u>1,759,145</u>	<u>1,737,755</u>
 Total Liabilities	 <u>2,470,009</u>	 <u>2,480,211</u>
 COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions:		
Operating	4,403,571	3,323,090
Board-designated endowment	6,083,173	3,331,256
Plant	<u>20,417,270</u>	<u>21,003,540</u>
 Total Net Assets Without Donor Restrictions	 <u>30,904,014</u>	 <u>27,657,886</u>
With donor restrictions:		
Purpose and time restricted	5,314,212	3,112,650
Perpetual in nature	<u>28,164,587</u>	<u>23,817,060</u>
 Total Net Assets	 <u>64,382,813</u>	 <u>54,587,596</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 66,852,822</u>	 <u>\$ 57,067,807</u>

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

MUSEUM OF THE CITY OF NEW YORK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

		Without Donor Restrictions	With Donor Restrictions			
			Purpose and Time Restricted	Perpetual in Nature	Total	Total
OPERATING REVENUES, GAINS AND OTHER SUPPORT:						
Membership		\$ 345,075	\$ -	\$ -	\$ -	\$ 345,075
Rental fees and other sales	936,708					
Cost of sales	(12,406)	924,302	-	-	-	924,302
Licensing and other fees		294,398	-	-	-	294,398
Museum shop	280,441					
Cost of sales	(171,973)	108,468	-	-	-	108,468
Investment income	8,306,621					
Management fees	(124,983)	1,940,481	613,180	5,627,977	6,241,157	8,181,638
Educational programs		101,088	-	-	-	101,088
Admissions		213,021	-	-	-	213,021
Contributions and other grants:						
New York City - Department of Cultural Affairs		1,938,310	-	-	-	1,938,310
New York State - Council on the Arts		37,500	-	-	-	37,500
Other grants and contributions		2,795,944	2,951,518	-	2,951,518	5,747,462
Special events	1,176,223					
Direct expenses of special events	(94,473)	1,081,750	-	-	-	1,081,750
Net assets released from restrictions		2,643,586	(1,363,136)	(1,280,450)	(2,643,586)	-
Total operating revenues gains and other support		12,423,923	2,201,562	4,347,527	6,549,089	18,973,012
OPERATING EXPENSES:						
Program services:						
Museum shop		281,610	-	-	-	281,610
Collection care		2,388,184	-	-	-	2,388,184
Educational programs		859,233	-	-	-	859,233
Renovation and expansion		-	-	-	-	-
Exhibition and publications		4,236,395	-	-	-	4,236,395
Total program services expenses		7,765,422	-	-	-	7,765,422
Supporting services:						
Management and general		1,418,066	-	-	-	1,418,066
Membership and development		1,931,214	-	-	-	1,931,214
Total supporting services expenses		3,349,280	-	-	-	3,349,280
Total operating expenses		11,114,702	-	-	-	11,114,702
CHANGE IN NET ASSETS FROM OPERATIONS		1,309,221	2,201,562	4,347,527	6,549,089	7,858,310
NON-OPERATING REVENUES:						
Forgiveness of debt		1,737,755	-	-	-	1,737,755
Other non-operating revenues		199,152	-	-	-	199,152
CHANGE IN NET ASSETS		3,246,128	2,201,562	4,347,527	6,549,089	9,795,217
NET ASSETS, BEGINNING OF YEAR		27,657,886	3,112,650	23,817,060	26,929,710	54,587,596
NET ASSETS, END OF YEAR		\$ 30,904,014	\$ 5,314,212	\$ 28,164,587	\$ 33,478,799	\$ 64,382,813

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

MUSEUM OF THE CITY OF NEW YORK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

