

**BROOKLYN CHILDREN'S
MUSEUM CORPORATION**

**Financial Statements
for the years ended
June 30, 2016
and
June 30, 2015**

Independent Auditor's Report

To the Board of Trustees of
Brooklyn Children's Museum Corporation

We have audited the accompanying financial statements of Brooklyn Children's Museum Corporation which comprise the statement of financial position as of June 30, 2016 and June 30, 2015 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.

Auditor's 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 audits 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 Brooklyn Children's Museum Corporation as of June 30, 2016 and June 30, 2015 and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Condon O'Meara McGinty & Donnelly LLP

March 9, 2017

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Financial Position

Assets

	<u>June 30</u>	
	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 140,280	\$ 12,986
Certificates of deposit	259,842	-
Contributions receivable, net		
Unrestricted	215,917	202,534
Restricted for future programs and periods	54,197	59,783
Prepaid expenses and other assets	53,078	19,692
Investments, at fair value	1,497,413	1,814,516
Property and equipment, net	<u>86,768</u>	<u>478,016</u>
Total assets	<u>\$ 2,307,495</u>	<u>\$ 2,587,527</u>

Liabilities and Net Assets (deficit)

Liabilities		
Line of credit	\$ -	\$ 260,000
Accounts payable and accrued expenses	777,698	496,550
Notes payable	110,000	120,000
Due to City of New York	181,885	202,095
Deferred revenue	22,496	60,081
Loans payable	266,842	-
Accrued postretirement benefits	<u>3,844,410</u>	<u>3,662,385</u>
Total liabilities	<u>5,203,331</u>	<u>4,801,111</u>
Net assets (deficit)		
Unrestricted	(4,907,203)	(4,468,080)
Temporarily restricted	263,164	506,293
Permanently restricted	<u>1,748,203</u>	<u>1,748,203</u>
Total net assets (deficit)	<u>(2,895,836)</u>	<u>(2,213,584)</u>
Total liabilities and net assets (deficit)	<u>\$ 2,307,495</u>	<u>\$ 2,587,527</u>

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Activities
Year Ended June 30, 2016

(With Summarized Comparative Information for the Year Ended June 30, 2015)

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and revenue					
Contributions					
Individuals	\$ 115,983	\$ -	\$ -	\$ 115,983	\$ 142,411
Corporations	36,637	85,000	-	121,637	390,500
Foundations	173,533	124,750	-	298,283	106,645
Government	411,305	-	-	411,305	444,325
In-kind	25,342	-	-	25,342	-
Appropriations from City of New York	2,032,426	-	-	2,032,426	2,059,280
Admission fees	939,493	-	-	939,493	925,426
Membership fees	262,428	-	-	262,428	294,851
Fund-raising events, net of direct expenses of \$105,593 in 2016 and \$104,891 in 2015	281,818	-	-	281,818	303,072
Exhibit rentals	42,858	-	-	42,858	31,600
Space rentals	212,514	-	-	212,514	190,593
Gift shop commission	54,355	-	-	54,355	39,386
Food service commission	19,209	-	-	19,209	30,431
Interest and dividends	842	26,183	-	27,025	30,850
Net realized gain on sales of investments	-	62,666	-	62,666	112,525
Net change in unrealized value of investments	-	(60,013)	-	(60,013)	(209,657)
Miscellaneous	23,787	-	-	23,787	40,293
Sub-total	4,632,530	238,586	-	4,871,116	4,932,531
Net assets released from restrictions	481,715	(481,715)	-	-	-
Total support and revenue	5,114,245	(243,129)	-	4,871,116	4,932,531
Expenses					
Program services					
Exhibitions	825,191	-	-	825,191	1,807,472
Collections	226,106	-	-	226,106	151,251
Education	978,181	-	-	978,181	1,271,649
Visitor services	507,005	-	-	507,005	462,851
Maintenance and security	1,257,332	-	-	1,257,332	1,394,707
Marketing and public affairs	263,187	-	-	263,187	276,107
Total program services	4,057,002	-	-	4,057,002	5,364,037
Supporting services					
General and administrative	822,577	-	-	822,577	1,003,093
Development	513,789	-	-	513,789	474,299
Total supporting services	1,336,366	-	-	1,336,366	1,477,392
Total expenses	5,393,368	-	-	5,393,368	6,841,429
(Decrease) in net assets before other addition (deductions)	(279,123)	(243,129)	-	(522,252)	(1,908,898)
Other addition (deductions)					
Pension adjustment	(160,000)	-	-	(160,000)	442,742
City of New York overpayment	-	-	-	-	(202,095)
(Decrease) in net assets	(439,123)	(243,129)	-	(682,252)	(1,668,251)
Net assets (deficit), beginning of year	(4,468,080)	506,293	1,748,203	(2,213,584)	(545,333)
Net assets (deficit), end of year	\$ (4,907,203)	\$ 263,164	\$ 1,748,203	\$ (2,895,836)	\$ (2,213,584)

