

**BROOKLYN CHILDREN'S
MUSEUM CORPORATION**

**Financial Statements
for the years ended
June 30, 2023
and
June 30, 2022**

Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Brooklyn Children's Museum Corporation (the "Museum"), which comprise the statement of financial position as of June 30, 2023 and June 30, 2022 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of June 30, 2023 and June 30, 2022 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Museum and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Condon O'Meara McBinty & Donnelly LLP

May 7, 2024

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Financial Position

Assets

	June 30	
	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,150,082	\$ 777,231
Contributions receivable, net		
Without donor restrictions	928,941	1,209,993
With donor restrictions for future periods and programs	150,000	272,797
Employee retention payroll tax credits receivable	96,801	135,115
Prepaid expenses and other assets	96,239	102,472
Investments, at fair value	3,218,532	2,951,485
Property and equipment, net	<u>1,311,983</u>	<u>935,105</u>
Total assets	<u>\$ 6,952,578</u>	<u>\$ 6,384,198</u>

Liabilities and Net Assets

Liabilities

Line of credit	\$ 133,925	\$ 147,768
Accounts payable and accrued expenses	560,516	665,924
Notes payable	-	10,000
Due to City of New York	40,415	60,625
Deferred revenue	131,810	60,152
SBA loans	173,493	147,848
Accrued postretirement benefits	<u>2,776,711</u>	<u>3,121,143</u>
Total liabilities	<u>3,816,870</u>	<u>4,213,460</u>

Net assets (deficit)

Without donor restrictions	(127,229)	(800,732)
With donor restrictions	<u>3,262,937</u>	<u>2,971,470</u>
Total net assets	<u>3,135,708</u>	<u>2,170,738</u>
Total liabilities and net assets	<u>\$ 6,952,578</u>	<u>\$ 6,384,198</u>

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Activities

Year Ended June 30, 2023

(With Summarized Comparative Information for the Year Ended June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue				
Contributions and contracts				
Individuals	\$ 64,508	\$ 51,296	\$ 115,804	\$ 151,245
Corporations	97,920	130,500	228,420	360,995
Foundations	197,600	269,687	467,287	366,780
Government and state	671,939	155,000	826,939	1,328,196
Appropriations from City of New York	3,055,813	-	3,055,813	2,501,217
Admission fees	1,290,669	-	1,290,669	661,117
Membership fees	229,753	-	229,753	124,754
Fundraising events, net of direct expenses of \$115,317 in 2023 and \$164,626 in 2022	420,314	-	420,314	281,392
Space rentals	579,679	-	579,679	469,874
Other earned income	166,018	-	166,018	316,032
Investment return, net	7	261,573	261,580	(157,547)
Other	-	-	-	35,879
Sub-total	6,774,220	868,056	7,642,276	6,439,934
Net assets released from restrictions	576,589	(576,589)	-	-
Total support and revenue	<u>7,350,809</u>	<u>291,467</u>	<u>7,642,276</u>	<u>6,439,934</u>
Expenses				
Program services				
Exhibitions	899,123	-	899,123	757,359
Collections	211,207	-	211,207	310,712
Education	1,362,913	-	1,362,913	872,049
Visitor services	814,315	-	814,315	481,005
Maintenance and security	1,462,782	-	1,462,782	1,403,460
Marketing and public affairs	411,649	-	411,649	437,517
Total program services	<u>5,161,989</u>	<u>-</u>	<u>5,161,989</u>	<u>4,262,102</u>
Supporting activities				
General and administrative	1,267,344	-	1,267,344	1,064,021
Development	400,671	-	400,671	299,614
Total supporting activities	<u>1,668,015</u>	<u>-</u>	<u>1,668,015</u>	<u>1,363,635</u>
Total expenses	<u>6,830,004</u>	<u>-</u>	<u>6,830,004</u>	<u>5,625,737</u>
Increase in net assets before postretirement benefits adjustment	520,805	291,467	812,272	814,197
Postretirement benefits adjustment	152,698	-	152,698	(76,410)
Increase in net assets	673,503	291,467	964,970	737,787
Net assets (deficit), beginning of year	<u>(800,732)</u>	<u>2,971,470</u>	<u>2,170,738</u>	<u>1,432,951</u>
Net assets (deficit), end of year	<u>\$ (127,229)</u>	<u>\$ 3,262,937</u>	<u>\$ 3,135,708</u>	<u>\$ 2,170,738</u>

