

**BROOKLYN CHILDREN'S
MUSEUM CORPORATION**

**Financial Statements
for the years ended
June 30, 2020
and
June 30, 2019**

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, 2020 and June 30, 2019 and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2020 and June 30, 2019 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

May 11, 2021

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Financial Position

Assets

	<u>June 30</u>	
	<u>2020</u>	<u>2019</u>
Cash	\$ 885,693	\$ 1,231,285
Certificates of deposit	61,743	116,285
Money market account	101,162	502,542
Contributions receivable, net		
Without donor restrictions	498,054	110,889
With donor restrictions for future periods and programs	150,000	-
Prepaid expenses and other assets	44,128	95,766
Investments, at fair value	2,677,783	2,276,571
Property and equipment, net	<u>655,655</u>	<u>563,644</u>
Total assets	<u>\$ 5,074,218</u>	<u>\$ 4,896,982</u>

Liabilities and Net Assets (Deficit)

Liabilities		
Line of credit	\$ 222,422	\$ 301,492
Accounts payable and accrued expenses	657,774	676,825
Notes payable	30,000	50,000
Due to City of New York	101,045	121,255
Deferred revenue	26,814	35,319
Loans payable	47,129	123,228
Refundable advances	555,396	337,330
Accrued postretirement benefits	<u>4,148,260</u>	<u>3,197,201</u>
Total liabilities	<u>5,788,840</u>	<u>4,842,650</u>
Net assets (deficit)		
Without donor restrictions	(3,078,701)	(2,116,577)
With donor restrictions	<u>2,364,079</u>	<u>2,170,909</u>
Total net assets (deficit)	<u>(714,622)</u>	<u>54,332</u>
Total liabilities and net assets (deficit)	<u>\$ 5,074,218</u>	<u>\$ 4,896,982</u>

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Activities Year Ended June 30, 2020

(With Summarized Comparative Information for the Year Ended June 30, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue				
Contributions				
Individuals	\$ 229,995	\$ 600	\$ 230,595	\$ 111,091
Corporations	127,638	75,600	203,238	149,255
Foundations	185,367	293,000	478,367	218,000
Government and state	910,405	130,899	1,041,304	368,545
Appropriations from City of New York	2,553,787	-	2,553,787	2,454,851
Admission fees	764,019	-	764,019	1,101,244
Membership fees	187,689	-	187,689	241,148
Fund-raising events, net of direct expenses of \$126,404 in 2019	-	-	-	301,917
Exhibit rentals	33,700	-	33,700	-
Space rentals	103,233	-	103,233	246,265
Gift shop commission	27,501	-	27,501	53,215
Food service commission	26,484	-	26,484	37,479
Photo booth commission	5,496	-	5,496	7,198
Investment return, net	1,564	75,412	76,976	80,627
Other	18,984	-	18,984	14,054
Sub-total	5,175,862	575,511	5,751,373	5,384,889
Net assets released from restrictions	382,341	(382,341)	-	-
Total support and revenue	5,558,203	193,170	5,751,373	5,384,889
Expenses				
Program services				
Exhibitions	662,545	-	662,545	429,766
Collections	187,508	-	187,508	114,812
Education	886,731	-	886,731	1,119,429
Visitor services	515,220	-	515,220	914,953
Maintenance and security	1,622,214	-	1,622,214	1,553,541
Marketing and public affairs	327,029	-	327,029	130,945
Total program services	4,201,247	-	4,201,247	4,263,446
Supporting activities				
General and administrative	910,142	-	910,142	892,021
Development	241,629	-	241,629	298,270
Total supporting activities	1,151,771	-	1,151,771	1,190,291
Total expenses	5,353,018	-	5,353,018	5,453,737
Increase (decrease) in net assets before postretirement benefits adjustment	205,185	193,170	398,355	(68,848)
Postretirement benefits adjustment	(1,167,309)	-	(1,167,309)	(231,983)
Increase (decrease) in net assets	(962,124)	193,170	(768,954)	(300,831)
Net assets (deficit), beginning of year	(2,116,577)	2,170,909	54,332	355,163
Net assets (deficit), end of year	\$ (3,078,701)	\$ 2,364,079	\$ (714,622)	\$ 54,332

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Activities Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Contributions			
Individuals	\$ 86,769	\$ 24,322	\$ 111,091
Corporations	99,211	50,044	149,255
Foundations	25,000	193,000	218,000
Government and state	323,955	44,590	368,545
Appropriations from City of New York	2,454,851	-	2,454,851
Admission fees	1,101,244	-	1,101,244
Membership fees	241,148	-	241,148
Fund-raising events, net of direct expenses of \$126,404	301,917	-	301,917
Space rentals	246,265	-	246,265
Gift shop commission	53,215	-	53,215
Food service commission	37,479	-	37,479
Photo booth commission	7,198	-	7,198
Investment return, net	1,007	79,620	80,627
Other	14,054	-	14,054
Sub-total	4,993,313	391,576	5,384,889
Net assets released from restrictions	1,157,087	(1,157,087)	-
Total support and revenue	6,150,400	(765,511)	5,384,889
Expenses			
Program services			
Exhibitions	429,766	-	429,766
Collections	114,812	-	114,812
Education	1,119,429	-	1,119,429
Visitor services	914,953	-	914,953
Maintenance and security	1,553,541	-	1,553,541
Marketing and public affairs	130,945	-	130,945
Total program services	4,263,446	-	4,263,446
Supporting activities			
General and administrative	892,021	-	892,021
Development	298,270	-	298,270
Total supporting activities	1,190,291	-	1,190,291
Total expenses	5,453,737	-	5,453,737
Increase (decrease) in net assets before postretirement benefits adjustment	696,663	(765,511)	(68,848)
Postretirement benefits adjustment	(231,983)	-	(231,983)
Increase (decrease) in net assets	464,680	(765,511)	(300,831)
Net assets (deficit), beginning of year	(2,581,257)	2,936,420	355,163
Net assets (deficit), end of year	\$ (2,116,577)	\$ 2,170,909	\$ 54,332