		Without Donor Restrictions	With Donor Restrictions			
			Purpose and Time Restricted	Perpetual in Nature	Total	Total
OPERATING REVENUES, GAINS AND OTHER SUPPORT:						
Membership		\$ 342,786	\$ -	\$ -	\$ -	\$ 342,786
Rental fees and other sales	705,349					
Cost of sales	<u>(35,868)</u>	669,481	-	-	-	669,481
Licensing and other fees		508,535	-	-	-	508,535
Museum shop	462,462					
Cost of sales	<u>(248,236)</u>	214,226	-	-	-	214,226
Investment income (loss)	122,357					
Management fees	<u>(128,348)</u>	(236,494)	(15,157)	245,660	230,503	(5,991)
Educational programs		352,767	-	-	-	352,767
Admissions		641,340	-	-	-	641,340
Contributions and other grants						
New York City - Department of Cultural Affairs		1,791,367	-	-	-	1,791,367
New York State - Council on the Arts		160,120	-	-	-	160,120
Other grants and contributions		2,283,467	2,355,724	2,500,000	4,855,724	7,139,191
Special events	1,608,276					
Direct expenses of special events	<u>(267,817)</u>	1,340,459	-	-	-	1,340,459
Net assets released from restrictions		<u>3,148,485</u>	<u>(2,340,717)</u>	<u>(807,768)</u>	<u>(3,148,485)</u>	<u>-</u>
Total operating revenues gains and other support		<u>11,216,539</u>	<u>(150)</u>	<u>1,937,892</u>	<u>1,937,742</u>	<u>13,154,281</u>
OPERATING EXPENSES:						
Program services:						
Museum shop		390,117	-	-	-	390,117
Collection care		2,663,719	-	-	-	2,663,719
Educational programs		1,249,142	-	-	-	1,249,142
Renovation and expansion		22,810	-	-	-	22,810
Exhibition and publications		<u>5,913,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,913,913</u>
Total program expenses		<u>10,239,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,239,701</u>
Supporting services:						
Management and general		1,703,857	-	-	-	1,703,857
Membership and development (fundraising)		<u>2,197,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,197,296</u>
Total supporting services expenses		<u>3,901,153</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,901,153</u>
Total operating expenses		<u>14,140,854</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,140,854</u>
CHANGE IN NET ASSETS FROM OPERATIONS		(2,924,315)	(150)	1,937,892	1,937,742	(986,573)
NON-OPERATING REVENUES		<u>354,132</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>354,132</u>
CHANGE IN NET ASSETS		(2,570,183)	(150)	1,937,892	1,937,742	(632,441)
NET ASSETS, BEGINNING OF YEAR		<u>30,228,069</u>	<u>3,112,800</u>	<u>21,879,168</u>	<u>24,991,968</u>	<u>55,220,037</u>
NET ASSETS, END OF YEAR		<u>\$ 27,657,886</u>	<u>\$ 3,112,650</u>	<u>\$ 23,817,060</u>	<u>\$ 26,929,710</u>	<u>\$ 54,587,596</u>

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

MUSEUM OF THE CITY OF NEW YORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services					Supporting Services			
	Museum Shop	Collection Care	Educational Programs	Exhibition and Publications	Total	Management and General	Membership and Development	Special Events	Total
Salaries and related expenses	\$ 152,895	\$ 1,333,375	\$ 683,744	\$ 2,534,763	\$ 4,704,777	\$ 981,475	\$ 1,473,896	\$ -	\$ 7,160,148
Outside services	10,732	30,779	23,141	382,392	447,044	45,272	164,990	-	657,306
Legal and accounting	82	1,105	293	10,446	11,926	105,070	314	-	117,310
Depreciation and amortization	61,786	175,534	64,055	182,077	483,452	69,134	84,368	-	636,954
Public relations	-	-	-	163,832	163,832	18,398	-	-	182,230
Design, shipping and fabrication	2,701	48,692	2,872	314,482	368,747	12,627	69,048	-	450,422
Printing	739	9,981	3,649	23,240	37,609	2,441	31,788	-	71,838
Occupancy	13,556	588,444	48,577	340,027	990,604	87,913	51,966	-	1,130,483
Supplies and expenses	4,490	55,156	3,994	60,582	124,222	2,114	5,467	22,296	154,099
Computing services	4,911	57,814	15,179	112,145	190,049	13,453	16,287	-	219,789
Cost of sales	171,973	-	-	-	171,973	12,406	-	-	184,379
Insurance	2,175	44,796	7,793	59,995	114,759	6,887	8,337	-	129,983
Miscellaneous	27,543	42,508	5,936	52,414	128,401	73,282	24,753	72,177	298,613
Total Expenses	453,583	2,388,184	859,233	4,236,395	7,937,395	1,430,472	1,931,214	94,473	11,393,554
Less direct cost of special events deducted from revenue on the statement of activities	-	-	-	-	-	-	-	(94,473)	(94,473)
Less cost of sales netted against rental fees and other sales	-	-	-	-	-	(12,406)	-	-	(12,406)
Less cost of sales netted against museum shop income	(171,973)	-	-	-	(171,973)	-	-	-	(171,973)
Total expenses reported by function on the statement of activities	<u>\$ 281,610</u>	<u>\$ 2,388,184</u>	<u>\$ 859,233</u>	<u>\$ 4,236,395</u>	<u>\$ 7,765,422</u>	<u>\$ 1,418,066</u>	<u>\$ 1,931,214</u>	<u>\$ -</u>	<u>\$ 11,114,702</u>