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Activities Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Contributions and contracts			
Individuals	\$ 129,245	\$ 22,000	\$ 151,245
Corporations	154,875	206,120	360,995
Foundations	43,600	323,180	366,780
Government and state	1,181,512	146,684	1,328,196
Appropriations from City of New York	2,501,217	-	2,501,217
Admission fees	661,117	-	661,117
Membership fees	124,754	-	124,754
Fundraising events, net of direct expenses of \$164,626	281,392	-	281,392
Space rentals	469,874	-	469,874
Other earned income	316,032	-	316,032
Investment return, net	180	(157,727)	(157,547)
Other	<u>35,879</u>	<u>-</u>	<u>35,879</u>
Sub-total	5,899,677	540,257	6,439,934
Net assets released from restrictions	<u>523,579</u>	<u>(523,579)</u>	<u>-</u>
Total support and revenue	<u>6,423,256</u>	<u>16,678</u>	<u>6,439,934</u>
Expenses			
Program services			
Exhibitions	757,359	-	757,359
Collections	310,712	-	310,712
Education	872,049	-	872,049
Visitor services	481,005	-	481,005
Maintenance and security	1,403,460	-	1,403,460
Marketing and public affairs	<u>437,517</u>	<u>-</u>	<u>437,517</u>
Total program services	<u>4,262,102</u>	<u>-</u>	<u>4,262,102</u>
Supporting activities			
General and administrative	1,064,021	-	1,064,021
Development	<u>299,614</u>	<u>-</u>	<u>299,614</u>
Total supporting activities	<u>1,363,635</u>	<u>-</u>	<u>1,363,635</u>
Total expenses	<u>5,625,737</u>	<u>-</u>	<u>5,625,737</u>
Increase in net assets before postretirement benefits adjustment	797,519	16,678	814,197
Postretirement benefits adjustment	<u>(76,410)</u>	<u>-</u>	<u>(76,410)</u>
Increase in net assets	<u>721,109</u>	<u>16,678</u>	<u>737,787</u>
Net assets (deficit), beginning of year	<u>(1,521,841)</u>	<u>2,954,792</u>	<u>1,432,951</u>
Net assets (deficit), end of year	<u>\$ (800,732)</u>	<u>\$ 2,971,470</u>	<u>\$ 2,170,738</u>

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Functional Expenses

Year Ended June 30, 2023

(With Summarized Comparative Information for the Year Ended June 30, 2022)

	2023											2022	
	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)	Total Supporting Activities		
Salaries, wages and benefits	\$ 524,466	\$ 55,482	\$ 927,259	\$ 553,470	\$ 776,954	\$ 252,299	\$ 3,089,930	\$ 223,751	\$ -	\$ 154,420	\$ 378,171	\$ 3,468,101	\$ 2,776,356
Professional fees	88,651	120,475	223,026	75,082	64,424	71,799	643,457	594,898	-	153,359	748,257	1,391,714	1,149,746
Catering, facility rental, printing and other	-	-	-	-	-	-	-	-	115,317	-	115,317	115,317	164,626
Office expenses	10,028	465	18,606	9,106	3,778	5,404	47,387	61,310	-	538	61,848	109,235	119,208
Supplies	187,973	17,288	115,116	81,516	86,501	1,473	489,867	7,410	-	6,906	14,316	504,183	475,766
Travel and meetings	6,907	8,445	44,814	3,230	-	148	63,544	26,386	-	3,395	29,781	93,325	59,723
Marketing	-	-	-	-	-	70,124	70,124	-	-	-	-	70,124	42,000
Equipment	12,397	7,709	20,715	18,212	73,525	5,360	137,918	11,305	-	3,539	14,844	152,762	164,185
Maintenance and utilities	4994	614	10,121	6,033	323,160	2,619	347,541	4,818	-	1,729	6,547	354,088	365,858
Insurance	-	-	-	-	-	-	-	255,117	-	-	255,117	255,117	221,272
Other	47,637	729	3,256	67,666	-	2,423	121,711	60,555	-	76,785	137,340	259,051	100,956
Sub-total	883,053	211,207	1,362,913	814,315	1,328,342	411,649	5,011,479	1,245,550	115,317	400,671	1,761,538	6,773,017	5,639,696
Depreciation	16,070	-	-	-	134,440	-	150,510	21,794	-	-	21,794	172,304	150,667
Total expenses	899,123	211,207	1,362,913	814,315	1,462,782	411,649	5,161,989	1,267,344	115,317	400,671	1,783,332	6,945,321	5,790,363
Less: expenses deducted directly on the statement of activities	-	-	-	-	-	-	-	-	(115,317)	-	(115,317)	(115,317)	(164,626)
Total expenses reported by function on the statement of activities	\$ 899,123	\$ 211,207	\$ 1,362,913	\$ 814,315	\$ 1,462,782	\$ 411,649	\$ 5,161,989	\$ 1,267,344	\$ -	\$ 400,671	\$ 1,668,015	\$ 6,830,004	\$ 5,625,737