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Functional Expenses Year Ended June 30, 2020 (With Summarized Comparative Information for the Year Ended June 30, 2019)

	2020											2019
	Program Services						Supporting Activities					
	Exhibitions	Collections	Education	Visitor Services	Maintenance and Security	Marketing and Public Affairs	Total Program Services	General and Administrative	Development (Operating)	Supporting Activities	Total	
Salaries, wages and benefits	\$ 447,065	\$ 128,040	\$ 735,904	\$ 412,827	\$ 1,099,689	\$ 250,396	\$ 3,073,921	\$ 237,942	\$ 229,393	\$ 467,335	\$ 3,541,256	\$ 3,619,805
Professional fees	39,409	51,364	87,680	15,224	55,380	65,042	314,099	466,758	4,155	470,913	785,012	902,224
Office expenses	529	3,304	1,065	42,085	1,149	5,006	53,138	9,178	249	9,427	62,565	28,594
Supplies	61,767	3,256	53,985	14,470	29,854	3,269	166,601	2,051	4,040	6,091	172,692	188,286
Travel and meetings	1,915	238	653	113	-	341	3,260	7,274	97	7,371	10,631	26,383
Marketing	-	-	-	-	-	384	384	1,126	-	1,126	1,510	2,189
Equipment	90	28	163	1,462	35,943	55	37,741	3,366	1,318	4,684	42,425	138,846
Maintenance and utilities	4,024	1,269	7,281	4,356	256,373	2,459	275,762	2,078	2,089	4,167	279,929	239,544
Insurance	-	-	-	-	-	-	-	152,190	-	152,190	152,190	104,678
Other	92,371	9	-	24,683	36	77	117,176	28,179	288	28,467	145,643	81,145
Sub-total	647,170	187,508	886,731	515,220	1,478,424	327,029	4,042,082	910,142	241,629	1,151,771	5,193,853	5,331,694
Depreciation	15,375	-	-	-	143,790	-	159,165	-	-	-	159,165	122,043
Total	\$ 662,545	\$ 187,508	\$ 886,731	\$ 515,220	\$ 1,622,214	\$ 327,029	\$ 4,201,247	\$ 910,142	\$ 241,629	\$ 1,151,771	\$ 5,353,018	\$ 5,453,737

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Functional Expenses Year Ended June 30, 2019

	Program Services						Supporting Activities															
	Exhibitions			Collections			Education		Visitor Services		Maintenance and Security		Marketing and Public Affairs		Total Program Services							
Salaries, wages and benefits	\$	273,474	\$	99,461	\$	925,318	\$	719,034	\$	1,078,984	\$	58,375	\$	3,154,646	\$	182,942	\$	282,217	\$	465,159	\$	3,619,805
Professional fees		54,205		7,318		96,625		67,914		79,152		64,801		370,015		525,235		6,974		532,209		902,224
Office expenses		892		203		2,879		5,214		2,197		119		11,504		14,416		2,674		17,090		28,594
Supplies		46,736		4,624		69,871		25,822		27,003		4,529		178,585		5,186		4,515		9,701		188,286
Travel and meetings		441		869		9,973		2,351		1,408		334		15,376		10,982		25		11,007		26,383
Marketing		-		-		-		-		-		421		421		1,768		-		1,768		2,189
Equipment		25,245		1,743		967		53,382		54,063		37		135,437		3,231		178		3,409		138,846
Maintenance and utilities		1,634		594		5,530		14,845		213,857		349		236,809		1,048		1,687		2,735		239,544
Insurance		-		-		-		-		-		-		-		104,678		-		104,678		104,678
Other		1,412		-		8,266		26,391		561		1,980		38,610		42,535		-		42,535		81,145
Sub-total		404,039		114,812		1,119,429		914,953		1,457,225		130,945		4,141,403		892,021		298,270		1,190,291		5,331,694
Depreciation		25,727		-		-		-		96,316		-		122,043		-		-		-		122,043
Total	\$	429,766	\$	114,812	\$	1,119,429	\$	914,953	\$	1,553,541	\$	130,945	\$	4,263,446	\$	892,021	\$	298,270	\$	1,190,291	\$	5,453,737

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Cash Flows

	Year Ended June 30	
	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
(Decrease) in net assets	\$ (768,954)	\$ (300,831)
Adjustments to reconcile (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	159,165	122,043
Donated investments	(1,504)	(1,473)
Proceeds from donated investments	1,504	1,489
Net realized (gain) loss on sale of investments	(64,141)	29,787
Change in unrealized value of investments	9,629	(72,252)
Forgiveness of notes payable	(10,000)	(10,000)
(Increase) decrease in assets		
Contributions receivable	(537,165)	198,616
Prepaid expenses and other assets	51,638	(69,896)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(19,051)	130,488
Due to City of New York	(20,210)	(20,210)
Deferred revenue	(8,505)	15,422
Refundable advances	218,066	337,330
Accrued postretirement benefits	951,059	1,519
Net cash provided by (used in) operating activities	<u>(38,469)</u>	<u>362,032</u>
Cash flows from investing activities		
Redemption of certificates of deposit	54,542	50,913
Purchases of investments	(1,522,562)	(398,831)
Proceeds from sales of investments	1,175,862	962,084
Purchases of property and equipment	(251,176)	(187,672)
Net cash provided by (used in) investing activities	<u>(543,334)</u>	<u>426,494</u>
Cash flows from financing activities		
Borrowings on line of credit	-	225,000
Repayment of line of credit	(79,070)	(79,686)
Repayment of note payable	(10,000)	(10,000)
Repayment of loans payable	(76,099)	(72,895)
Net cash provided by (used in) financing activities	<u>(165,169)</u>	<u>62,419</u>
Net increase (decrease) in cash and money market account	(746,972)	850,945
Cash and money market account, beginning of year	<u>1,733,827</u>	<u>882,882</u>
Cash and money market account, end of year	<u>\$ 986,855</u>	<u>\$ 1,733,827</u>
Consists of:		
Cash	\$ 885,693	\$ 1,231,285
Money market account	101,162	502,542
Total	<u>\$ 986,855</u>	<u>\$ 1,733,827</u>
Supplemental disclosure of cash flows information:		
Cash paid for interest	<u>\$ 19,058</u>	<u>\$ 19,754</u>

