

**BROOKLYN CHILDREN'S
MUSEUM CORPORATION**

**Financial Statements
for the years ended
June 30, 2021
and
June 30, 2020**

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, 2021 and June 30, 2020 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, 2021 and June 30, 2020 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

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Financial Position

Assets

	June 30	
	2021	2020
Cash	\$ 1,172,661	\$ 885,693
Certificates of deposit	-	61,743
Money market account	101,313	101,162
Contributions receivable, net		
Without donor restrictions	1,004,718	498,054
With donor restrictions for future periods and programs	-	150,000
Employee retention payroll tax credits receivable	135,115	-
Prepaid expenses and other assets	49,513	44,128
Investments, at fair value	3,191,661	2,677,783
Property and equipment, net	684,723	655,655
Total assets	\$ 6,339,704	\$ 5,074,218

Liabilities and Net Assets (Deficit)

Liabilities

Line of credit	\$ 181,359	\$ 222,422
Accounts payable and accrued expenses	679,576	657,774
Notes payable	20,000	30,000
Due to City of New York	80,835	101,045
Deferred revenue	71,452	26,814
Loans payable	162,724	47,129
Refundable advances	448,073	555,396
Accrued postretirement benefits	3,262,734	4,148,260
Total liabilities	4,906,753	5,788,840

Net assets (deficit)

Without donor restrictions	(1,521,841)	(3,078,701)
With donor restrictions	2,954,792	2,364,079
Total net assets (deficit)	1,432,951	(714,622)
Total liabilities and net assets (deficit)	\$ 6,339,704	\$ 5,074,218

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Activities

Year Ended June 30, 2021

(With Summarized Comparative Information for the Year Ended June 30, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue				
Contributions				
Individuals	\$ 144,730	\$ 10,318	\$ 155,048	\$ 230,595
Corporations	83,735	158,550	242,285	203,238
Foundations	139,900	214,000	353,900	478,367
Government and state	1,334,652	170,565	1,505,217	1,041,304
Appropriations from City of New York	2,324,342	-	2,324,342	2,553,787
Admission fees	316,290	-	316,290	764,019
Membership fees	48,975	-	48,975	187,689
Fundraising events, net of direct expenses of \$88,658 in 2021	212,809	-	212,809	-
Exhibit rentals	30,000	-	30,000	33,700
Space rentals	87,727	-	87,727	103,233
Gift shop commission	-	-	-	27,501
Food service commission	-	-	-	26,484
Photo booth commission	3,819	-	3,819	5,496
Investment return, net	223	425,520	425,743	76,976
Other	114,228	-	114,228	18,984
Sub-total	4,841,430	978,953	5,820,383	5,751,373
Net assets released from restrictions	388,240	(388,240)	-	-
Total support and revenue	5,229,670	590,713	5,820,383	5,751,373
Expenses				
Program services				
Exhibitions	578,350	-	578,350	662,545
Collections	236,807	-	236,807	187,508
Education	660,439	-	660,439	886,731
Visitor services	221,257	-	221,257	515,220
Maintenance and security	1,222,929	-	1,222,929	1,622,214
Marketing and public affairs	344,063	-	344,063	327,029
Total program services	3,263,845	-	3,263,845	4,201,247
Supporting activities				
General and administrative	871,829	-	871,829	910,142
Development	228,318	-	228,318	241,629
Total supporting activities	1,100,147	-	1,100,147	1,151,771
Total expenses	4,363,992	-	4,363,992	5,353,018
Increase in net assets before postretirement benefits adjustment	865,678	590,713	1,456,391	398,355
Postretirement benefits adjustment	691,182	-	691,182	(1,167,309)
Increase (decrease) in net assets	1,556,860	590,713	2,147,573	(768,954)
Net assets (deficit), beginning of year	(3,078,701)	2,364,079	(714,622)	54,332
Net assets (deficit), end of year	\$ (1,521,841)	\$ 2,954,792	\$ 1,432,951	\$ (714,622)