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Activities Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue				
Contributions				
Individuals	\$ 142,411	\$ -	\$ -	\$ 142,411
Corporations	170,500	220,000	-	390,500
Foundations	81,645	25,000	-	106,645
Government	126,680	317,645	-	444,325
Appropriations from City of New York	2,059,280	-	-	2,059,280
Admission fees	925,426	-	-	925,426
Membership fees	294,851	-	-	294,851
Fund-raising events, net of direct expenses of \$104,891	303,072	-	-	303,072
Exhibit rentals	31,600	-	-	31,600
Space rentals	190,593	-	-	190,593
Gift shop commission	39,386	-	-	39,386
Food service commission	30,431	-	-	30,431
Interest and dividends	85	30,765	-	30,850
Net realized gain on sales of investments	-	112,525	-	112,525
Net change in unrealized value of investments	(66,367)	(143,290)	-	(209,657)
Miscellaneous	40,293	-	-	40,293
Sub-total	4,369,886	562,645	-	4,932,531
Net assets released from restrictions	1,647,691	(1,647,691)	-	-
Total support and revenue	6,017,577	(1,085,046)	-	4,932,531
Expenses				
Program services				
Exhibitions	1,807,472	-	-	1,807,472
Collections	151,251	-	-	151,251
Education	1,271,649	-	-	1,271,649
Visitor services	462,851	-	-	462,851
Maintenance and security	1,394,707	-	-	1,394,707
Marketing and public affairs	276,107	-	-	276,107
Total program services	5,364,037	-	-	5,364,037
Supporting services				
General and administrative	1,003,093	-	-	1,003,093
Development	474,299	-	-	474,299
Total supporting services	1,477,392	-	-	1,477,392
Total expenses	6,841,429	-	-	6,841,429
(Decrease) in net assets before other addition (deduction)	(823,852)	(1,085,046)	-	(1,908,898)
Other addition (deduction)				
Pension adjustment	442,742	-	-	442,742
City of New York overpayment	(202,095)	-	-	(202,095)
(Decrease) in net assets	(583,205)	(1,085,046)	-	(1,668,251)
Net assets (deficit), beginning of year	(3,884,875)	1,591,339	1,748,203	(545,333)
Net assets (deficit), end of year	\$ (4,468,080)	\$ 506,293	\$ 1,748,203	\$ (2,213,584)

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Functional Expenses Year Ended June 30, 2016 (With Summarized Comparative Information for the Year Ended June 30, 2015)

	2016							2015				
	Program Services				Supporting Services			Total	Total			
	Exhibitions	Collections	Education	Visitor Services	Maintenance and Security	Marketing and Public Affairs	Total Program Services			General and Administrative	Development (Operating)	Supporting Services
Salaries, wages and benefits	\$ 298,580	\$ 202,761	\$ 837,602	\$ 410,945	\$ 1,030,513	\$ 131,763	\$ 2,912,164	\$ 321,122	\$ 408,123	\$ 729,245	\$ 3,641,409	\$ 3,971,872
Professional fees	19,522	3,386	41,398	6,255	56,433	32,806	159,800	281,832	32,589	314,421	474,221	395,211
Office expenses	1,181	858	5,786	1,740	4,363	3,325	17,253	7,530	1,728	9,258	26,511	54,905
Supplies	29,784	1,130	20,662	680	15,235	210	67,701	10,016	4,399	14,415	82,116	144,462
Cost of goods sold	-	-	-	-	-	-	-	-	-	-	-	34,109
Travel and meetings	93	-	1,911	7,388	-	1,253	10,645	3,239	3,621	6,860	17,505	7,665
Marketing	-	80	80	-	-	75,080	75,240	-	-	-	75,240	24,753
Equipment	10,477	5,510	599	5,828	47,103	81	69,598	13,118	13,629	26,747	96,345	67,846
Maintenance and utilities	58,037	3,382	32,327	25,404	57,953	12,148	189,251	15,430	8,644	24,074	213,325	297,290
Research and development	-	-	-	-	-	-	-	-	-	-	-	24,155
Insurance	-	-	-	-	-	-	-	86,293	-	86,293	86,293	81,766
Investment fees	-	-	-	-	-	-	-	14,333	-	14,333	14,333	16,450
Miscellaneous	3,136	80	973	30,689	404	726	36,008	55,539	23,104	78,643	114,651	97,651
Sub-total	420,810	217,187	941,338	488,929	1,212,004	257,392	3,537,660	808,452	495,837	1,304,289	4,841,949	5,218,135
Depreciation	391,248	-	-	-	-	-	391,248	-	-	-	391,248	1,424,385
Postretirement benefits	13,133	8,919	36,843	18,076	45,328	5,795	128,094	14,125	17,952	32,077	160,171	198,909
Total	\$ 825,191	\$ 226,106	\$ 978,181	\$ 507,005	\$ 1,257,332	\$ 263,187	\$ 4,057,002	\$ 822,577	\$ 513,789	\$ 1,336,366	\$ 5,393,368	\$ 6,841,429

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Functional Expenses Year Ended June 30, 2015