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements June 30, 2020 and June 30, 2019

Note 1 – Nature of organization and summary of significant accounting policies

Nature of Organization

Brooklyn Children's Museum Corporation (the "Museum") was founded in 1899 as the world's first museum designed especially for children and families. The Museum has always been located in Crown Heights, Brooklyn, and remains committed to serving families in the borough, with a particular focus on those living in Central Brooklyn. Roughly 300,000 children and caregivers annually are served by the Museum's exhibits and programs.

Inspired by the energy and diversity of our borough, the Museum's mission is to create experiences that ignite curiosity, celebrate identity, and cultivate joyful learning. The Museum's exhibits explore art, world cultures, natural sciences and civic engagement through hands-on, sensory experiences. Each week, the Museum hosts public programs, school field trips, and performances that introduce young learners to visual arts, dance, music, gardening, and many other disciplines. The Museum also runs free after school and summer camp programs for families in the neighborhood and a workforce development initiative for Central Brooklyn youth.

Museum exhibits include *World Brooklyn*, a recreated street featuring child-size replicas of real Brooklyn stores; *Neighborhood Nature*, an exploration of the borough's ecosystems, featuring a working greenhouse; *Collections Central*, an area that highlights objects from the Museum's collection through themed exhibitions; and, *Totally Tots*, an early childhood sensory learning space. In spring of 2019, the Museum opened *ColorLab*, an art studio on its second floor featuring art-making experiences highlighting Black art and artists.

Annually, the Museum hosts original temporary exhibitions in its visiting exhibits gallery. In 2018, the Museum presented *Block Party*, a vivid exploration of the iconic Brooklyn block party featuring a climbable stoop scape, pretend grilling areas, a double dutch station, and street games like skelly and hopscotch. In fiscal year 2019, the Museum built *TapeScape*, an interactive, climbable sculpture created from 15 miles of packing tape. In fiscal year 2020, the Museum hosted two exhibitions, *Survival of the Slowest* and *Under the Canopy*, both of which brought unique live animals from around the world to Brooklyn to teach children about conservation and species preservation. In fiscal year 2021 to date, the Museum opened two exhibits: *Oyster City*, telling the story of how oysters have been re-introduced to New York's waterway, and *Makeryard*, a makerspace prompting children to build their own structures and sculptures using recycled materials.

The Museum is committed to making its exhibits and programs accessible to all children, offering free hours on Thursdays and Sundays; free admission to families enrolled in Head Start programs; free memberships for IDNYC cardholders; and, free admission for families of military service members, firefighters, and police officers. Roughly half of Museum visitors attend for free or at a reduced rate, and over 30% are served at no charge. It is the Museum's policy never to turn a visitor away for lack of funds.

The Museum is a member of the Cultural Institutions Group of the City of New York (the "CIG"), a group of arts and culture organizations on City-owned property, and accordingly, receives an appropriation in the City of New York budget, as well as substantial capital support (see note 12).

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)****June 30, 2020 and June 30, 2019****Note 1 – Nature of organization and summary of significant accounting policies (continued)**Net assets

The Museum reports information regarding its financial position and activities according to specific classes of net assets, as follows:

Without donor restrictions

Net assets without donor restrictions consist of amounts that can be spent at the discretion of the Museum. Included in net assets without donor restrictions is the Board-designated fund. The Board-designated fund had been segregated for investment by the Board of Trustees.

With donor restrictionsTemporary donor restrictions

Net assets with temporary donor restrictions consist of contributions that are restricted by the donor for a specific purpose or pertain to future periods.

Perpetual donor restrictions

Net assets with perpetual donor restrictions 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.

Contributions

The Museum reports contributions as support with temporary donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

Donated services

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 under accounting principles generally accepted in the United States of America to be recorded as donated 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.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)****June 30, 2020 and June 30, 2019****Note 1 – Nature of organization and summary of significant accounting policies (continued)**Certificates of deposit

The Museum 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, 2020 and June 30, 2019, the Museum has an allowance for doubtful accounts of \$585, for any possible uncollectible contributions. Such estimate is based on management's experience, the aging of the receivables, subsequent receipts and 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 market prices. Realized and unrealized gains and losses are reflected in the statement of activities as increases or decreases in temporarily restricted net assets.

Fair value measurements

The Financial Accounting Standards Board (FASB) established a fair value 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 5 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 support and revenue in net assets with temporary donor restrictions. It is the Museum's policy to imply a time restriction, based on when the asset is placed in service, on donations of property and equipment that are not restricted as to their use by the donor or contributions of cash or other assets restricted by the donor for the purchase of property and equipment. Accordingly, these donations are recorded as support with temporary donor restrictions. The Museum reclassifies net assets with temporary donor restrictions to net assets without donor restrictions for the entire amount of the donated property and equipment once it is placed in service.