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Activities Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Contributions			
Individuals	\$ 229,995	\$ 600	\$ 230,595
Corporations	127,638	75,600	203,238
Foundations	185,367	293,000	478,367
Government and state	910,405	130,899	1,041,304
Appropriations from City of New York	2,553,787	-	2,553,787
Admission fees	764,019	-	764,019
Membership fees	187,689	-	187,689
Exhibit rentals	33,700	-	33,700
Space rentals	103,233	-	103,233
Gift shop commission	27,501	-	27,501
Food service commission	26,484	-	26,484
Photo booth commission	5,496	-	5,496
Investment return, net	1,564	75,412	76,976
Other	18,984	-	18,984
Sub-total	5,175,862	575,511	5,751,373
Net assets released from restrictions	382,341	(382,341)	-
Total support and revenue	<u>5,558,203</u>	<u>193,170</u>	<u>5,751,373</u>
Expenses			
Program services			
Exhibitions	662,545	-	662,545
Collections	187,508	-	187,508
Education	886,731	-	886,731
Visitor services	515,220	-	515,220
Maintenance and security	1,622,214	-	1,622,214
Marketing and public affairs	327,029	-	327,029
Total program services	<u>4,201,247</u>	<u>-</u>	<u>4,201,247</u>
Supporting activities			
General and administrative	910,142	-	910,142
Development	241,629	-	241,629
Total supporting activities	<u>1,151,771</u>	<u>-</u>	<u>1,151,771</u>
Total expenses	<u>5,353,018</u>	<u>-</u>	<u>5,353,018</u>
Increase in net assets before postretirement benefits adjustment	205,185	193,170	398,355
Postretirement benefits adjustment	<u>(1,167,309)</u>	<u>-</u>	<u>(1,167,309)</u>
Increase (decrease) in net assets	(962,124)	193,170	(768,954)
Net assets (deficit), beginning of year	<u>(2,116,577)</u>	<u>2,170,909</u>	<u>54,332</u>
Net assets (deficit), end of year	<u>\$ (3,078,701)</u>	<u>\$ 2,364,079</u>	<u>\$ (714,622)</u>

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Functional Expenses Year Ended June 30, 2021 (With Summarized Comparative Information for the Year Ended June 30, 2020)

	2021							2020					
	Program Services							Supporting Activities					
	Exhibitions	Collections	Education	Visitor Services	Maintenance and Security	Marketing and Public Affairs	Total Program Services	General and Administrative	Direct Cost of Special Event	Development (Operating)	Supporting Activities	Total	
Salaries, wages and benefits	\$ 450,862	\$ 138,532	\$ 473,252	\$ 188,301	\$ 686,559	\$ 257,014	\$ 2,194,520	\$ 141,792	\$ -	\$ 198,297	\$ 340,089	\$ 2,534,609	\$ 3,541,256
Professional fees	40,813	61,481	25,216	5,309	98,459	72,978	304,256	430,578	-	4,827	435,405	739,661	785,012
Catering, facility rental, printing and other	-	-	-	-	-	-	-	-	88,658	-	88,658	88,658	-
Office expenses	3,636	2,306	9,208	7,029	2,872	5,186	30,237	42,943	-	859	43,802	74,039	62,565
Supplies	51,453	20,027	142,398	1,447	44,814	135	260,274	9,638	-	6,238	15,876	276,150	172,692
Travel and meetings	214	3,547	2,133	3	-	-	5,897	11,152	-	930	12,082	17,979	10,631
Marketing	-	-	-	-	-	4,577	4,577	840	-	-	840	5,417	1,510
Equipment	590	8,846	713	290	17,650	370	28,459	10,546	-	2,042	12,588	41,047	42,425
Maintenance and utilities	5,982	2,066	7,234	2,939	229,276	3,752	251,249	5,384	-	2,672	8,056	259,305	279,929
Insurance	-	-	-	-	-	-	-	183,447	-	-	183,447	183,447	152,190
Other	-	2	285	15,939	-	51	16,277	35,509	-	12,453	47,962	64,239	145,643
Sub-total	553,550	236,807	660,439	221,257	1,079,630	344,063	3,095,746	871,829	88,658	228,318	1,188,805	4,284,551	5,193,853
Depreciation	24,800	-	-	-	143,299	-	168,099	-	-	-	-	168,099	159,165
Total expenses	578,350	236,807	660,439	221,257	1,222,929	344,063	3,263,845	871,829	88,658	228,318	1,188,805	4,452,650	5,353,018
Less: expenses deducted directly on the statement of activities	-	-	-	-	-	-	-	-	(88,658)	-	(88,658)	(88,658)	-
Total expenses reported by function on the statement of activities	\$ 578,350	\$ 236,807	\$ 660,439	\$ 221,257	\$ 1,222,929	\$ 344,063	\$ 3,263,845	\$ 871,829	\$ -	\$ 228,318	\$ 1,100,147	\$ 4,363,992	\$ 5,353,018