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

MUSEUM OF THE CITY OF NEW YORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

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

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

MUSEUM OF THE CITY OF NEW YORK, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 9,795,217	\$ (632,441)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	636,954	652,509
Deferred rent	10,945	21,249
Forgiveness of debt	(1,737,755)	-
Investment (gains) losses	(7,997,164)	220,083
Contributions restricted for long-term investment	-	(2,500,000)
Interest and dividends restricted for long-term investment	(139,163)	(159,442)
(Increase) decrease in assets:		
Contributions and grants receivable	(156,054)	(1,040,308)
Prepaid expenses and other assets	19,954	569,826
Inventory	38,619	(70,786)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(24,352)	(596,571)
Deferred revenue	(18,185)	(164,185)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>429,016</u>	<u>(3,700,066)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(50,684)	(33,219)
Purchase of investments	(13,834,478)	(11,856,254)
Proceeds from sale of investments	<u>13,387,031</u>	<u>13,387,031</u>
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	<u>(498,131)</u>	<u>1,497,558</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for long-term investment	270,000	1,030,000
Interest and dividends restricted for long-term investment	139,163	159,442
Proceeds from loans payable	<u>1,759,145</u>	<u>1,737,755</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>2,168,308</u>	<u>2,927,197</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,099,193	724,689
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,456,571</u>	<u>3,731,882</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,555,764</u>	<u>\$ 4,456,571</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Unrelated business income tax paid	<u>\$ -</u>	<u>\$ 407</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES:		
Forgiveness of debt	<u>\$ 1,737,755</u>	<u>\$ -</u>

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

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 1 - Nature of Organization

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

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

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

The Museum is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Museum is subject to federal income tax on any unrelated business taxable income.

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

Note 2 - Summary of Significant Accounting Policies

Adoption of FASB ASU 2019-03: *Updating the Definition of Collections*

Effective July 1, 2020, the Museum adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2019-03, *Updating the Definition of Collections*. This ASU modifies the definition of the term collections and requires that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned (that is, removed from a collection). If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of direct care.

The adoption of this ASU did not result in changes to the financial statements.

Basis of Accounting

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

Use of Estimates

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

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Cash and Cash Equivalents

The Museum considers all liquid investments with original maturities of three months or less to be cash equivalents. Operating and deposit accounts restricted internally by the board are considered to be cash and cash equivalents on the statements of financial position and cash flows. Uninvested cash and cash equivalents held in accounts managed by professional fund advisors are included within investments.

Investments

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

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a framework for measuring fair value is used which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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

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

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

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

Refer to Note 4 for assets measured at fair value at June 30, 2021 and 2020 in accordance with FASB ASC Topic 820.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Allowance for Doubtful Accounts

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

At June 30, 2021 and 2020, the Museum did not have any allowance for doubtful accounts.

Inventory

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

Property and Equipment

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

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building improvements	50 years
Furniture and equipment	5 years
Computer equipment	2-3 years
Leasehold improvements	10 years

The buildings occupied by the Museum are constructed on properties owned by the City and the Museum. Title to the buildings are held by the City; however, under an agreement with the City, the Museum has exclusive rights to use the facility.

The City, as owner of certain of the Museum's land and of all its buildings, also at times directly contracts for, manages, and pays the cost of certain capital projects. Those costs are not reflected in the financial statements.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Long-Lived Asset Impairment

The Museum evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2021 and 2020.

Collections

The Museum's collections, which were acquired through purchases and contributions since its inception, are not recognized as assets on the statements of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired, or as net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. As a matter of policy, proceeds from deaccessions shall be used to fund the purchase of other images or objects or the direct care of collections and are reflected as increases in the appropriate net asset classes. Detailed inventory records, however, are maintained for collections. The value of the collection is not readily determinable, and the Museum is not fully insured for the cost of its replacement. The Museum strives to preserve and maintain its collection.