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 exhibits.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)**
June 30, 2020 and June 30, 2019**Note 1 – Nature of organization and summary of significant accounting policies (continued)****Property and equipment (continued)**

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 12). The building expansion was funded and is 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. Accessions of collection 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 net assets with temporary donor restrictions 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 program services and supporting activities benefited. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques primarily consisting of salary and wages and time and effort reporting.

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, certificates of deposit, a money market account, investments and contributions receivable. The Museum places its cash, certificates of deposit and money market account 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, 2020. The Museum routinely assesses the financial strength of its holdings in its investment portfolio. The Museum monitors the collectability of its receivables on an ongoing basis. As a consequence, the Museum's management believes concentrations of credit risk are limited.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued)

June 30, 2020 and June 30, 2019

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

Risks and uncertainties

On March 13, 2020, a national emergency was declared due to extraordinary circumstances resulting from the novel coronavirus 2019 (COVID-19) pandemic. As a direct result of this executive order and in response to previously and subsequently issued State and Local Government guidelines, the Museum's programming activities, facilities and operations were limited and subject to restrictions set forth by State and Local Government. Management believes that the COVID-19 pandemic may have an impact on its financial condition, results of operations and outlook for year ending June 30, 2021. The extent to which the COVID-19 pandemic may impact business activity and the Museum's operations will depend on future developments, which are uncertain and cannot be predicted. Management will continue to closely monitor developments to minimize the impact, if any, on the Museum.

Subsequent events

The Museum has evaluated events and transactions for potential recognition or disclosure through May 11, 2021, 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, 2020 and June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions for Future Periods and Programs	Total
Due within one year	\$ 498,639	\$ 150,000	\$ 648,639
Less: allowance for doubtful accounts	(585)	-	(585)
Total, June 30, 2020	<u>\$ 498,054</u>	<u>\$ 150,000</u>	<u>\$ 648,054</u>
Total, June 30, 2019	<u>\$ 110,889</u>	<u>\$ -</u>	<u>\$ 110,889</u>

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued)

June 30, 2020 and June 30, 2019

Note 3 – Investments, certificates of deposit and money market account

The following is a summary of investments at fair value, certificates of deposit and money market account held by the Museum as of June 30, 2020 and June 30, 2019:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
<u>Investments</u>				
Money market funds	\$ 1,272,220	\$ 1,272,500	\$ 461,604	\$ 462,473
Equities	723,233	1,106,835	954,471	1,353,592
U.S. Treasuries and corporate bonds	236,975	247,881	405,513	411,036
Mutual fund	<u>48,689</u>	<u>50,567</u>	<u>48,688</u>	<u>49,470</u>
Sub-total	2,281,117	2,677,783	1,870,276	2,276,571
Certificates of deposit	61,743	61,743	116,285	116,285
Money market account	<u>101,162</u>	<u>101,162</u>	<u>502,542</u>	<u>502,542</u>
Total	<u>\$ 2,444,022</u>	<u>\$ 2,840,688</u>	<u>\$ 2,489,103</u>	<u>\$ 2,895,398</u>

For the years ended June 30, 2020 and June 30, 2019, net investment return consists of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 41,281	\$ 56,562
Realized gain (loss) on sale of investments	64,141	(29,787)
Change in unrealized value of investments	(9,629)	72,252
Investment management fees	<u>(18,817)</u>	<u>(18,400)</u>
Total	<u>\$ 76,976</u>	<u>\$ 80,627</u>

Note 4 – Property and equipment

A summary of the property and equipment and accumulated depreciation as of June 30, 2020 and June 30, 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Exhibits	\$9,665,501	\$9,665,501
Building improvements	647,345	505,133
Furniture, fixtures and equipment	<u>1,270,173</u>	<u>1,161,209</u>
Total	11,583,019	11,331,843
Less: accumulated depreciation	<u>10,927,364</u>	<u>10,768,199</u>
Net property and equipment	<u>\$ 655,655</u>	<u>\$ 563,644</u>

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)****June 30, 2020 and June 30, 2019****Note 5 – Notes payable**

In June 2009, the Museum and certain Board Members executed unsecured notes payable totaling \$225,000, which were due June 25, 2011 through July 15, 2011. The proceeds from the notes were used for general operations of the Museum. The notes require quarterly interest payments at the prime rate plus 2.0% per annum. It is the intention of one of the Board Members to forgive their note of \$100,000 over ten years. Accordingly, \$10,000 was forgiven in the 2020 and 2019 fiscal years. One of the other Board Member's 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. The Museum repaid \$10,000 during the 2020 and 2019 fiscal years. The interest rate remained the same on all notes. As of June 30, 2020, \$30,000 remained outstanding under these notes.

Note 6 – Lines of credit and loans payable**Lines of credit**

During December 2016, the Museum obtained a \$400,000 revolving line of credit (the "line"). The proceeds from the line were used to repay outstanding payables. The Museum was allowed to draw down on the line until January 1, 2020 at which time the outstanding principal balance was to convert to a 60-month term loan (the "loan") to be repaid over 60 fixed monthly payments of principal and interest. Outstanding borrowings on the line were subject to regular interest payments set at the Prime Rate plus 1.5 percentage points per annum. The line and loan were able to be prepaid at any time without a prepayment penalty and was collateralized by a money market account held at the bank. In the event of default on the line, the bank had the right of set off against the collateralized money market account held at the bank. As of June 30, 2019, the outstanding balance on the line was \$301,492, which was repaid in full with the proceeds from the new line of credit obtained in December 2019 (see next page).