	Program Services					Supporting Services					
	Exhibitions	Collections	Education	Visitor Services	Maintenance and Security	Marketing and Public Affairs	Total Program Services	General and Administrative	Development (Operating)	Total Supporting Services	Total
Salaries, wages and benefits	\$ 218,537	\$ 130,521	\$ 1,083,720	\$ 360,930	\$ 1,032,141	\$ 187,551	\$ 3,013,400	\$ 624,630	\$ 333,842	\$ 958,472	\$ 3,971,872
Professional fees	11,250	-	31,804	400	97,724	48,500	189,678	155,423	50,110	205,533	395,211
Office expenses	15,223	58	5,625	4,061	4,783	10,779	40,529	14,376	-	14,376	54,905
Supplies	20,465	796	53,513	3,960	41,410	1,386	121,530	15,572	7,360	22,932	144,462
Cost of goods sold	-	-	-	54	-	-	54	-	34,055	34,055	34,109
Travel and meetings	38	162	3,642	-	113	483	4,438	2,514	713	3,227	7,665
Marketing	-	-	-	-	-	3,520	3,520	20,803	430	21,233	24,753
Equipment	35	250	1,900	26,100	2,400	-	30,685	8,034	29,127	37,161	67,846
Maintenance and utilities	88,813	3,741	36,298	30,027	94,975	15,927	269,781	19,570	7,939	27,509	297,290
Research and development	24,000	110	45	-	-	-	24,155	-	-	-	24,155
Insurance	4,286	2,938	15,300	4,987	19,463	7,935	54,909	16,987	9,870	26,857	81,766
Investment fees	-	-	-	-	-	-	-	16,450	-	16,450	16,450
Miscellaneous	440	-	1,053	32,332	720	26	34,571	62,227	853	63,080	97,651
Sub-total	383,087	138,576	1,232,900	462,851	1,293,729	276,107	3,787,250	956,586	474,299	1,430,885	5,218,135
Depreciation	1,424,385	-	-	-	-	-	1,424,385	-	-	-	1,424,385
Postretirement benefits	-	12,675	38,749	-	100,978	-	152,402	46,507	-	46,507	198,909
Total	\$ 1,807,472	\$ 151,251	\$ 1,271,649	\$ 462,851	\$ 1,394,707	\$ 276,107	\$ 5,364,037	\$ 1,003,093	\$ 474,299	\$ 1,477,392	\$ 6,841,429

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Cash Flows

	Year Ended June 30	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
(Decrease) in net assets	\$ (682,252)	\$ (1,668,251)
Adjustments to reconcile (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	391,248	1,424,385
Donated stocks	-	(22,199)
Proceeds from donated stock	-	22,199
Net realized (gain) on sale of investments	(62,666)	(112,525)
Change in unrealized value of investments	60,013	209,657
Forgiveness of notes payable	(10,000)	(25,000)
(Increase) decrease in assets		
Contributions receivable	(7,797)	(24,993)
Prepaid expenses and other assets	(33,386)	8,040
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	281,148	76,844
Deferred revenue	(37,585)	14,798
Due to City of New York	(20,210)	202,095
Accrued postretirement benefits	<u>182,025</u>	<u>(396,287)</u>
Net cash provided by (used in) operating activities	<u>60,538</u>	<u>(291,237)</u>
Cash flows from investing activities		
Purchases of certificates of deposit	(259,842)	-
Purchases of investments	(595,931)	(459,737)
Proceeds from sales of investments	933,722	531,765
Net change in money market funds	<u>(18,035)</u>	<u>68,098</u>
Net cash provided by investing activities	<u>59,914</u>	<u>140,126</u>
Cash flows from financing activities		
Borrowings on line of credit	2,000	17,000
Repayment of line of credit	(262,000)	(17,000)
Borrowings on loans payable	303,325	-
Repayment of loans payable	<u>(36,483)</u>	<u>-</u>
Net cash provided by financing activities	<u>6,842</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	127,294	(151,111)
Cash and cash equivalents, beginning of year	<u>12,986</u>	<u>164,097</u>
Cash and cash equivalents, end of year	<u>\$ 140,280</u>	<u>\$ 12,986</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 13,075</u>	<u>\$ 18,892</u>

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements
June 30, 2016 and June 30, 2015****Note 1 – Nature of organization and summary of significant accounting policies**Nature of organization

Brooklyn Children's Museum Corporation (the "Museum") actively engages children in educational and entertaining experiences through innovation and excellence in exhibitions, programs and use of its collections. It encourages children to develop an understanding of and respect for themselves, cultural diversity and the world around them. While the Museum serves children of all ages, its major focus is pre-kindergarten and primary school age children in New York City. The Museum also recognizes its unique opportunity to serve the surrounding community by providing special programs for teens and families and forging partnerships with other committed organizations. The Museum is a member of the group of the New York City cultural institutions on City-owned property (the Cultural Institutions Group or "CIG") and, accordingly, receives substantial operating and capital support from the City of New York (see note 11).

Net assets

Unrestricted net assets consist of amounts that can be spent at the discretion of the Museum. Included in unrestricted net assets was the Board-designated fund. The Board-designated fund had been segregated for investment by the Board of Trustees.

Temporarily restricted net assets consist of contributions that are restricted by the donor for a specific purpose or pertain to future periods.

Permanently restricted net assets consist of contributions that are restricted by the donor in that the principal must remain in perpetuity but the investment return earned on such funds may be spent in accordance with the donor's terms.

New Accounting Pronouncement

In August 2014, Financial Accounting Standards Board issued a new Accounting Standards Update No. 2014-15 "Presentation of Financial Statements-Going Concern (Subtopic 205-40)". The standard requires management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the standard (1) provides a definition of the term substantial doubt, (2) requires an evaluation every reporting period, (3) provides principles for considering the mitigating effect of management's plans, (4) requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) requires an express statement and other disclosures when substantial doubt is not alleviated, and (6) requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). The new standard applies prospectively to annual periods ending after December 15, 2016, and to annual periods thereafter. Management is evaluating the effect of the new standard on the Museum's financial statements for the year ended June 30, 2017.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)****June 30, 2016 and June 30, 2015****Note 1 – Nature of organization and summary of significant accounting policies (continued)****Contributions**

The Museum reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulation expires, that is, when a stipulated time restriction ends or the purpose for restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Bequests are recorded as revenue when a legally binding obligation is received and when a fair value can reasonably be determined.