Contract Liabilities

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

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and are not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor or certain grantor restrictions, net assets for a board-designated endowment.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Contributions

Contributions are provided to the Museum either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts - with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restrictions</i>	
Gifts that depend on the Museum overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, i.e. the donor-imposed barrier is met
<i>Unconditional gifts, with or without restrictions</i>	
Received at date of gift - cash and other assets	Fair value
Received at date of gift - property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Government Grants

Support funded by grants is recognized as the Museum performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. As a result of COVID-19, there were no docents and guides during the year ended June 30, 2021; however, contribution revenue recognized from contributed services for museum docents and guides totaled \$56,837 for the year ended June 30, 2020. The related expenses are included in outside services on the statements of functional expenses. In addition, contribution revenue from donated legal services was \$54,435 and \$60,281 for the years ended June 30, 2021 and 2020, respectively. The related expenses are included in legal and accounting on the statements of functional expenses. Contributed services have been included in other grants and contributions on the statements of activities.

In-kind Contributions

In addition to receiving cash contributions, the Museum receives in-kind contributions of utilities from the New York City Department of Cultural Affairs ("DCA"). It is the policy of the Museum to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by a like amount. For the years ended June 30, 2021 and 2020, \$463,343 and \$510,943, respectively, was received in in-kind contributions. The revenue is included in contributions and grants on the statements of activities, and the related expenses are included in occupancy on the statements of functional expenses.

Revenue Recognition

As referenced in Note 10, licensing, rental and other fees, museum shop and admissions, educational programs, and special events revenues are recognized as the Museum satisfies performance obligations under its contracts. Revenue is reported at the estimated transaction price or amount that reflects the consideration the Museum expects to receive in exchange for providing goods or services. The Museum determines the transaction price based on standard charges for goods and services provided.

Special Events

The Museum conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special events revenues in the accompanying financial statements.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Taxes Collected from Customers and Remitted to Governmental Authorities

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

Functional Expenses

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

Operating Leases

Operating leases are straight-lined over the term of the lease. Deferred rent is recorded when there are material differences between the fixed payment and rent expense.

Advertising

Advertising costs are expensed as incurred and included in public relations.

Measure of Operations

The Museum includes in its measure of operations all revenues and expenses that are an integral part of its program and supporting activities and excludes other nonoperating revenues, including forgiveness of debt.

Accounting for Uncertainty in Income Taxes

The Museum has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The Museum is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Museum believes it is no longer subject to income tax examinations for years prior to 2018.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

New Accounting Pronouncement

ASU No. 2020-07

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU increases transparency and provides financial clarity with the reporting of noncash contributions, known as gifts-in-kind. The guidance in this ASU provides for new presentation and disclosure requirements regarding contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. It requires not-for-profit entities to present contributed nonfinancial assets separately in the statement of activities apart from contributions of cash or other financial assets.

The amendments of ASU No. 2020-07 are effective for annual reporting periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early application is permitted for all entities. The Museum has not yet determined if this ASU will have a material effect on its financial statements.

Note 3 - Concentration of Credit Risk

The Museum maintains cash balances in several financial institutions. Such balances are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 per institution. At June 30, 2021, and periodically throughout the years ended June 30, 2021 and 2020, the Museum's balances exceeded these limits.

Approximately 45% and 47% of all contributions and grants were received from two and one donor(s)/grantor(s) in 2021 and 2020, respectively. In addition, approximately 52% and 66% of all contributions and grants receivable as of June 30, 2021 and 2020 were due from two donors/grantors.

Note 4 - Fair Value Measurement

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2021 and 2020.

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

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy at June 30, 2021:

	Investments at Fair Value at June 30, 2021			
	Level 1	Level 2	Level 3	Total
Equities:				
Domestic	\$ 12,491,006	\$ -	\$ -	\$ 12,491,006
Foreign	2,340,526	-	-	2,340,526
Fixed income securities:				
U.S. government obligations	1,371,261	-	-	1,371,261
Corporate obligations	1,834,332	-	-	1,834,332
Mutual funds:				
Fixed income	2,144,934	-	-	2,144,934
Equities	11,079,195	-	-	11,079,195
Total investments, at fair value	<u>\$ 31,261,254</u>	<u>\$ -</u>	<u>\$ -</u>	31,261,254
Alternative investments (a):				
Equity long/short hedge funds measured at net asset value				3,435,226
Multi strategy hedge funds measured at net asset value				1,697,042
Cash and cash equivalents				<u>332,552</u>
Total investments				<u>\$ 36,726,074</u>

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy at June 30, 2020:

	Investments at Fair Value at June 30, 2020			
	Level 1	Level 2	Level 3	Total
Equities:	\$ 12,524,632	\$ -	\$ -	\$ 12,524,632
Domestic	1,814,436	-	-	1,814,436
Foreign				
Fixed income securities:				
U.S. government obligations	2,243,272	-	-	2,243,272
Corporate obligations	849,048	-	-	849,048
Foreign obligations	152,847	-	-	152,847
Mutual funds:				
Money market	281,106	-	-	281,106
Fixed income	907,286	-	-	907,286
Equities	2,570,550	-	-	2,570,550
Total investments, at fair value	<u>\$ 21,343,177</u>	<u>\$ -</u>	<u>\$ -</u>	21,343,177
Alternative investments (a):				
Equity long/short hedge funds measured at net asset value				5,021,386
Multi strategy hedge funds measured at net asset value				1,495,146
Cash and cash equivalents				<u>421,754</u>
Total investments				<u>\$ 28,281,463</u>

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

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Alternative Investments

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

	<u>Fair Value</u> <u>2021</u>	<u>Fair Value</u> <u>2020</u>	<u>Redemption</u> <u>Frequency</u>	<u>Redemption</u> <u>Notice period</u>
Equity Long/Short term Hedge Funds:				
King Street Capital, Ltd. (a)	\$ 96,670	\$ 117,020	Not Redeemable	Not Redeemable
Valinor Capital Partners Offshore, Ltd. (b)	129,055	1,996,582	Quarterly	60 days
Riva Ridge Overseas Fund (c)	1,419,322	1,531,610	Quarterly	90 days
Corre Partners Management, LLC (d)	1,790,179	1,376,174	Quarterly	90 days
Multistrategy Hedge Funds:				
Taconic Opportunity Offshore Fund (e)	<u>1,697,042</u>	<u>1,495,146</u>	Quarterly	60 days
	<u>\$ 5,132,268</u>	<u>\$ 6,516,532</u>		

There were no unfunded commitments at June 30, 2021 and 2020.

- a) King Street Capital, Ltd.: Investments include public equity and fixed-income markets globally with a focus in distressed companies, equity, bonds, foreign exchange, warrants and options. Although not redeemable directly by the Museum, the fund is in the process of redeeming the classes of shares held by the Museum. Timing of full redemption is unknown as of the date of this report.
- b) Valinor Capital Partners Offshore, Ltd. ("Valinor"): Valinor's investment objective is to generate long-term, superior, risk-adjusted returns by investing primarily in publicly traded equity securities. Valinor will seek to achieve the investment objective by employing a strict fundamentals-based investment strategy. Although not redeemable directly by the Museum, the fund is in the process of redeeming the remainder of the classes of shares held by the Museum. Timing of full redemption is unknown as of the date of this report.
- c) Riva Ridge Overseas Fund: Small event-driven/distressed hedge fund with long/short positions. Short portfolio predominantly composed of larger single-name, high dollar priced, high yield bonds.
- d) Corre Partners Management, LLC: Deep value, event driven funds that aim to achieve equity-like returns while taking less risk by investing across the capital structure. Investors may also be charged a redemption fee of 5 percent of the amount redeemed if the redemption is not made at least one year from the date of purchase.
- e) Taconic Opportunity Offshore Fund: Multi-strategy fund with positions in arbitrage, credit, special situations and reorganizations. Additionally, portfolio hedging focuses on protecting the portfolio in a severe market dislocation.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 5 - Contributions and Grants Receivable

Contributions and grants receivable consisted of the following:

	June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 436,086	\$ 728,382	\$ 1,164,468
Due within one to five years	-	1,754,753	1,754,753
	436,086	2,483,135	2,919,221
Less: unamortized discount	-	(35,585)	(35,585)
	<u>\$ 436,086</u>	<u>\$ 2,447,550</u>	<u>\$ 2,883,636</u>
	June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 424,450	\$ 929,327	\$ 1,353,777
Due within one to five years	-	1,650,139	1,650,139
	424,450	2,579,466	3,003,916
Less: unamortized discount	-	(6,334)	(6,334)
	<u>\$ 424,450</u>	<u>\$ 2,573,132</u>	<u>\$ 2,997,582</u>

The discount rates used ranged from 0.18% to 1.76% at June 30, 2021 and 2020.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 6 - Conditional Gifts and Grants and Future Commitments

The Museum receives conditional promises to give and grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. The following are commitments that extend beyond June 30, 2021 that are not recognized in the financial statements:

Conditional Promise to Give/Grant	Term	Amount	Earned through 2021	Available
If a certain endowment fund balance is less than a specified amount after an annual \$125,000 withdrawal	1/1/2019 - 12/31/2023	\$ 625,000	\$ (250,000)	\$ 375,000
New York State - Council of the Arts	1/1/2020 - 12/31/2022	\$ 150,000	\$ (65,000)	\$ 85,000

Note 7 - Property and Equipment

Property and equipment at June 30, 2021 and 2020 consists of:

	2021	2020
Building	\$ 28,476,630	\$ 28,476,630
Furniture and equipment	3,711,039	3,711,039
Computer equipment	789,894	739,210
Leasehold improvements	64,506	64,506
Construction in progress	4,105	4,105
	33,046,174	32,995,490
Accumulated depreciation	(12,564,398)	(11,927,444)
Accumulated amortization	(64,506)	(64,506)
	<u>\$ 20,417,270</u>	<u>\$ 21,003,540</u>

Depreciation and amortization expense was \$636,954 and \$652,509 for the years ended June 30, 2021 and 2020, respectively.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 8 - Paycheck Protection Program Loan Payable

In April 2020, the Museum entered into a \$1,737,755 loan agreement with a financial institution under the Paycheck Protection Program ("PPP"), established by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, administered by the Small Business Administration ("SBA") with support from the Department of the Treasury. In May 2021, the Museum applied for and was granted forgiveness by the full amount of the loan. As a result, the loan forgiveness is reported in the statement of activities for the year ended June 30, 2021.

In February 2021, the Museum received \$1,759,145 from a financial institution under a second draw PPP, administered by the SBA with support from the Department of the Treasury. The loan is unsecured, bears interest at 1% per annum and matures in February 2026; however, the PPP provides for the forgiveness of up to the entire amount of the loan (including interest) if certain conditions are met. Subsequent to year-end, in October 2021, the Museum applied for and was granted forgiveness for the full amount of the loan. As a result, loan forgiveness will be reported in the statement of activities for the year ending June 30, 2022.

Note 9 - Operating Leases

The Museum leases warehouse space to house part of its permanent collection under a 14-year lease which will expire September 30, 2028. Rental expense (including surcharges for utilities and maintenance) related to the warehouse lease was \$416,379 and \$385,113 for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease payments under operating leases are:

Years Ending June 30:

2022	\$ 315,381
2023	326,419
2024	337,844
2025	349,668
2026	361,907
Thereafter	<u>860,003</u>

Total minimum lease payments \$ 2,551,222

Note 10 - Revenue from Contracts

Membership, Licensing, Rental and Other Fees

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

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Museum Shop and Admissions Revenue

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

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

Educational Programs Revenue

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

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

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

Special Events Revenue

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

Transaction Price and Recognition

The Museum determines the transaction price based on standard charges for goods and services provided. Consideration amounts are not variable, and the contracts do not have significant financing components. For the years ended June 30, 2021 and 2020, the Museum recognized revenue of \$1,664,863 and \$1,873,569, respectively, from goods and services that transfer to the customer over time. For the years ended June 30, 2021 and 2020, the Museum recognized revenue of \$415,962 and \$1,123,383, respectively, from goods and services that transfer to the customer at a point in time.

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

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

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Accounting Policies and Practical Expedients Elected

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

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

Note 11 - Multiemployer Pension Plan

The Museum contributes to a multiemployer defined benefit pension plan under the terms of an agreement that covers its union-represented employees. The risks of participating in the multiemployer plan are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Museum chooses to stop participating in its multiemployer plan, the Museum may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Museum's participation in this plan for the years ended June 30, 2021 and 2020, is outlined in the table below.

- The "EIN/Pension Plan Number" column provides the Employer Identification Number (EIN) and the three-digit plan number, if applicable.
- The most recent Pension Protection Act ("PPA") zone status available in 2021 and 2020 is for the plan's year-end at June 30, 2020 and 2019, respectively.
- The zone status is based on information the Museum received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are 65 percent to 80 percent funded, and plans in the green zone are at least 80 percent funded.
- The "FIP/RP Status Pending/Implemented" column indicates if a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented.
- The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject.
- Contributions for the year ended June 30, 2021 decreased approximately 21% over the previous year as a result of a reduced workforce due to the COVID-19 pandemic.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Contributions for the Years Ended June 30,		Surcharge Imposed	Expiration Date of Agreement
		2021	2020		2021	2020		
The Cultural Institutions Pension Plan	11-2001170 001	Green	Green	N/A	\$ 492,260	\$ 624,741	No	6/30/2021