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Functional Expenses Year Ended June 30, 2020

	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
Professional fees	39,409	51,364	87,680	15,224	55,380	65,042	314,099	466,758	4,155	470,913	785,012
Office expenses	529	3,304	1,065	42,085	1,149	5,006	53,138	9,178	249	9,427	62,565
Supplies	61,767	3,256	53,985	14,470	29,854	3,269	166,601	2,051	4,040	6,091	172,692
Travel and meetings	1,915	238	653	113	-	341	3,260	7,274	97	7,371	10,631
Marketing	-	-	-	-	-	384	384	1,126	-	1,126	1,510
Equipment	90	28	163	1,462	35,943	55	37,741	3,366	1,318	4,684	42,425
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
Insurance	-	-	-	-	-	-	-	152,190	-	152,190	152,190
Other	92,371	9	-	24,683	36	77	117,176	28,179	288	28,467	145,643
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
Depreciation	15,375	-	-	-	143,790	-	159,165	-	-	-	159,165
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

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Cash Flows

	Year Ended June 30	
	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 2,147,573	\$ (768,954)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Contribution with perpetual donor restrictions	(50,000)	-
Depreciation	168,099	159,165
Donated investments	-	(1,504)
Proceeds from donated investments	-	1,504
Net realized (gain) on sale of investments	(33,055)	(64,141)
Change in unrealized value of investments	(383,742)	9,629
Forgiveness of notes payable	-	(10,000)
(Increase) decrease in assets		
Contributions receivable	(356,664)	(537,165)
Employee retention payroll tax credits receivable	(135,115)	-
Prepaid expenses and other assets	(5,385)	51,638
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	21,802	(19,051)
Due to City of New York	(20,210)	(20,210)
Deferred revenue	44,638	(8,505)
Refundable advances	(107,323)	218,066
Accrued postretirement benefits	(885,526)	951,059
Net cash provided by (used in) operating activities	<u>405,092</u>	<u>(38,469)</u>
Cash flows from investing activities		
Redemption of certificates of deposit	61,743	54,542
Purchases of investments	(773,709)	(1,522,562)
Proceeds from sales of investments	676,628	1,175,862
Purchases of property and equipment	(197,167)	(251,176)
Net cash (used in) investing activities	<u>(232,505)</u>	<u>(543,334)</u>
Cash flows from financing activities		
Contribution with perpetual donor restrictions	50,000	-
Repayment of line of credit	(41,063)	(79,070)
Repayment of note payable	(10,000)	(10,000)
Proceeds from loan payable	150,000	-
Repayment of loans payable	(34,405)	(76,099)
Net cash provided by (used in) financing activities	<u>114,532</u>	<u>(165,169)</u>
Net increase (decrease) in cash and money market account	287,119	(746,972)
Cash and money market account, beginning of year	986,855	1,733,827
Cash and money market account, end of year	<u>\$ 1,273,974</u>	<u>\$ 986,855</u>
Consists of:		
Cash	\$ 1,172,661	\$ 885,693
Money market account	101,313	101,162
Total	<u>\$ 1,273,974</u>	<u>\$ 986,855</u>
Supplemental disclosure of cash flows information:		
Cash paid for interest	<u>\$ 22,417</u>	<u>\$ 19,058</u>

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements June 30, 2021 and June 30, 2020

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, the Museum opened three 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, and *A-Maze-D*, a life-size maze created from cardboard boxes and including art and puzzles throughout the experience.