In-kind contributions

During 2016, the Museum received in-kind contributions of legal services and gala contributions with a fair value estimated at \$25,342. The amounts were recorded at the fair value based on what it would have cost the Museum to purchase them independently and have been reflected as support and expenses in the statement of activities.

Board members and other individuals volunteer their time and perform a variety of tasks that assist the Museum. These services do not meet the criteria to be recorded as in-kind services and have not been included in the financial statements.

Cash equivalents

The Museum considers highly liquid investments with an original maturity of 90 days or less to be cash equivalents or their money market funds, held in the investment portfolio.

Certificates of deposits

The Club has certificates of deposit, which are valued using a cost based measure, which is the original cost plus accrued interest, adjusted for the change in interest rates.

Allowance for doubtful accounts

As of June 30, 2016 and June 30, 2015, the Museum has an allowance for doubtful accounts of \$2,500 for any possible uncollectible contributions. Such estimate is based on management's experience, the aging of the receivables, subsequent receipts and the current economic conditions.

Investments

The Museum reports investments at fair value in the statement of financial position. The fair value of the investments is based on publicly quoted or observable securities. Realized and unrealized gains and losses are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulation.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)****June 30, 2016 and June 30, 2015****Note 1 – Nature of organization and summary of significant accounting policies (continued)****Fair value measurements**

Fair value measurements establish a hierarchy that prioritizes the inputs used to measure fair value into three broad levels. The Museum's investments are measured using Level 1 inputs, which are defined as quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date.

Property and equipment

Property and equipment are recorded at cost. Expenditures for property and equipment are capitalized for assets in excess of a nominal amount and that have a useful life greater than one year. Depreciation is being provided on the straight-line method over the estimated useful lives of the assets, which range from 7 to 20 years.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. It is the Museum's policy to imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are not restricted as to their use by the donor. Accordingly, these donations are recorded as temporarily restricted support. The Museum reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of the donated property and equipment's depreciation expense.

The Museum included the Capital Expansion cost of exhibit design, fabrication and installation in property and equipment. In addition, the Museum also capitalizes the investment in new traveling exhibits.

The Museum uses a facility owned by the City of New York. 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 (see note 11). The building expansion was funded and owned by the City of New York. Property and equipment acquired using the Museum's funds are reflected as assets in the accompanying statement of financial position.

Collections

Consistent with the policies of many other Museums, the value of the Museum's collections is not reflected in the statement of financial position. Purchases of items are expensed in the year that the items are acquired. Contributed collection items are not reflected in the financial statements. Proceeds from de-accessions or insurance recoveries are used to acquire other items for collection.

Contributions for the purchase of items for the collection are classified as temporarily restricted net assets until acquisitions are made. The cost of these items is reported as a separate program expense.

Functional expenses

The cost of providing the various programs and other activities has been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2016 and June 30, 2015

Note 1 – Nature of organization and summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

Concentrations of credit risk

The Museum's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, cash equivalents, investments and contributions receivable. The Museum places its cash and cash equivalents with what it believes to be quality financial institutions. The Museum's investments are exposed to various risks such as interest rate, market volatility, liquidity and credit. Due to the level of uncertainty related to the foregoing, it is reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position as of June 30, 2016. The Museum routinely assesses the financial strength of its holdings in its investment portfolio. The Museum monitors the collectibility of its receivables on an on going basis. As a consequence, the Museum's management believes concentrations of credit risk are limited.

Subsequent events

The Museum has evaluated events and transactions for potential recognition or disclosure through March 9, 2017, which is the date the financial statements were available to be issued.

Note 2 – Contributions receivable

Contributions receivable consist of the following as of June 30, 2016 and June 30, 2015:

	Unrestricted	Restricted for Future Programs and Periods	Total
Due within one year	\$ 218,417	\$ 54,197	\$ 272,614
Less: allowance for doubtful accounts	<u>(2,500)</u>	<u>-</u>	<u>(2,500)</u>
Total, June 30, 2016	<u>\$ 215,917</u>	<u>\$ 54,197</u>	<u>\$ 270,114</u>
Total, June 30, 2015	<u>\$ 202,534</u>	<u>\$ 59,783</u>	<u>\$ 262,317</u>

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2016 and June 30, 2015

Note 3 – Investments

The following is a summary of investments held by the Museum as of June 30, 2016 and June 30, 2015:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 47,268	\$ 47,268	\$ 29,233	\$ 29,233
Equities	919,036	1,103,936	1,061,265	1,307,633
U.S. Treasuries	48,914	50,881	-	-
Corporate bonds	<u>289,394</u>	<u>295,328</u>	<u>471,204</u>	<u>477,650</u>
Sub total	1,304,612	1,497,413	1,561,702	1,814,516
Certificates of deposit	<u>259,842</u>	<u>259,842</u>	-	-
Total	<u>\$ 1,564,454</u>	<u>\$ 1,757,255</u>	<u>\$ 1,561,702</u>	<u>\$ 1,814,516</u>

Note 4 – Property and equipment

A summary of the property and equipment and accumulated depreciation as of June 30, 2016 and June 30, 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Exhibits	\$9,665,501	\$9,665,501
Building improvements	505,133	505,133
Furniture, fixtures and equipment	<u>407,044</u>	<u>407,044</u>
Total	10,577,678	10,577,678
Less: accumulated depreciation	<u>10,490,910</u>	<u>10,099,662</u>
Net property and equipment	<u>\$ 86,768</u>	<u>\$ 478,016</u>