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Functional Expenses Year Ended June 30, 2022

	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)	Total Supporting Activities	
Salaries, wages and benefits	\$ 450,576	\$ 146,667	\$ 616,260	\$ 340,653	\$ 616,016	\$ 251,404	\$ 2,421,576	\$ 194,403	\$ -	\$ 160,377	\$ 354,780	\$ 2,776,356
Professional fees	68,036	93,258	131,329	25,023	99,248	95,681	512,575	526,939	-	110,232	637,171	1,149,746
Catering, facility rental, printing and other	-	-	-	-	-	-	-	-	164,626	-	164,626	164,626
Office expenses	14,245	3,754	10,573	18,983	7,911	13,427	68,893	47,838	-	2,477	50,315	119,208
Supplies	170,813	29,096	67,360	53,114	122,049	19,959	462,391	2,514	-	10,861	13,375	475,766
Travel and meetings	5,160	11,525	18,725	115	-	295	35,820	17,525	-	6,378	23,903	59,723
Marketing	-	-	-	-	-	42,000	42,000	-	-	-	-	42,000
Equipment	12,277	24,019	20,017	10,934	72,532	7,388	147,167	11,868	-	5,150	17,018	164,185
Maintenance and utilities	11,969	1,635	7,185	3,980	334,775	2,689	362,233	1,751	-	1,874	3,625	365,858
Insurance	-	-	-	-	-	-	-	221,272	-	-	221,272	221,272
Other	24,283	758	600	28,203	262	4,674	58,780	39,911	-	2,265	42,176	100,956
Sub-total	757,359	310,712	872,049	481,005	1,252,793	437,517	4,111,435	1,064,021	164,626	299,614	1,528,261	5,639,696
Depreciation	-	-	-	-	150,667	-	150,667	-	-	-	-	150,667
Total expenses	757,359	310,712	872,049	481,005	1,403,460	437,517	4,262,102	1,064,021	164,626	299,614	1,528,261	5,790,363
Less: expenses deducted directly on the statement of activities	-	-	-	-	-	-	-	-	(164,626)	-	(164,626)	(164,626)
Total expenses reported by function on the statement of activities	\$ 757,359	\$ 310,712	\$ 872,049	\$ 481,005	\$ 1,403,460	\$ 437,517	\$ 4,262,102	\$ 1,064,021	\$ -	\$ 299,614	\$ 1,363,635	\$ 5,625,737