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, EBT/SNAP card holders, school teachers and staff and healthcare workers. 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.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)
June 30, 2021 and June 30, 2020****Note 1 – Nature of organization and summary of significant accounting policies (continued)**Nature of Organization (continued)

During the COVID-19 emergency health crisis, the Museum closed between March and August 2020, reopening in September 2020 with service three days a week. Despite the pandemic, the Museum served 75,000 children and caregivers in fiscal year 2021 through in-person and online programs. In May 2021, the Museum opened as a City of New York vaccination site, and continues to offer vaccinations to people ages 5 and older. The Museum added a day of service starting in December 2021, and opened an synthetic ice skating rink. The Museum expects to open a theater, and a branch of Brooklyn Public Library by summer of 2022.

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).

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.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)
June 30, 2021 and June 30, 2020****Note 1 – Nature of organization and summary of significant accounting policies (continued)**Contributions (continued)

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.

Allowance for doubtful accounts

As of June 30, 2021 and June 30, 2020, 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.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)
June 30, 2021 and June 30, 2020****Note 1 – Nature of organization and summary of significant accounting policies (continued)****Property and equipment (continued)**

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.

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.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2021 and June 30, 2020

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

Concentrations of credit risk

The Museum's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, a money market account, investments and contributions receivable. The Museum places its cash 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, 2021. 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.

Risks and uncertainties

As a result of the Coronavirus, economic uncertainties exist and the potential impact on the Museum is uncertain at this time.

Subsequent events

The Museum has evaluated events and transactions for potential recognition or disclosure through February 21, 2022, 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, 2021 and June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions for Future Periods and Programs	Total
Due within one year	\$1,005,303	\$ -	\$1,005,303
Less: allowance for doubtful accounts	(585)	-	(585)
Total, June 30, 2021	<u>\$1,004,718</u>	<u>\$ -</u>	<u>\$1,004,718</u>
Total, June 30, 2020	<u>\$ 498,054</u>	<u>\$ 150,000</u>	<u>\$ 648,054</u>

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2021 and June 30, 2020

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, 2021 and June 30, 2020:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
<u>Investments</u>				
Money market funds	\$ 1,178,032	\$ 1,177,067	\$ 1,272,220	\$ 1,272,500
Equities	736,102	1,507,542	723,233	1,106,835
U.S. Treasuries and corporate bonds	448,430	457,070	236,975	247,881
Mutual fund	<u>48,689</u>	<u>49,982</u>	<u>48,689</u>	<u>50,567</u>
Sub-total	2,411,253	3,191,661	2,281,117	2,677,783
Certificates of deposit	-	-	61,743	61,743
Money market account	<u>101,313</u>	<u>101,313</u>	<u>101,162</u>	<u>101,162</u>
Total	<u>\$ 2,512,566</u>	<u>\$ 3,292,974</u>	<u>\$ 2,444,022</u>	<u>\$ 2,840,688</u>

For the years ended June 30, 2021 and June 30, 2020, net investment return consists of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 26,969	\$ 41,281
Realized gain on sale of investments	33,055	64,141
Change in unrealized value of investments	383,742	(9,629)
Investment management fees	<u>(18,023)</u>	<u>(18,817)</u>
Total	<u>\$ 425,743</u>	<u>\$ 76,976</u>