Note 12 - Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2021 and 2020 are restricted for the following purposes or periods:

	2021	2020
Subject to expenditure for specified purpose:		
Exhibitions, collections and programs	\$ 4,725,520	\$ 3,049,529
Endowments:		
Perpetual in nature - endowment corpus:		
Louis Auchincloss Prize Endowment	751,508	588,962
Frederick AO Schwarz Family Endowment	1,995,933	1,578,785
Hearst Foundation - Education	304,072	242,911
Laura and Ray Johnson Fund	1,280,202	1,280,202
Mary Flagler Cary Endowment	100,000	100,000
Grace Mayer Conservation Fund	250,000	250,000
Charles E. Merrill - Education	50,000	50,000
Mary and Donald Oenslager Fund	200,000	200,000
Margareth and Stephen Ogden - Lecture series and exhibits for children and teenagers	406,374	339,924
Gallery Programming - Puffin Foundation	1,764,173	1,502,645
John and Barbara Robinson Fund - Education	1,667,797	1,255,358
Ronay Menschel Director/CEO of the Museum of the City of New York Endowment	3,525,192	2,778,813
Evelyn Spitalny - Music in Museum Concerts	42,812	31,110
Robert Jeffe - lecture series	337,113	272,347
Robert and Elizabeth Jeffe Endowment Chief Curator	2,725,589	2,451,692
Thompson Family Foundation Endowment - Education	12,763,822	10,894,311
Total perpetual in nature	28,164,587	23,817,060
Subject to NFP endowment spending policy and appropriation:		
Accumulated investment gains restricted by donors for programs	588,692	63,121
Total Endowments	28,753,279	23,880,181
	\$ 33,478,799	\$ 26,929,710

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

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

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions:		
Exhibitions, collections and programs	\$ 1,363,136	\$ 2,340,717
Restricted purpose spending-rate distributions and appropriations	<u>1,280,450</u>	<u>807,768</u>
	<u>\$ 2,643,586</u>	<u>\$ 3,148,485</u>

Note 13 - Endowment Funds

The Museum's governing body is subject to the State of New York Prudent Management of Institutional Funds Act ("NYPMIFA"). As a result, the Museum classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets are also subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

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

1. Duration and preservations of the fund
2. Purpose of the Museum and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Museum
7. Investment policies of the Museum

The Museum's endowment consists of approximately 16 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by U.S. GAAP, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 13 - Endowment Funds (cont'd.)

Endowment Net Asset Composition by Type of Fund at June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions		
		Unspent Accumulated Earnings	Original Gifts	Total
Board-designated endowment fund	\$ 6,083,173	\$ -	\$ -	\$ 6,083,173
Donor-restricted endowment fund	-	588,692	28,164,587	28,753,279
	<u>\$ 6,083,173</u>	<u>\$ 588,692</u>	<u>\$28,164,587</u>	<u>\$ 34,836,452</u>

Endowment Net Asset Composition by Type of Fund at June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions		
		Unspent Accumulated Earnings	Original Gifts	Total
Board-designated endowment fund	\$ 3,331,256	\$ -	\$ -	\$ 3,331,256
Donor-restricted endowment fund	-	63,121	23,817,060	23,880,181
	<u>\$ 3,331,256</u>	<u>\$ 63,121</u>	<u>\$23,817,060</u>	<u>\$ 27,211,437</u>

Changes in Endowment Net Assets for the Year Ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions		
		Unspent Accumulated Earnings	Original Gifts	Total
Endowment net assets, beginning of year	\$ 3,331,256	\$ 63,121	\$23,817,060	\$ 27,211,437
Investment income	1,158,889	608,330	5,627,977	7,395,196
Contributions	3,828,460	-	-	3,828,460
Appropriation of endowment assets for expenditure	(2,235,432)	(82,759)	-	(2,318,191)
Released from restrictions	-	-	(1,280,450) *	(1,280,450)
Endowment net assets, end of year	<u>\$ 6,083,173</u>	<u>\$ 588,692</u>	<u>\$28,164,587</u>	<u>\$ 34,836,452</u>

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 13 - Endowment Funds (cont'd.)