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Statement of Cash Flows

	Year Ended June 30	
	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Increase in net assets	\$ 964,970	\$ 737,787
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Contribution with perpetual donor restrictions	(60,633)	-
Depreciation	172,304	150,667
Donated investments	(20,320)	(20,356)
Proceeds from donated investments	20,320	20,356
Net realized (gain) on sale of investments	(88,425)	(78,552)
Change in unrealized value of investments	(125,357)	243,738
(Increase) decrease in assets		
Contributions receivable	403,849	(478,072)
Employee retention payroll tax credits receivable	38,314	-
Prepaid expenses and other assets	6,233	(52,959)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(105,408)	(13,652)
Due to City of New York	(20,210)	(20,210)
Deferred revenue	71,658	(11,300)
Refundable advances	-	(448,073)
Accrued postretirement benefits	(344,432)	(141,591)
Net cash provided by (used in) operating activities	<u>912,863</u>	<u>(112,217)</u>
Cash flows from investing activities		
Purchases of investments	(398,599)	(574,690)
Proceeds from sales of investments	345,334	649,680
Purchases of property and equipment	<u>(549,182)</u>	<u>(401,049)</u>
Net cash (used in) investing activities	<u>(602,447)</u>	<u>(326,059)</u>
Cash flows from financing activities		
Contribution with perpetual donor restrictions	60,633	-
Borrowings on line of credit	133,925	-
Repayments of line of credit	(147,768)	(33,591)
Repayment of note payable	(10,000)	(10,000)
Proceeds from SBA loans	25,000	-
Repayments of SBA loans - net of adjustments	<u>645</u>	<u>(14,876)</u>
Net cash provided by (used in) financing activities	<u>62,435</u>	<u>(58,467)</u>
Net increase (decrease) in cash and cash equivalents	372,851	(496,743)
Cash and cash equivalents, beginning of year	<u>777,231</u>	<u>1,273,974</u>
Cash and cash equivalents, end of year	<u>\$ 1,150,082</u>	<u>\$ 777,231</u>
Consists of:		
Cash	\$ 1,147,715	\$ 775,777
Money market account	<u>2,367</u>	<u>1,454</u>
Total	<u>\$ 1,150,082</u>	<u>\$ 777,231</u>
Supplemental disclosure of cash flows information:		
Cash paid for interest	<u>\$ 16,097</u>	<u>\$ 20,121</u>

See notes to financial statements.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements
June 30, 2023 and June 30, 2022****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. The Museum hosts public programs, school field trips, and free after school and summer camp programs for elementary students, and a teen program highlighting museum careers.

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; *Brooklyn Voices*, an area that highlights stories of the borough's history; *Totally Tots*, an early childhood sensory learning space; and, *ColorLab*, an art studio featuring experiences that highlight Black art and artists. The Museum presents daily public programs, including live animal encounters, music workshops, and art-making activities, as well as one to five day festivals highlighting cultures and traditions of Brooklyn communities.

Annually, the Museum hosts original temporary exhibitions in its visiting exhibits gallery. In 2018, the Museum presented *Block Party*, an exploration of the iconic Brooklyn block party. In the 2019 fiscal year, the Museum built *TapeScape*, an interactive, climbable sculpture created from 15 miles of packing tape. In the 2020 fiscal year, the Museum hosted *Survival of the Slowest* and *Under the Canopy*, both of which brought live animals from around the world to Brooklyn to teach children about conservation and species preservation. In the 2021 fiscal year, the Museum opened *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. In the 2022 fiscal year, the Museum opened *A-Maze-D*, a life-size maze created from cardboard boxes and including art and puzzles and *ArtRink*, a 3,000 square foot synthetic ice-rink flanked by interactive art installations.

In the 2023 fiscal year, the Museum opened two new spaces, a 6,500 square foot branch of Brooklyn Public Library and a 175-seat auditorium and movie theater. The Museum also presented two temporary exhibits in the 2023 fiscal year, *Jurassic Mini-Golf*, a child-sized golf course flanked by animatronic dinosaurs, and *Sound Field*, a series of large-scale, fantastical instruments activated by visitors.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)
June 30, 2023 and June 30, 2022****Note 1 – Nature of organization and summary of significant accounting policies (continued)**Nature of Organization (continued)

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; and free admission for families of military service members, firefighters, and police officers, EBT/SNAP card holders, schoolteachers 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.

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 175,000 children and caregivers in the 2022 fiscal year through in-person programs. From May 2021 through August 2022, the Museum hosted a City of New York vaccination clinic on its site, providing nearly 40,000 vaccinations at no charge. In the 2023 fiscal year, the Museum restored 5-day-a-week service and served approximately 260,000 children and caregivers.

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.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)
June 30, 2023 and June 30, 2022****Note 1 – Nature of organization and summary of significant accounting policies (continued)**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.

Allowance for doubtful accounts

As of June 30, 2023 and June 30, 2022, 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 net assets with temporary donor restrictions.

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.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)**
June 30, 2023 and June 30, 2022**Note 1 – Nature of organization and summary of significant accounting policies (continued)****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.

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 the 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.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)
June 30, 2023 and June 30, 2022****Note 1 – Nature of organization and summary of significant accounting policies (continued)**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, 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, 2023. 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.