Note 4 – Property and equipment

A summary of the property and equipment and accumulated depreciation as of June 30, 2021 and June 30, 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Exhibits	\$9,665,501	\$9,665,501
Building improvements	844,512	647,345
Furniture, fixtures and equipment	<u>1,270,173</u>	<u>1,270,173</u>
Total	11,780,186	11,583,019
Less: accumulated depreciation	<u>11,095,463</u>	<u>10,927,364</u>
Net property and equipment	<u>\$ 684,723</u>	<u>\$ 655,655</u>

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)
June 30, 2021 and June 30, 2020****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 was the intention of one of the Board Members to forgive their note of \$100,000 over ten years. Accordingly, the final \$10,000 balance on their note was forgiven in the 2020 fiscal year. One of the other Board Member's note of \$100,000 was extended and requires annual principal payments of \$10,000. The Museum repaid \$10,000 during the 2021 and 2020 fiscal years. The interest rate remained the same on all notes. As of June 30, 2021, \$20,000 remained outstanding under one note.

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

During December 2019, the Museum obtained a \$400,000 unsecured revolving line of credit (the "line"). The line was used to repay the then-outstanding balance of the previous line of credit, which was to convert to a 60-month term loan on January 1, 2020. The Museum may draw down on the line until January 1, 2023. The line requires consecutive monthly payments of all accrued interest at the Prime Rate plus 2.0 percentage points per annum plus 1/60th of the outstanding principal balance on the line. The line may be prepaid at any time without a prepayment penalty. Effective January 1, 2023, the line shall convert to a Term Out Loan requiring sixty consecutive equal fixed payments of principal and interest commencing February 1, 2023. All unpaid principal and accrued interest shall be due and payable in full at maturity on January 1, 2028. The Term Out Loan shall bear interest at a fixed rate of interest equal to the rate in effect on January 1, 2023. As of June 30, 2021, the outstanding balance on the line was \$181,359.

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. As of June 30, 2021, the outstanding balance on 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 matured on January 1, 2022, required 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. As of June 30, 2021, the outstanding balance on the loan was \$12,724. As of the date of this report, the loan has been repaid in full.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2021 and June 30, 2020

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

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 included a 12-month deferment period, therefore, commencing November 2021, the EIDL requires 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.

The following are the required annual principal payments on the loan and EIDL, as of June 30, 2021:

<u>Fiscal Year</u>	<u>Amount</u>
2022	\$ 14,891
2023	3,324
2024	3,417
2025	3,512
2026	3,610
2027 – 2051	<u>133,970</u>
Total	<u>\$ 162,724</u>

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 November 30, 2024. 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 with the Grant Master Contract. In May 2019, the Museum received a 25% advance payment in the amount of \$375,000. During the 2021 and 2020 fiscal years, the Museum substantially met the conditions for \$170,565 and \$130,899 and recognized those amounts as contributions to net assets with temporary donor restrictions in the fiscal 2021 and 2020 statements of activities, respectively. The balance of \$35,866 and \$206,431 is reported as a liability and included in refundable advances on the statement of financial position as of June 30, 2021 and June 30, 2020, respectively.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)**
June 30, 2021 and June 30, 2020**Note 7 – Refundable advances (continued)****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 Small Business Administration (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.

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 revenue of \$308,217 representing eligible expenses incurred and paid during the 2020 fiscal year, the remaining balance of \$348,965 was recognized as revenue during the 2021 fiscal year. During June 2021, the Museum’s forgiveness application was confirmed by the SBA for the full amount of the PPP loan.

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. The Museum recorded the PPP loan proceeds of \$657,182 as a refundable advance and recognized revenue of \$277,374 representing eligible expenses incurred and paid during the 2021 fiscal year. The remaining balance of \$379,808 is reflected as a liability and included in refundable advances in the accompanying statement of financial position as of June 30, 2021. The Museum believes it expended the PPP loan proceeds for purposes consistent with the PPP and will meet the conditions for 100% forgiveness.