During December 2019, the Museum obtained a new \$400,000 unsecured revolving line of credit (the "new line"). The new line was used to repay the outstanding balance of the previous line (see above), which was going to convert to a 60-month term loan on January 1, 2020. The Museum will be allowed to draw down on the new line until January 1, 2023. Outstanding borrowings on the new line are subject to regular interest payments set at the Prime Rate plus 2.0 percentage points per annum. The new line may be prepaid at any time without a prepayment penalty. As of June 30, 2020, the outstanding balance on the new line was \$222,422.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2020 and June 30, 2019

Note 6 – Lines of credit and loans payable (continued)

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 then outstanding line of credit balance of \$259,000. The loan, which matured October 2020, required 60 monthly payments of \$4,795, applicable first to interest at the rate of 4.15% per annum with the balance to the 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, 2020, the value of these certificates of deposit totaled \$61,743. 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 contained a restrictive borrowing covenant. As of June 30, 2020, the outstanding balance on the loan was \$13,129. As of the date of this report, the loan has been repaid in full.

During December 2016, the Museum obtained a \$100,000 loan (the “loan”). The proceeds from the loan were used to pay outstanding accounts payable. 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 the reduction of principal. The loan may be prepaid at any time without any prepayment penalty and is collateralized by a money market account held at the bank. In the event of default on the loan, the bank has the right of set off against the collateralized money market account held at the bank. As of June 30, 2020, the outstanding balance on the loan was \$34,000.

The following are the required annual principal payments on the loans, as of June 30, 2020:

<u>Fiscal Year</u>	<u>Amount</u>
2021	\$ 35,040
2022	<u>12,089</u>
Total	<u>\$ 47,129</u>

Economic Injury Disaster Loan

During November 2020, the Museum was approved for a \$150,000 Economic Injury Disaster Loan (“EIDL”) with the U.S. Small Business Administration (“SBA”) to provide disaster relief from the COVID-19 pandemic. The EIDL has a 24-month deferment period, therefore, commencing November 2022, the Museum will be required to make monthly payments of \$641 applicable first to a fixed interest rate of 2.75% per annum and the balance to a reduction of principal. The EIDL will be amortized over 360 months, will mature in November 2050 and is collateralized by a security interest in the certain business assets of the Museum.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)****June 30, 2020 and June 30, 2019****Note 7 – Refundable advances****Regional Economic Development Council Grant**

During fiscal 2019, the Museum was awarded a Regional Economic Development Council Grant (the “Grant”) from the State of New York acting by and through the applicable State Agency, the Council on the Arts, for a contract funding amount of \$1,500,000 for the construction cost and the design fees of exhibit and Landscape elements of the Children’s Garden at the Museum. The Grant’s contract term is from March 1, 2018 to February 28, 2021. The Grant is a conditional grant and any payments received are being reported as refundable advances. Contribution revenue is being recognized when the conditions are substantially met in accordance to the Grant Master Contract. In May 2019, the Museum received a 25% advance payment in the amount of \$375,000. During the 2020 and 2019 fiscal years, the Museum substantially met the conditions for \$130,899 and \$37,670 and recognized those amounts as contributions to net assets with temporary donor restrictions in the fiscal 2020 and 2019 statements of activities, respectively. The balance of \$206,431 and \$337,330 is reported as a liability and included in refundable advances on the statement of financial position as of June 30, 2020 and June 30, 2019, respectively.

2020 Paycheck protection program loan

On April 27, 2020, the Museum was granted a loan in the aggregate amount of \$657,182 under the Paycheck Protection Program (the “PPP”). The PPP loan was created as part of the relief efforts related to COVID-19 and is administered by the SBA. Funds from the PPP loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage interest payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The PPP loan, which was in the form of a Note dated April 25, 2020 matures on April 25, 2022 and bears interest at a rate of 1% per annum, payable monthly commencing in November 2020.

The Museum elected a 24-week period over which to utilize the PPP loan proceeds. The Museum recorded the PPP loan proceeds of \$657,182 as a refundable advance and recognized as revenue \$308,217 of matching eligible expenses incurred and paid during fiscal year 2020. The balance of \$348,965 is reported as a liability and included in refundable advances on the statement of financial position as of June 30, 2020. The Museum intends to use the PPP loan proceeds for purposes consistent with the PPP and believe its use of the PPP loan proceeds will meet the conditions for 100% forgiveness.

2021 Paycheck protection program loan

During March 2021, the Museum received a second draw PPP Loan totaling \$657,182 at terms substantially similar to the first draw PPP Loan received in April 2020.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)****June 30, 2020 and June 30, 2019****Note 8 – 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 which requires an annual payment 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 November 2015, 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. This agreement has been suspended due to the closure of the Museum's facilities as a result of COVID-19.

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. This agreement has been suspended due to the closure of the Museum's facilities as a result of COVID-19.

Children's Garden Project

In May 2019, and subsequently updated in January 2020, the Museum entered into a contract for the design of exhibit and landscape elements of the Children's Garden at the Museum totaling \$276,000 in design fees. It is anticipated that the construction commencement date will be January 2023 and the substantial completion date to be June 2023. As of June 30, 2020, \$168,569 has been completed under the contract.

Sub-license agreement

On December 11, 2020, the Museum entered into a 15- year sub-license agreement with the Brooklyn Public Library (the "Library"). The Library will rent approximately 6,380 square feet from the Museum for a base rent of \$37 per square foot. This agreement allows the Library to reopen their Brower Park Branch which was closed in 2020 and ensures that the community of Crown Heights retains a local library.