Note 5 – Notes payable

In June 2009, the Museum and certain Board Members executed three unsecured notes payable totaling \$225,000, which were due June 25, 2011 through July 15, 2011. The notes are in the following amounts: \$100,000, \$100,000 and \$25,000. The proceeds from the notes were used for general operations of the Museum. The notes require quarterly interest payments of prime rate plus 2.0% per annum. It is the intention of one of the Board Members to forgive the first note of \$100,000 over ten years. Accordingly, \$10,000 was forgiven in the 2015 and 2016 fiscal years. The second note of \$100,000 was extended for ten years through July 2020. Commencing in July 2011, this note requires annual principal payments of \$10,000. During the 2016 and 2015 fiscal years, the Museum did not make any repayments. For the third note of \$25,000, which was extended through June 30, 2015, the remaining balance of \$15,000 was forgiven in the 2015 fiscal year. The interest rate remained the same on all notes.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2016 and June 30, 2015

Note 6 – Lines of credit and loans payable

Lines of credit

The Museum had a revolving line of credit for \$300,000. The line of credit, which expired on September 25, 2015, was secured by all business assets of the Museum. Amounts borrowed under the line were evidenced by a promissory note and bore interest at LIBOR plus 11.31% per annum. The Museum could not create or permit any liens on its real or personal property, other than already existing liens or those incurred in the ordinary course of business without bank approval. As of June 30, 2015, the outstanding balance was \$260,000. The Museum repaid the outstanding balance of \$259,000 on the line of credit with the proceeds obtained from a new loan obtained in October 2015 as discussed below.

During December 2016, the Museum entered into a \$400,000 revolving line of credit (the "line"). The proceeds from the line will be used to repay outstanding payables. The Museum will be allowed to draw down on the line until February 1, 2020 at which time the outstanding principal balance will be repaid over 60 fixed monthly payments of principal and interest. Outstanding borrowings on the line are subject to regular interest payments set at the Prime Rate plus 1.5 percentage points. The note may be prepaid at any time without a prepayment penalty and is collateralized by all business assets of the Museum. The note matures on January 1, 2025 at which time all unpaid principal and interest will be due on demand.

Loans payable

During October 2015, the Museum obtained a \$259,000 loan (the "loan"). The proceeds from the loan were used to repay the Museum's line of credit outstanding balance of \$259,000 as discussed above. The loan, which matures October 2020, requires 60 monthly payments of \$4,795, applicable first to interest at the rate of 4.15% per annum with the balance to reduction of principal. The loan may be prepaid at any time without any prepayment penalty and is collateralized by certificates of deposit held at the bank. As of June 30, 2016, the value of these certificates of deposit totaled \$259,842. In the event of default on the loan the bank has the right of setoff against the collateralized certificates of deposit held at the bank. The loan contains a restrictive borrowing covenant. As of June 30, 2016, the outstanding balance on the loan was \$222,517.

During April 2016, the Museum borrowed a cash flow loan of \$45,000 to pay for architectural and engineering costs for DASNY's Rooftop theatre project. The loan was due at the earlier of the receipt of the DASNY funds or August 1, 2016. The loan was repaid in January 2017.

The following are the required annual principal payments on the loans, as of June 30, 2016:

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 93,222
2018	50,994
2019	53,182
2020	55,459
2021	<u>13,985</u>
Total	<u>\$ 266,842</u>

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)**
June 30, 2016 and June 30, 2015**Note 6 – Lines of credit and loans payable (continued)****Loans payable (continued)**

During December 2016, the Museum entered into a \$100,000 loan (the “loan”). The proceeds from the loan will be used to repay outstanding payables. The loan, which matures on January 1, 2022, requires 60 monthly payments of \$1,864, applicable first to interest at the rate of 4.375% per annum with the balance to reduction of principal. The loan may be prepaid at any time without any prepayment penalty and is collateralized by all business assets of the Museum.

Note 7 - Commitments**License agreement**

In October 2011, the Museum and the City of New York Department of Cultural Affairs entered into a 25-year license agreement for the continued occupancy of the premises by the Museum in the amount of one dollar per year. The Museum has an option to extend the license for an additional twenty-five years, as outlined in the agreement.

Gift shop agreement

In September 2014, the Museum entered into an agreement with a vendor to operate its gift shop. The Museum receives a percentage of the gross sales from the gift shop, as outlined in the agreement.

Food services agreement

In August 2015, the Museum entered into a five year agreement with a vendor to operate its food services. The Museum receives a percentage of the gross sales from the food services, as outlined in the agreement.

Employee agreement

The Museum is obligated under an agreement with a key employee for three years, which commenced February 2, 2015.