Reclassification

Certain items in the 2022 fiscal year financial statements have been reclassified for comparative purposes only.

New accounting pronouncement

FASB issued ASU No. 2016-02, *Leases* (Topic 842) ("ASC 842"). ASC 842 is effective for the Museum's fiscal year ended June 30, 2023 and requires a lessee to recognize a right-of-use ("ROU") asset, which represents the right to control the use of a respective asset for the lease term, and a lease liability on the statement of financial position. The Museum does not include short-term leases within the statement of financial position since it has elected the practical expedient to not include these leases within the operating right-of-use asset and lease liabilities. The Museum's operating leases were not material to record as an asset and liability for the 2023 fiscal year.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2023 and June 30, 2022

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

Subsequent events

The Museum has evaluated events and transactions for potential recognition or disclosure through May 7, 2024, 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, 2023 and June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions for Future Periods and Programs	Total
Due within one year	\$ 929,526	\$ 150,000	\$1,079,526
Less: allowance for doubtful accounts	(585)	-	(585)
Total, June 30, 2023	<u>\$ 928,941</u>	<u>\$ 150,000</u>	<u>\$1,078,941</u>
Total, June 30, 2022	<u>\$1,209,993</u>	<u>\$ 272,797</u>	<u>\$1,482,790</u>

Note 3 – Investments and money market account

The following is a summary of investments at fair value and money market account held by the Museum as of June 30, 2023 and June 30, 2022:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
<u>Investments</u>				
Money market funds	\$ 1,213,548	\$ 1,215,697	\$ 1,152,105	\$ 1,152,717
Equities	846,006	1,528,623	735,582	1,288,106
U.S. Treasuries and corporate bonds	496,951	474,212	478,438	462,826
Mutual fund	-	-	48,690	47,836
Sub-total	<u>2,556,505</u>	<u>3,218,532</u>	<u>2,414,815</u>	<u>2,951,485</u>
Money market account	<u>2,367</u>	<u>2,367</u>	<u>1,454</u>	<u>1,454</u>
Total	<u>\$ 2,558,872</u>	<u>\$ 3,220,899</u>	<u>\$ 2,416,269</u>	<u>\$ 2,952,939</u>

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2023 and June 30, 2022

Note 3 – Investments and money market account (continued)

For the years ended June 30, 2023 and June 30, 2022, net investment return consists of the following:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 68,077	\$ 29,912
Realized gain on sale of investments	88,425	78,552
Change in unrealized value of investments	125,357	(243,738)
Investment management fees	(20,279)	(22,273)
Total	<u>\$ 261,580</u>	<u>\$ (157,547)</u>

Note 4 – Property and equipment

A summary of the property and equipment and accumulated depreciation as of June 30, 2023 and June 30, 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Exhibits	\$ 10,239,684	\$9,732,502
Building improvements	1,220,560	1,178,560
Furniture, fixtures and equipment	<u>1,270,173</u>	<u>1,270,173</u>
Total	12,730,417	12,181,235
Less: accumulated depreciation	<u>11,418,434</u>	<u>11,246,130</u>
Net property and equipment	<u>\$ 1,311,983</u>	<u>\$ 935,105</u>

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 required 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 required annual principal payments of \$10,000. The Museum repaid \$10,000 during the 2023 and 2022 fiscal years. The interest rate remained the same on all notes. As of June 30, 2023, the note has been paid in full.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)
June 30, 2023 and June 30, 2022****Note 6 – Lines of credit and SBA loans**Lines 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. The Museum was able to draw down on the line until January 2023. The line required 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. Effective January 2023, the line was to convert to a Term Out Loan requiring sixty consecutive equal fixed payments of principal and interest commencing February 2023 and all unpaid principal and accrued interest due and payable in full in January 2028. During January 2023, the line was repaid in full from the proceeds from the Museum’s new line of credit.

During January 2023, the Museum obtained a new \$400,000 unsecured revolving line of credit (the “new line”) due on demand or if no demand is made, due in one payment of all outstanding principal plus all accrued unpaid interest in February 2024. The new line was used to repay the then-outstanding balance of the line of credit above. The new line requires regular monthly payments of all accrued interest at the Prime Rate plus 2.0 percentage points per annum beginning in March 2023. The new line may be prepaid at any time without a prepayment penalty. As of June 30, 2023, the outstanding balance on the new line was \$133,925. During February 2024, the new line was modified converting the new line to an on-demand line of credit, with no maturity date, at the same interest rate and subject to a clean down period as defined in the agreement.