Note 9 – 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, it was determined the Museum owed 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 each year commencing in July 2015. As of June 30, 2020, the outstanding balance owed to the City of New York was \$101,045.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2020 and June 30, 2019

Note 10 – Net assets with temporary donor restrictions

Activity of the net assets with temporary donor restrictions as of and for the years ended June 30, 2020 and June 30, 2019 is as follows:

	Balance at June 30, 2019	Contributions and Investment Return	Net Assets Released from Restrictions	Balance at June 30, 2020
Time restrictions				
Undepreciated portion				
Capital projects				
(see note 1)	\$ 37,670	\$ 130,899	\$ -	\$ 168,569
Endowments return	161,024	75,412	(77,976)	158,460
Future programs	130,614	369,200	(298,865)	200,949
Charles E. Inniss Fund for the Children of Brooklyn	93,398	-	(5,500)	87,898
Total	<u>\$ 422,706</u>	<u>\$ 575,511</u>	<u>\$ (382,341)</u>	<u>\$ 615,876</u>
	Balance at June 30, 2018	Contributions and Investment Return	Net Assets Released from Restrictions	Balance at June 30, 2019
Time restrictions				
Undepreciated portion				
Capital projects				
(see note 1)	\$ 640,325	\$ 37,670	\$ (640,325)	\$ 37,670
Endowments return	311,084	79,620	(229,680)	161,024
Future programs	137,910	274,286	(281,582)	130,614
Charles E. Inniss Fund for the Children of Brooklyn	98,898	-	(5,500)	93,398
Total	<u>\$ 1,188,217</u>	<u>\$ 391,576</u>	<u>\$ (1,157,087)</u>	<u>\$ 422,706</u>

Note 11 – Endowments

Brooklyn Children's 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, as well as Board-designated funds (without donor restrictions). 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 the original value of gifts donated to the permanent endowment as net assets with perpetual donor restrictions. The portion of the donor-restricted endowment fund that is not classified as net assets with perpetual donor restrictions is classified as net assets without donor restrictions or net assets with donor restrictions based on donor stipulations.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)****June 30, 2020 and June 30, 2019****Note 11— 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 net assets with perpetual donor restrictions, which is allowable under the donor guidelines. The Museum has adopted a spending policy whereby investment return for the Museum will be appropriated from the net assets with perpetual donor restrictions 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 fair value of the net assets with perpetual donor restrictions 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.

In March 2016, in accordance with its Board-approved Sustainability & Growth Plan, the Museum ceased all cash withdrawals from its endowment to support operations while the portfolio rebounds from market losses in fiscal year 2016 and prior. In fiscal years 2020 and 2019, the Museum resumed a 5% distribution from the endowment for operations in compliance with its endowment policy. In addition, in the 2019 fiscal year, the Board approved an additional \$150,000 distribution from the endowment for operations.

During the 2015, 2014 and 2013 fiscal years, the Museum drew-down approximately \$55,000, \$100,000, and \$235,000, respectively, from its endowment assets. In the 2017 fiscal year, the Museum appropriated \$93,000 of investment earnings, representing the allowable endowment draw discussed earlier, to repay a portion of these endowment draws. In fiscal year 2018, the Museum's Board of Trustees allocated \$297,000 to its endowment assets from an unrestricted bequest received, fully repaying prior year draws.

During the 2019 fiscal year, the Board approved a withdrawal from the Board-designated funds of \$257,320 of which \$102,600 was to support the Museum's Strategic Plan.

During October 2015, with the express consent of donors, the Museum transferred \$259,000 of its endowment funds, which were in the Museum's investment portfolio, to five interest-bearing certificates of deposit as collateral for a low-interest 60-month \$259,000 term loan (see note 6). The certificates of deposit matured in yearly intervals commencing October 2016 through October 2020. The Museum transferred back each certificate of deposit that matured to the Museum's investment portfolio. Through June 30, 2020, approximately \$198,000 has been returned to the Museum's investment portfolio. The remaining certificate of deposit totaling approximately \$62,000 was returned in December 2020.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2020 and June 30, 2019

Note 11 – Endowments (continued)

During December 2016, the Museum transferred \$500,000 of its endowment funds, which were in the Museum's investment portfolio, to a money market account as collateral for a low-interest \$400,000 revolving line of credit and a 60-month \$100,000 term loan (see note 6). Through June 30, 2020, approximately \$66,000 has been paid on the loan. The entire value of the money market account will be returned to the Museum's investment portfolio upon repayment and/or maturity of these loans.

Net assets with perpetual donor restrictions

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 net assets with temporary donor restrictions and is available to be spent in accordance with the donors' terms and as approved by the Board of Trustees.

Net assets with perpetual donor restrictions as of June 30, 2020 and June 30, 2019 are as follows:

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 12 – Public support appropriations from the City of New York

The City of New York made the following appropriations to the Museum, which are included in public support without donor restrictions for the years ended June 30, 2020 and June 30, 2019:

	<u>2020</u>	<u>2019</u>
Department of Cultural Affairs		
Operational support	\$ 1,997,872	\$ 1,870,734
Energy	246,724	207,409
Pension	176,429	144,014
Other	<u>132,762</u>	<u>232,694</u>
Total	<u>\$ 2,553,787</u>	<u>\$ 2,454,851</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 \$1,950,329 and \$562,861 were made by the City of New York during the years ended June 30, 2020 and June 30, 2019, respectively. The City of New York has spent \$57,308,969 on capital expenditures from the 2000 fiscal year through the 2020 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, 2020 and June 30, 2019

Note 13 – Pension and retirement plans and other postretirement benefits

Multiemployer 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, 2020 was \$205,715, of which \$176,429 was funded by an appropriation from the City of New York. The pension plan expense for the year ended June 30, 2019 was \$168,976, of which \$144,014 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 respects:

- 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 the multiemployer plan for the years ended June 30, 2020 and June 30, 2019, 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 pension plan is subject. The collective bargaining agreement covering the Museum’s union-represented employees expired and a renewal or extension of this agreement is in the process of being negotiated. The most recent Pension Protection Act zone status available in fiscal 2020 and 2019 is for the plan’s year-end at June 30, 2019 and June 30, 2018, 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 2019</u>	<u>Fiscal 2018</u>			<u>Fiscal 2020</u>	<u>Fiscal 2019</u>
The Cultural Institutions Pension Plan	11-2001170/001	Not available	Green	Green	No	No	\$ 205,715	\$ 168,976

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued)

June 30, 2020 and June 30, 2019

Note 13 – Pension and retirement plans and other postretirement benefits (continued)

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. In accordance with the Collective Bargaining Agreement, the employer match for the Savings Plan was suspended for the 2013 through 2020 plan years.