Note 8 – Due to City of New York Department of Cultural Affairs

In April 2015, the Museum received a notice from the City of New York Department of Cultural Affairs (“DCLA”) outlining that discrepancies have been discovered between the City-funded employee salary amounts reported by the Museum to the Cultural Institutions Retirement System (“CIRS”) and DCLA Obligation Plan for fiscal years 2007 through 2012. As a result of such misreporting, the Museum owes the City of New York \$202,095. The City of New York is permitting the amount owed to be repaid over a ten-year period in the amount of \$20,210 commencing in July 2015. As of June 30, 2016, the outstanding balance owed to the City of New York was \$181,885.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued)
June 30, 2016 and June 30, 2015**Note 9 – Temporarily restricted net assets**

Temporarily restricted net assets activity as of and for the years ended June 30, 2016 and June 30, 2015 is as follows:

	Balance at June 30, 2015	Contributions and Investment Return	Net Assets Released from Restrictions	Balance at June 30, 2016
Time restrictions				
Undepreciated portion Capital Expansion (see note 1)	\$ 108,175	\$ -	\$ (108,175)	\$ -
Other capital projects	103,552	-	(33,704)	69,848
Endowments return	-	28,836	(28,836)	-
Future programs	178,568	209,750	(305,200)	83,118
Charles E. Inniss Fund for the Children of Brooklyn	115,998	-	(5,800)	110,198
Total	\$ 506,293	\$ 238,586	\$ (481,715)	\$ 263,164
	Balance at June 30, 2014	Contributions and Investment Return	Net Assets Released from Restrictions	Balance at June 30, 2015
Time restrictions				
Undepreciated portion Capital Expansion (see note 1)	\$ 1,140,775	\$ -	\$ (1,032,600)	\$ 108,175
Other capital projects	120,894	-	(17,342)	103,552
Future programs	207,567	562,645	(591,644)	178,568
Charles E. Inniss Fund for the Children of Brooklyn	122,103	-	(6,105)	115,998
Total	\$ 1,591,339	\$ 562,645	\$ (1,647,691)	\$ 506,293

Note 10 – Endowments

The Museum follows as required, the New York Prudent Management of Institutional Funds Act (NYPMIFA), the provisions of which apply to endowment funds existing on or established after the date the law was enacted. The Museum's endowment consists of funds established for specific purposes. The Museum is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds. The Museum classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as unrestricted and temporarily restricted net assets based on donor stipulations.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)**
June 30, 2016 and June 30, 2015**Note 10 – Endowments (continued)**

The Museum's long-term assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing the investment objectives of the Museum, the Board of Trustees has taken into account the financial needs and circumstances of the Museum, the time horizon available for investment, the nature of the Museum's cash flows and liabilities, and other factors that affect their risk tolerance.

The Museum has a policy of spending the investment return generated from its permanently restricted funds, which is allowable under the donor guidelines. The Museum has adopted a spending policy where investment return for the Museum will be appropriated from the permanently restricted funds to meet the expenditure needs of the Museum in accordance with the spending rate adopted by the Board of Trustees in the approved annual budget for each fiscal year. The amount available for spending each year, if available, will be 5% of the average market value of the permanently restricted funds as of March 31st of the last five years. The total distribution shall be set in advance of the upcoming fiscal year, and shall be included in the Annual Budget that is reviewed and adopted by the Board of Trustees.

During the 2015, 2014 and 2013 fiscal years, the Museum borrowed approximately \$55,000, \$100,000, and \$235,000, respectively, from its endowments. As of June 30, 2016, the approximate cumulative borrowings totaled \$390,000.

During October 2015, the Museum transferred \$259,000 of its endowments funds, which were in the Museum's investment portfolio, to five interest-bearing certificates of deposit as collateral for a low-interest 60-month term loan (see note 6). The certificates of deposit mature in yearly intervals commencing October 2016 through October 2020. Each year with the approval of the lender, the collateral requirement is to be reduced by 20% and the Museum will transfer back the certificate of deposit that matures to the Museum's investment portfolio. The entire value of the certificates of deposit will be returned to the Museum's investment portfolio upon the term loan's maturity date in October 2020.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Museum to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. There were endowment fund deficiencies as of June 30, 2016.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2016 and June 30, 2015

Note 10 – Endowments (continued)

Permanently restricted net assets

These net assets represent contributions and bequests made into the following funds and are restricted to investment in perpetuity. Investment return from these funds is recorded as temporarily restricted net assets and is available to be spent in accordance with the donors' terms and as approved by the Board of Trustees.

Permanently restricted net assets as of June 30, 2016 and June 30, 2015 are as follows:

	<u>2016</u>
Brooklyn Institute of Arts and Sciences	\$ 496,333
90 th Anniversary Capital Campaign	251,870
Centennial – Collections Central Endowment	<u>1,000,000</u>
Total	<u>\$1,748,203</u>

Note 11 – Public support appropriation from the City of New York

The City of New York made the following appropriations to the Museum, which are included in unrestricted public support for the years ended June 30, 2016 and June 30, 2015:

	<u>2016</u>	<u>2015</u>
Department of Cultural Affairs		
Operational support	\$ 1,653,232	\$ 1,639,231
Energy	185,985	239,188
Pension	171,395	140,713
Other	<u>21,814</u>	<u>40,148</u>
Total	<u>\$ 2,032,426</u>	<u>\$ 2,059,280</u>

Projects supported by the City of New York are subject to audit at a later date.

In addition, capital expenditures to the Museum's facilities, in the amounts of \$1,108,357 and \$3,247,054 were made by the City of New York during the years ended June 30, 2016 and June 30, 2015, respectively. The City of New York has spent \$54,388,311 on capital expenditures from the 2000 fiscal year through the 2016 fiscal year. In accordance with a directive from the City of New York, capital expenditures paid for by the City belong to the City of New York and are not included in these financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued)

June 30, 2016 and June 30, 2015

Note 12 – Pension and retirement plans and other postretirement benefitsMultiemployer pension plan

All eligible Museum employees are members in the Cultural Institutions Retirement System (CIRS) pension plan (“pension plan”), which is a multiemployer plan administered by the City of New York. The pension plan expense for the year ended June 30, 2016 was \$202,702, of which \$171,395 was funded by an appropriation from the City of New York. The pension plan expense for the year ended June 30, 2015 was \$172,618, of which \$140,713 was funded by an appropriation from the City of New York.