SBA loansEconomic 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. As of June 30, 2023, the outstanding balance on the EIDL was \$148,493.

Disaster Loan

During June 2022, the Museum was approved for a \$374,300 SBA Disaster Loan (“DL”) to repair damages associated with Hurricane Ida. The DL included an 18-month deferment period, commencing December 2023, the DL requires monthly payments of \$2,699 applicable first to interest at a fixed rate of 2.00% per annum and the balance to a reduction of principal. As security for the DL, the Museum granted the SBA a security interest in certain of its business assets. The DL matures in June 2037. As of June 30, 2023, the outstanding balance under the DL was \$25,000. As of the date of this report, the Museum has drawn down the full amount available under the DL totaling \$374,300.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2023 and June 30, 2022

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

The following are the required annual principal payments on the EIDL and DL based on amounts outstanding as of June 30, 2023:

<u>Fiscal Year</u>	<u>EIDL</u>	<u>DL</u>	<u>Total Amount</u>
2024	\$ 3,672	\$ 7,985	\$ 11,657
2025	3,757	17,015	20,772
2026	3,861	-	3,861
2027	3,969	-	3,969
2028	4,079	-	4,079
2029 and after	<u>129,155</u>	<u>-</u>	<u>129,155</u>
Totals	<u>\$ 148,493</u>	<u>\$ 25,000</u>	<u>\$ 173,493</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. The Museum substantially met the conditions for \$35,866 and recognized this amount as contributions to net assets with temporary donor restrictions in the 2022 fiscal year statement of activities. Through June 30, 2022, the Museum substantially satisfied the conditions of the Grant for amounts received to date, therefore, no amounts are reflected as refundable advances as of June 30, 2022.

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.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)
June 30, 2023 and June 30, 2022****Note 8 – Commitments (continued)**Earth Science Garden Project

In May 2019, and subsequently updated in January 2020, the Museum entered into contracts for the design of exhibit and landscape elements of the Earth Science Garden at the Museum totaling \$626,000 in design fees. Construction commencement of phase 1 led by New York City's Department of Design and Construction started in December 2023 and it is anticipated that phase 2, which will feature the aforementioned exhibit and landscape elements, will be the fall of 2025 and the substantial completion date to be January 2029. As of June 30, 2023, \$383,958 has been completed under the contract.

Brooklyn Time Machine Project

In February 2023, the Museum entered into contract for the design of a new permanent exhibit called "Brooklyn Time Machine." It is anticipated that construction commencement will be in the fall of 2026 with an estimated completion of 2028.

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. The branch of the Library was opened in July 2023.

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 had 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, 2023, the outstanding balance owed to the City of New York was \$40,415.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2023 and June 30, 2022

Note 10 – Net assets with temporary donor restrictions (time and purpose restrictions)

Activity of the net assets with temporary donor restrictions as of and for the years ended June 30, 2023 and June 30, 2022 is as follows:

	Balance at June 30, 2022	Contributions and Investment Return	Net Assets Released from Restrictions	Balance at June 30, 2023
Time restrictions				
Undepreciated portion				
Capital projects				
(see note 1)	\$ 381,958	\$ 155,000	\$ -	\$ 536,958
Endowments return	262,413	261,573	(100,152)	423,834
Future programs	451,998	390,850	(470,937)	371,911
Charles E. Inniss Fund for the Children of Brooklyn	76,898	-	(5,500)	71,398
Total	<u>\$ 1,173,267</u>	<u>\$ 807,423</u>	<u>\$ (576,589)</u>	<u>\$ 1,404,101</u>
	Balance at June 30, 2021	Contributions and Investment Return	Net Assets Released from Restrictions	Balance at June 30, 2022
Time restrictions				
Undepreciated portion				
Capital projects				
(see note 1)	\$ 339,134	\$ 42,824	\$ -	\$ 381,958
Endowments return	506,443	(157,727)	(86,303)	262,413
Future programs	228,614	655,160	(431,776)	451,998
Charles E. Inniss Fund for the Children of Brooklyn	82,398	-	(5,500)	76,898
Total	<u>\$ 1,156,589</u>	<u>\$ 540,257</u>	<u>\$ (523,579)</u>	<u>\$ 1,173,267</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 temporary donor restrictions based on donor stipulations.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2023 and June 30, 2022