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 benefit cost were computed using an assumed discount rate of 2.48% and 3.37%, respectively, for the fiscal years ended June 30, 2020 and June 30, 2019.

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, 2020 and June 30, 2019:

	<u>2020</u>	<u>2019</u>
Postretirement benefit obligation at the beginning of year		
a. Actives not fully eligible to retire	\$ 200,327	\$ 322,150
b. Actives fully eligible to retire	1,443,201	1,159,093
c. Retirees	<u>1,553,673</u>	<u>1,714,439</u>
d. Total	3,197,201	3,195,682
Service cost	-	7,638
Interest cost	116,245	116,096
Actuarial loss	1,009,077	13,973
Benefits paid	<u>(174,263)</u>	<u>(136,188)</u>
Total postretirement benefit obligation at end of year	<u>\$4,148,260</u>	<u>\$3,197,201</u>

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued)

June 30, 2020 and June 30, 2019

Note 13 – Pension and retirement plans and other postretirement benefits (continued)Other postretirement benefits (continued)

Consists of:	<u>2020</u>	<u>2019</u>
a. Actives not fully eligible to retire	\$ -	\$ 200,327
b. Actives fully eligible to retire	1,667,424	1,443,201
c. Retirees	<u>2,480,836</u>	<u>1,553,673</u>
d. Total	<u>\$4,148,260</u>	<u>\$3,197,201</u>

The estimated annual benefit payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2021	\$ 166,700
2022	176,432
2023	176,355
2024	169,744
2025	172,961
2026-2030	901,459

For a non-funded plan, the expected contributions equal the benefit payments for the next fiscal year totaling \$166,700.

For measurement purposes, a projected health care cost trend rate increase of 8% was used for participants for 2020. The rate is assumed to decrease gradually to 5.0% by 2023. Increasing the assumed healthcare cost trend rate by 1% each year would result in an increase in the post-retirement benefit obligation of \$690,707 as of June 30, 2020. Decreasing the assumed healthcare cost trend rate by 1% each year would result in a decrease in the post-retirement benefit obligation of \$560,576 as of June 30, 2020.

New accounting pronouncement

During the year ended June 30, 2020, the Museum adopted Financial Accounting Standards Update No. 2017-07 – Compensation – Retirement Benefits (Topic 715) (the “Update”). The Update requires that an employer report the service cost component as an employee benefit arising from services rendered by the employees during the period. In connection therewith, the Museum reclassified the fiscal 2019 information for comparative purposes only. This reclassification did not result in a change in total net assets.

Components of the postretirement benefits adjustment for the years ended June 30, 2020 and June 30, 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Interest cost	\$ 116,245	\$ 116,096
Actuarial loss	1,009,077	13,973
Benefits paid	(174,263)	(136,188)
Payments made by the Museum	216,250	225,648
Other	<u>-</u>	<u>12,454</u>
Total	<u>\$ 1,167,309</u>	<u>\$ 231,983</u>

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued)

June 30, 2020 and June 30, 2019

Note 14 – Liquidity and availability of resources

The Museum regularly monitors the availability of resources required to meet its general expenditures, while also striving to maximize the investment of its available funds. The Museum has various sources of liquidity at its disposal, including cash and cash equivalents, money market funds, certificates of deposit and investments. In the event of an unanticipated liquidity need, the Museum could also draw upon \$177,578 of its available line of credit as of June 30, 2020.

The Museum's endowment consists of funds established for specific purposes, as well as Board-designated funds (without donor restrictions). 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 the original value of gifts donated to the donor restricted endowment fund as net assets with donor restrictions. The portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions is classified as net assets without donor restrictions or net assets with donor restrictions (purpose and time restricted) based on donor stipulations.

As of June 30, 2020, the Board-designated funds totaled \$865,013 (\$158,460 of endowment return included in net assets with temporary donor restrictions and \$706,553 for the Tullock Trust Fund included in net assets without donor restrictions). Although the Museum does not intend to spend from this board-designated fund, these amounts shall be made available in such circumstance as necessary to meet short term cash flow needs.

The table below presents financial assets available for general expenditures within one year of the statement of financial position date at June 30, 2020 and June 30, 2019:

	<u>2020</u>	<u>2019</u>
Cash	\$ 885,693	\$ 1,231,285
Certificates of deposit	61,743	116,285
Money market account	101,162	502,542
Investments, at fair value	2,677,783	2,276,571
Contributions receivable, net	<u>648,054</u>	<u>110,889</u>
Total financial assets	<u>4,374,435</u>	<u>4,237,572</u>
Less: Donor-imposed restrictions:		
Perpetual donor restrictions	(1,748,203)	(1,748,203)
Temporary donor restrictions	<u>(615,876)</u>	<u>(422,706)</u>
Total donor-imposed restrictions	<u>(2,364,079)</u>	<u>(2,170,909)</u>
Less: Board-designated funds - Tullock Trust Fund	<u>(706,553)</u>	<u>(706,553)</u>
Less: Refundable advance	<u>(555,396)</u>	<u>(337,330)</u>
Financial Assets Available to meet cash needs for general expenditures within one year	<u>\$ 748,407</u>	<u>\$ 1,022,780</u>

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued)

June 30, 2020 and June 30, 2019

Note 15 – Net assets without donor restrictions deficit elimination plan

The Museum's Board of Trustees and executive team are committed to maintaining a balanced operating budget; making strategic investments in growth; and, reducing debt. In December 2016, the Board adopted a Sustainability & Growth Plan, a three-year tactical roadmap for financial stability to support innovation and growth at the Museum. In fiscal year 2019, the Museum hired Lord Cultural Resources to consult on a new strategic plan to run from calendar years 2020 to 2026. The new strategic plan was completed and approved by the Board in December 2019.