The risks of participating in a multiemployer plan are different from single-employer plans in the following aspects:

- Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to a plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Museum chooses to stop participating in the 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, 2016 and June 30, 2015, is outlined in the table below. The “EIN/Pension Plan Number” column provides the Employer Identification Number (“EIN”) and the three-digit plan number. The third column lists the expiration date of the collective-bargaining agreement to which the Plan is subject. The most recent Pension Protection Act zone status available in fiscal 2016 and 2015 is for the plan’s year-end at June 30, 2015 and June 30, 2014, respectively. The zone status is based on information that 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 between 65 percent and 80 percent funded, and plans in the green zone are at least 80 percent funded.

<u>Pension Fund</u>	<u>EIN/Pension Plan Number</u>	<u>Extended Expiration Date of Collective Bargaining Agreement</u>	<u>Pension Protection Act Zone Status</u>		<u>FIP/RP Status Pending/Implemented</u>	<u>Surcharge Imposed</u>	<u>Contributions to the Plan</u>	
			<u>Fiscal 2015</u>	<u>Fiscal 2014</u>			<u>Fiscal 2016</u>	<u>Fiscal 2015</u>
The Cultural Institutions Pension Plan	11-2001170/001	7/2/2017	Green	Green	No	No	\$ 202,702	\$ 172,618

401(k) savings plan

In addition, all eligible Museum employees can participate in the CIRS 401(k) savings plan (the “Savings Plan”). An eligible employee may contribute a portion of his/her compensation in accordance with Internal Revenue Service regulations. For those employees that contribute 6% of his/her compensation to the Savings Plan, the Museum makes matching contributions of 2% of an employee’s compensation. For those employees that contribute less than 6% of his/her compensation, the Museum makes matching contributions to the Savings Plan proportionately less than the 2% of an employee’s compensation. In accordance with the Collective Bargaining Agreement, the employer match for the Savings Plan was suspended for the 2013 through 2016 plan years.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2016 and June 30, 2015

Note 12 – Pension and retirement plans and other postretirement benefits (continued)

Defined contribution retirement plan

The Museum has a defined contribution retirement plan for all eligible employees. The Museum does not contribute to the plan.

Other postretirement benefits

In addition to providing retirement plans, the Museum provides certain postretirement health and supplemental benefits for eligible retired employees. All of the Museum's non-union employees hired before June 30, 2007 and all union employees may become eligible for these benefits if they reach retirement age while working for the Museum and satisfy certain years of service requirements. The Museum funds its postretirement benefit cost on a pay-as-you-go basis.

The postretirement benefit obligation and the net periodic postretirement cost were computed using an assumed discount rate of 3.45% and 4.30%, respectively, for the fiscal years ended June 30, 2016 and June 30, 2015.

The Museum continues to evaluate ways in which it can better manage these benefits and control the costs. Any changes in the plan or revisions to assumptions that affect the amount of expected future benefits may have a significant effect on the amount of the reported obligation and future annual expense.

The following is a summary of the changes in the postretirement benefit obligation as of June 30, 2016 and June 30, 2015:

	<u>2016</u>	<u>2015</u>
Postretirement benefit obligation at the beginning of year		
a. Actives not fully eligible to retire	\$ 735,827	\$ 931,366
b. Actives fully eligible to retire	826,790	678,463
c. Retirees	<u>2,099,768</u>	<u>2,448,843</u>
d. Total	3,662,385	4,058,672
Service cost	18,823	57,914
Interest cost	141,348	140,995
Plan participant's contributions	N/A	N/A
Actuarial (gain)/loss	160,000	(442,742)
Benefits paid	<u>(138,146)</u>	<u>(152,454)</u>
Total postretirement benefit obligation at end of year	<u>3,844,410</u>	<u>3,662,385</u>
Consists of:		
a. Actives not fully eligible to retire	302,774	735,827
b. Actives fully eligible to retire	1,533,638	826,790
c. Retirees	<u>2,007,998</u>	<u>2,099,768</u>
d. Total	<u>\$3,844,410</u>	<u>\$3,662,385</u>

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued)
June 30, 2016 and June 30, 2015**Note 12 – Pension and retirement plans and other postretirement benefits (continued)****Other postretirement benefits (continued)**

The estimated annual benefit payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 146,383
2018	157,440
2019	155,240
2020	161,248
2021	154,043
2022 – 2026	859,264

For a non-funded plan, the expected contributions equal the benefit payments for the next fiscal year totaling \$146,383.

For measurement purposes, a projected health care cost trend rate increase of 7% was used for participants for 2016. The rate is assumed to decrease gradually to 5.0% by 2020. Increasing the assumed healthcare cost trend rate by 1% each year would result in an increase in the post-retirement benefit obligation of \$688,920 as of June 30, 2016. Decreasing the assumed healthcare cost trend rate by 1% each year would result in a decrease in the post-retirement benefit obligation of \$551,367 as of June 30, 2016.

The net periodic postretirement benefit cost for the years ended June 30, 2016 and June 30, 2015 totaled \$160,171 and \$198,909, respectively. The Museum's cash payment for the years then ended have been recorded as operating expenses. The accrued portion of the net periodic benefit gain (cost) is recorded as a non-operating addition (deduction) in the statement of activities.