Changes in Endowment Net Assets for the Year Ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions		
		Unspent Accumulated Earnings	Original Gifts	Total
Endowment net assets, beginning of year	\$ 4,880,833	\$ 245,038	\$ 21,879,168	\$ 27,005,039
Investment income (loss)	(219,529)	(24,306)	245,660	1,825
Contributions	-	-	2,500,000	2,500,000
Appropriation of endowment assets for expenditure	(1,330,048)	(157,611)	-	(1,487,659)
Released from restrictions	-	-	(807,768) *	(807,768)
Endowment net assets, end of year	<u>\$ 3,331,256</u>	<u>\$ 63,121</u>	<u>\$ 23,817,060</u>	<u>\$ 27,211,437</u>

* Amounts were released based on spending rates and purposes instructed by the donors

Investment and Spending Policies

The objective of the Museum is to maintain the principal endowment funds at the original amount designated by the donor and to generate investment income for the specified purpose. The investments are summarized in Note 4. Income is distributed on a total return basis to either non-donor designated funds or donor designated funds as designated by the donor. Certain donors have specified that investment income and losses, net of investment fees, be added to the corpus of the endowment funds and have established criteria different from the Museum's spending rate formula of 4% of the prior 5-year average balance as measured on a quarterly basis.

The board has discretion to approve changes in spending rates from time to time. As of June 30, 2021 and 2020, the board-approved spending rate was 5%.

Underwater Endowments

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

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

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 13 - Endowment Funds (cont'd.)

Underwater Endowments (cont'd.)

At June 30, 2020, a fund with an original gift value of \$2,500,000 (consisting of pledge receivable of \$1,470,000 and invested contributions of \$1,030,000), fair value of \$2,451,692 (consisting of pledge receivable of \$1,470,000 and investments of \$981,692), and deficiency of \$48,308 was reported in net assets with donor restrictions. This deficiency resulted from unfavorable market fluctuations that occurred shortly after investment of new restricted contributions of \$1,030,000. As a result of investment return in 2021, the balance in the fund exceeded the original gift value and was no longer considered to be underwater.

The Museum has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor stipulations or laws and regulations. The governing board did not appropriate any expenditures from the underwater endowment fund during the year ended June 30, 2020.

Note 14 - Expansion

The City has advised the Museum that it has paid \$82,409 and \$368,214 for the renovation or purchase of equipment for the years ended June 30, 2021 and 2020, respectively.

These purchases are not included in the financial statements.

Note 15 - Sale of Collection Material

In 2021 and 2020, the Museum deaccessioned a collection of books and other items that were determined to be off-mission. The books and other items belonging to the Museum were auctioned in 2021 and 2020. The net proceeds were \$26,216 and \$21,002 in 2021 and 2020, respectively, which are included in other nonoperating revenues on the statements of activities.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 16 - Available Resources and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 6,555,764	\$ 4,456,571
Investments	36,726,074	28,281,463
Contributions and grants receivable, net	<u>2,883,636</u>	<u>2,997,582</u>
Total financial assets	46,165,474	35,735,616
Less:		
Donor-imposed restrictions:		
Purpose and time restricted	(5,314,212)	(3,112,650)
Perpetual in nature	<u>(28,164,587)</u>	<u>(23,817,060)</u>
Net financial assets after donor-imposed restrictions	12,686,675	8,805,906
Internal designations:		
Board-designated endowment	<u>(6,083,173)</u>	<u>(3,331,256)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,603,502</u>	<u>\$ 5,474,650</u>

The Museum's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment is subject to an annual spending rate of 5% as described in Note 13. Although the Museum does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the board's annual budget approval and appropriation), these amounts could be made available if necessary.

The Museum manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Museum regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. To achieve this goal, the Museum forecasts its future cash flows and monitors its liquidity on a monthly basis. The Museum has various sources of liquidity at its disposal, including cash and cash equivalents and marketable securities.

MUSEUM OF THE CITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 17 - Contingencies

COVID-19

As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact the generation of contributions, attendance at special events and collections of receivables. Other financial impact could occur, though such potential impact is unknown at this time.

PPP

The SBA may elect to undertake a review of the PPP proceeds of any size greater than \$150,000 during the six-year period following forgiveness of the monies, which is October 2027. If selected, the review would include the forgiveness application, including whether the Museum met the eligibility requirements of the PPP and received the proper amount. Whether the Museum will be selected for an SBA review, as well as the timing and outcome, is uncertain.

Note 18 - Subsequent Events

The Museum has evaluated all events or transactions that occurred after June 30, 2021 through February 16, 2022, which is the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure except as disclosed in Note 8.