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.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)**
June 30, 2021 and June 30, 2020**Note 8 – Commitments (continued)**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 two contracts for the design of exhibit and landscape elements of the Children's Garden at the Museum totaling \$626,000 in design fees. It is anticipated that the construction commencement date will be January 2023 and the substantial completion date to be September 2024. As of June 30, 2021, \$338,446 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, 2021, the outstanding balance owed to the City of New York was \$80,835.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2021 and June 30, 2020

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, 2021 and June 30, 2020 is as follows:

	Balance at June 30, 2020	Contributions and Investment Return	Net Assets Released from Restrictions	Balance at June 30, 2021
Time restrictions				
Undepreciated portion				
Capital projects				
(see note 1)	\$ 168,569	\$ 170,565	\$ -	\$ 339,134
Endowments return	158,460	425,520	(77,537)	506,443
Future programs	200,949	332,868	(305,203)	228,614
Charles E. Inniss Fund for the Children of Brooklyn	87,898	-	(5,500)	82,398
Total	<u>\$ 615,876</u>	<u>\$ 928,953</u>	<u>\$ (388,240)</u>	<u>\$ 1,156,589</u>
	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>

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, 2021 and June 30, 2020****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.

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, 2021, the full amount of the certificates of deposit has been returned to the Museum's investment portfolio.

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, 2021, approximately \$87,000 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.

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, 2021, approximately \$87,000 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.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2021 and June 30, 2020

Note 11 – Endowments (continued)

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, 2021 and June 30, 2020 are as follows:

Brooklyn Institute of Arts and Sciences	\$ 496,333
90 th Anniversary Capital Campaign	251,870
Centennial – Collections Central Endowment	1,000,000
Special Contribution Fund and Endowment	<u>50,000</u>
Total	<u>\$1,798,203</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, 2021 and June 30, 2020:

	<u>2021</u>	<u>2020</u>
Department of Cultural Affairs		
Operational support	\$ 1,726,078	\$ 1,997,872
Energy	204,727	246,724
Pension	115,323	176,429
Other	<u>278,214</u>	<u>132,762</u>
Total	<u>\$ 2,324,342</u>	<u>\$ 2,553,787</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 \$4,891,705 and \$1,950,329 were made by the City of New York during the years ended June 30, 2021 and June 30, 2020, respectively. The City of New York has spent \$62,200,674 on capital expenditures from the 2000 fiscal year through the 2021 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, 2021 and June 30, 2020

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, 2021 was \$195,830, of which \$115,323 was funded by an appropriation from 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 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, 2021 and June 30, 2020, is outlined in the table below. The “EIN/Pension Plan Number” column provides the Employer Identification Number (“EIN”) and the three-digit plan number. 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 2021 and 2020 is for the plan’s year-end at June 30, 2020 and June 30, 2019, 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 2020</u>	<u>Fiscal 2019</u>			<u>Fiscal 2021</u>	<u>Fiscal 2020</u>
The Cultural Institutions Pension Plan	11-2001170/001	Not available	Green	Green	No	No	\$ 195,830	\$ 205,715

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2021 and June 30, 2020

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

401(k) savings plan

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 2021 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 2.63% and 2.48%, respectively, for the fiscal years ended June 30, 2021 and June 30, 2020.

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, 2021 and June 30, 2020:

	<u>2021</u>	<u>2020</u>
Postretirement benefit obligation at the beginning of year		
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	4,148,260	3,197,201
Interest cost	84,076	116,245
Amendments	(106,232)	-
Actuarial (gain) loss	(698,938)	1,009,077
Benefits paid	<u>(164,432)</u>	<u>(174,263)</u>
Total postretirement benefit obligation at end of year	<u>\$3,262,734</u>	<u>\$4,148,260</u>

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2021 and June 30, 2020

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

Other postretirement benefits (continued)

Consists of:	<u>2021</u>	<u>2020</u>
b. Actives fully eligible to retire	1,018,345	1,667,424
c. Retirees	<u>2,244,389</u>	<u>2,480,836</u>
d. Total	<u>\$3,262,734</u>	<u>\$4,148,260</u>