Note 13 – Unrestricted net assets deficit elimination plan

Despite extraordinary upward momentum and increased demand from visitors across Brooklyn, the Museum carries several historic obligations that contribute to negative net assets and a deficit on its financial statements. These are:

1. **Liability related to post-retirement healthcare benefits.** Prior to 2008, the Museum was required by the City of New York to provide lifetime health benefits for retirees and their families, a liability currently valued at over \$3.8 million. This program was discontinued in 2008, but remains the largest impact on the Museum's net assets. While the Museum has no control over the cost of these benefits, the Museum monitors their valuation through a third-party actuarial firm and notes adjustments year-to-year on its balance sheet.
2. **Extant payables, accrued expenses, and notes payable.** Following the 2008 expansion, the Museum carried trade payables and other significant first-year operating expenses that contributed to growing debt and aging payables; recent notes payable have been incurred due to an adjustment from the City of New York related to our pension plan which we are paying down over the next 10 years; outstanding trustee loans are being either paid or forgiven each year. This line also includes vacation accruals connected with the Museum's collective bargaining agreement with DC 37.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued)

June 30, 2016 and June 30, 2015

Note 13 – Unrestricted net assets deficit elimination plan (continued)

3. **Unfunded depreciation.** Depreciation of capital expenditures, specifically related to permanent exhibits, accounted for one of the largest expenses in the 2015 and 2016 fiscal years. Of that depreciation expense, approximately \$375,000 was unfunded in the 2015 fiscal year and \$250,000 in the 2016 fiscal year, a non-cash item that contributed significantly to the deficit. Unfunded depreciation will come to an end in 2017, substantially improving the Museum's financial picture.

In 2016, in year two of a new leadership team, the Museum has realized some progress of its five-point plan to address the net asset deficit:

1. **Growth in earned revenue:** Overall, earned revenue at the Museum has been trending upwards. From 2014 to 2016, all lines together saw a 4% increase, even as the Museum consciously divested of some activities such as traveling exhibits. The Museum's earned revenue strategy focuses on 1) growth in visitorship and revenue from admissions, including services to schools and 2) growth in space rentals, commissions and other auxiliary business services through innovative partnerships with Brooklyn-based small businesses.
2. **Growth in contributed revenue:** From 2014 through 2016, the Museum saw an increase of 9% in non-government contributed revenue from \$585,000 to \$640,000. Government funding also increased modestly, by 2% during that time frame. For 2017-2018, the Museum is anchoring its fundraising in: 1) institutional support from foundations and corporate supporters; and 2) board development to drive individual giving and our spring benefit.
3. **Restructuring:** In 2015 and 2016, the management team restructured staff and expenses to better support operations, bolster organizational resiliency, and address program priorities. The net result was a decrease of 9% in salaries and benefits for the organization between 2014 and 2016. Additional restructuring in 2016 is projected to result in incremental savings in 2017, after severance is completed. While restructuring has been effective in right-sizing the Museum's operations, there are no plans for significant restructuring in 2017 and 2018.
4. **Debt service:** In 2015, the management team recognized a critical need to refinance an aged \$260,000 credit line with an interest rate of 14% to a five-year low interest term loan. To do this at the lowest possible rate, the Museum asked a foundation to allow a 1999 gift to the Museum endowment to be used as security for the loan. The foundation released the funds for this use provided that there be regular reporting and that the funds be returned to the endowment once the loan was paid. The Museum returned the first \$50,000 of security to the endowment in November 2016. To date, the Museum has paid down a total of \$60,000 in principal on the loan. Using this model, in November 2016, the Museum secured a \$100,000 term loan and a \$400,000 line of credit to reduce aging payables and generate capital for to bridge government contracts. The Museum is able to do this with the support of committed five funders. The Museum has created and budgeted a repayment plan that completes \$100,000 within five years, and \$400,000 over ten years.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)
June 30, 2016 and June 30, 2015****Note 13 – Unrestricted net assets deficit elimination plan (continued)**

5. **Protecting the Endowment:** Starting in March 2016, the Museum ceased all cash withdrawals from the endowment to support operating costs while the portfolio rebounds from market losses in the 2016 fiscal year. The Museum's plan is to take no dividends or returns from the endowment in the 2017, 2018 or 2019 fiscal years.
6. **Strategic Partnerships for Revenue Growth:** The Museum has successfully outsourced its auxiliary businesses including food service, event management, and retail, to third party companies willing to invest capital and advertising funds to promote earned revenue. The Museum is exploring the possibility of leasing 6,000 square feet of space at the Museum, generating an estimated \$150,000 in rental income annually and creating new program partnerships.
7. **Investing in Assets:** In the 2017 fiscal year, the assets associated with exhibits will be fully depreciated. In the 2017 fiscal year, the Museum will invest in furniture and fixtures totaling \$600,000 on the rooftop, funded by the State of New York.

The Museum's Board of Trustees and executive staff are committed to maintaining a balanced operating budget; making strategic investments in growth through partnership opportunities and contributed revenue; and reducing the debt significantly by the 2019 fiscal year when the term loans mature. To this end, in December 2016, the Board of Trustees formally adopted a Sustainability & Growth Plan, a three-year tactical plan that will provide financial stability and infrastructure to support innovation and growth in the Museum's programs and business model.

Note 14 – Tax status

The Museum is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the Museum has been determined by the Internal Revenue Service to be a publicly supported organization, and not a private foundation within the meaning of Section 509(a)(1) of the Code.