Although the Museum experienced significant service disruptions in fiscal years 2020 and 2021 related to the COVID-19 health crisis, the Museum reopened for weekend service in September 2020 and expects to serve close to 50,000 visitors in fiscal year 2021. The Museum plans to restore 5-day a week service by January 1, 2022, in alignment with the return of New York City public school field trips.

The Museum stabilized its operations in fiscal years 2020 and 2021 through reductions in operational costs of more than \$1 million, and by taking two Paycheck Protection Program (PPP) loans from the federal government's Small Business Administration (SBA). These loans are liabilities but are forgivable. The Museum expects to apply for forgiveness of its first PPP loan in Spring 2021. The Museum expects to apply for forgiveness of its second PPP loan in fiscal year 2022.

The Museum has created a set of three-year projections to understand the impact of COVID-19 on its financial health and sustainability. If its PPP loan is forgiven as expected, the Museum expects a break-even budget in fiscal year 2021. In fiscal year 2022, when the Museum will need to restore staff but earned revenue is still expected to be depressed, the Museum is planning to bridge a deficit using cash reserves. In 2023, the Museum expects to generate a small surplus through a resurgence of earned revenue and a full year of revenue from its partnership with Brooklyn Public Library (see note 8).

Looking beyond the COVID-19 period, the Museum continues to implement its fiscal year 2020-2026 strategic plan. Work on capital improvements and two major new permanent exhibitions is on track to complete as projected. The strategic plan identifies five key goals for the institution and calls for growth in both admissions and revenue aligned with these objectives.

1. Energize the Museum's physical space through new exhibits and facility updates

Exhibits drive visitorship at Brooklyn Children's Museum. The Museum will a) create a master plan for exhibits, b) realize two transformational permanent exhibits, and c) plan and produce robust temporary exhibitions, including at least one "blockbuster" every two years.

2. Create engaging and relevant programs in partnership with Brooklyn communities

Expanding programs and education at the Museum is an opportunity to elevate service to our communities and to build new audiences. The Museum will a) expand partnerships to deepen impact among children and the caregivers in Central Brooklyn, and b) develop evaluation capacity to better understand successes, needs, and opportunities.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2020 and June 30, 2019

Note 15 – Net assets without donor restrictions deficit elimination plan (continued)

3. Strengthen financial capacity through earned revenue, philanthropy, and creative partnerships

The Museum's strategic plan reiterates our commitment to ensuring that every family can experience the Museum regardless of ability to pay. To maintain free and reduced admission, and to ensure excellence in exhibitions, the Museum will a) expand membership and individual giving programs, b) engage institutional and corporate funders, and c) professionalize earned revenue functions, including space rentals, birthday parties, café, and gift shop.

4. Expand institutional capacity, with a focus on diversity, equity, and inclusion practices

The Museum's organizational culture values inclusion, multiple perspectives, and diverse voices. The Museum will a) invest in talent throughout the organization, with a focus on building expertise in exhibit development and marketing, b) strengthen finance, HR, and building operations systems, and c) align operations with the Museum's Diversity, Equity & Inclusion Plan.

5. Promote the Museum's brand by investing in communications, marketing, and design

Marketing, branding, and communications are critical to drive visitorship, increase earned revenue, and raise the Museum's profile. The Museum will a) update its visual brand and graphic identity, and b) invest in measurable social media, print, and marketing partnerships.

The Museum has experienced extraordinary momentum and increased demand from visitors across Brooklyn. Despite these gains, the Museum carries historic obligations that contribute to negative net assets, and have in prior years created a deficit on its financial statements, including:

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 roughly \$4.1 million. This program was discontinued in 2008, and applies only to employees hired before that time who retire with the Museum, but it remains the largest impact on the Museum's net assets. While the Museum has no control over these benefits, the Museum monitors their valuation through a third-party actuarial firm and notes adjustments from year to year on its statement of financial position. Valuations can vary greatly from year to year, sometimes in the Museum's favor, but sometimes contributing to a non-cash deficit.
2. **Extant payables, accrued expenses, and notes payable.** Following its 2008 expansion, the Museum carried first-year operating expenses that contributed to debt and aging payables. In 2015, liabilities increased by \$202,000 due to an adjustment from the City of New York related to the Museum's pension plan, which is payable over 10 years. This line also includes vacation accruals connected with the Museum's collective bargaining agreement with DC 37. These liabilities have diminished substantially over the past five years. The Museum continues to reduce debt, and anticipates paying down approximately \$108,000 in fiscal year 2021.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)****June 30, 2020 and June 30, 2019****Note 16 – Litigation**

The Museum is currently involved in legal proceedings arising in the ordinary course of business. The Museum believes it has defenses for these proceedings and is vigorously defending the actions. In the opinion of management, after consultation with outside legal counsel, the final disposition of these matters will not have a material effect on the Museum's financial statements.

Note 17 – 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.