Other components of the postretirement benefit costs for the years ended June 30, 2021 and June 30, 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Interest cost	\$ 84,076	\$ 116,245
Actuarial (gain) loss	(698,938)	1,009,077
Benefits paid	(164,432)	(174,263)
Payments made by the Museum	194,344	216,250
Other	<u>(106,232)</u>	<u>-</u>
Total	<u>\$ (691,182)</u>	<u>\$ 1,167,309</u>

The estimated annual benefit payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2022	\$ 171,987
2023	159,568
2024	148,104
2025	150,065
2026	152,301
2027-2031	743,592

For a non-funded plan, the expected contributions equal the benefit payments for the next fiscal year totaling \$171,987.

For measurement purposes, a projected health care cost trend rate decrease of 7% was used for participants for 2021. 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 \$502,095 as of June 30, 2021. Decreasing the assumed healthcare cost trend rate by 1% each year would result in a decrease in the post-retirement benefit obligation of \$412,108 as of June 30, 2021.

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 \$218,641 of its available line of credit as of June 30, 2021.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2021 and June 30, 2020

Note 14 – Liquidity and availability of resources (continued)

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, 2021, the Board-designated funds totaled \$1,212,996 (\$506,443 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, 2021 and June 30, 2020:

	<u>2021</u>	<u>2020</u>
Cash	\$ 1,172,661	\$ 885,693
Certificates of deposit	-	61,743
Money market account	101,313	101,162
Investments, at fair value	3,191,661	2,677,783
Contributions receivable, net	1,004,718	648,054
Employee retention payroll tax credits receivable	135,115	-
Total financial assets	<u>5,605,468</u>	<u>4,374,435</u>
Less: Donor-imposed restrictions:		
Perpetual donor restrictions	(1,798,203)	(1,748,203)
Temporary donor restrictions	(1,156,589)	(615,876)
Total donor-imposed restrictions	<u>(2,954,792)</u>	<u>(2,364,079)</u>
Less: Board-designated funds - Tullock Trust Fund	<u>(706,553)</u>	<u>(706,553)</u>
Less: Refundable advance	<u>(448,073)</u>	<u>(555,396)</u>
Financial Assets Available to meet cash needs for general expenditures within one year	<u>\$ 1,496,050</u>	<u>\$ 748,407</u>

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.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2021 and June 30, 2020

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

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 served approximately 75,000 visitors in fiscal year 2021. The Museum plans to restore 5-day a week service by June 30, 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). The first of these loans was fully forgiven in June 2021. The second is expected to be fully forgiven 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. Despite the challenges, the Museum expects to run modest surpluses in fiscal years 2022 and 2023. 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 be completed 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.

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.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)
June 30, 2021 and June 30, 2020****Note 15 – Net assets without donor restrictions deficit elimination plan (continued)****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 approximately \$3.26 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 \$79,000 in fiscal year 2022. As a risk management measure, the Museum took an Economic Injury Disaster Loan of \$150,000 in fiscal year 2021 and has utilized those funds at this time.

Note 16 – Employee retention payroll tax credits

In response to the coronavirus emergency, the Coronavirus Aid, Relief and Economic Security Act provided, among other things, a refundable payroll tax credit of 50% of the first \$10,000 of qualified wages per eligible employee for wages paid or incurred from March 13, 2020 through December 31, 2020. Effective January 1, 2021, the Consolidated Appropriations Act increased the payroll tax credit from 50% to 70% of up to \$10,000 of qualified wages per quarter per employee through June 30, 2021 for eligible employers. On March 11, 2021, the American Rescue Plan Act extended the payroll tax credits through December 31, 2021 for eligible employers. Subsequent legislation amended the availability of the credits through September 30, 2021. In connection therewith, through June 30, 2021, the Museum recorded a receivable for such employee retention payroll tax credits totaling \$135,115.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)
June 30, 2021 and June 30, 2020****Note 17 – 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 18 – 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.