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 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. Through June 30, 2022, the 60-month \$100,000 term loan was repaid in full. 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, 2023 and June 30, 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Brooklyn Institute of Arts and Sciences	\$ 496,333	\$ 496,333
90 th Anniversary Capital Campaign	251,870	251,870
Centennial – Collections Central Endowment	1,000,000	1,000,000
Special Contribution Fund and Endowment	<u>110,633</u>	<u>50,000</u>
Total	<u>\$1,858,836</u>	<u>\$1,798,203</u>

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2023 and June 30, 2022

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, 2023 and June 30, 2022:

	<u>2023</u>	<u>2022</u>
Department of Cultural Affairs		
Operational support	\$ 2,490,777	\$ 2,124,788
Energy	240,366	211,271
Pension	123,264	88,182
Other	<u>201,406</u>	<u>76,976</u>
Total	<u>\$ 3,055,813</u>	<u>\$ 2,501,217</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 \$658,025 and \$1,886,517 were made by the City of New York during the years ended June 30, 2023 and June 30, 2022, respectively. The City of New York has spent \$64,745,216 on capital expenditures from the 2000 fiscal year through the 2023 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.

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, 2023 was \$166,680, of which \$123,264 was funded by an appropriation from the City of New York. The pension plan expense for the year ended June 30, 2022 was \$160,813, of which \$88,182 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.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2023 and June 30, 2022

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

Multiemployer pension plan (continued)

The Museum's participation in the multiemployer plan for the years ended June 30, 2023 and June 30, 2022, 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 most recent Pension Protection Act zone status available in fiscal 2023 and 2022 is for the plan's year-end at June 30, 2022 and June 30, 2021, 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 2022</u>	<u>Fiscal 2021</u>			<u>Fiscal 2023</u>	<u>Fiscal 2022</u>
The Cultural Institutions Pension Plan	11-2001170/001	6/30/2025	Green	Green	No	No	\$ 166,680	\$ 160,813

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 their 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 2023 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 4.90% and 4.41%, respectively, for the fiscal years ended June 30, 2023 and June 30, 2022.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2023 and June 30, 2022

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

Other postretirement benefits (continued)

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, 2023 and June 30, 2022:

	<u>2023</u>	<u>2022</u>
Postretirement benefit obligation at the beginning of year		
a. Actives not fully eligible to retire	\$ -	\$ -
b. Actives fully eligible to retire	894,067	1,018,345
c. Retirees	<u>2,227,076</u>	<u>2,244,389</u>
d. Total	3,121,143	3,262,734
Interest cost	122,488	102,958
Actuarial (gain)	(288,104)	(41,232)
Benefits paid	<u>(178,816)</u>	<u>(203,317)</u>
Total postretirement benefit obligation at end of year	<u>\$2,776,711</u>	<u>\$3,121,143</u>
Consists of:		
a. Actives fully eligible to retire	\$ 828,660	\$ 894,067
b. Retirees	<u>1,948,051</u>	<u>2,227,076</u>
c. Total	<u>\$2,776,711</u>	<u>\$3,121,143</u>

Other components of the postretirement benefit costs for the years ended June 30, 2023 and June 30, 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Interest cost	\$ 122,488	\$ 102,958
Actuarial (gain)	(288,104)	(41,232)
Benefits paid	(178,816)	(203,317)
Payments made by the Museum	<u>191,734</u>	<u>218,001</u>
Total	<u>\$ (152,698)</u>	<u>\$ 76,410</u>

The estimated annual benefit payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2024	\$ 170,618
2025	167,392
2026	174,511
2027	171,440
2028	172,383
2029-2033	878,148

For a non-funded plan, the expected contributions equal the benefit payments for the next fiscal year totaling \$170,618.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)
June 30, 2023 and June 30, 2022****Note 13 – Pension and retirement plans and other postretirement benefits (continued)****Other postretirement benefits (continued)**

For measurement purposes, a projected health care cost trend rate of 5% was used for participants for 2023. The rate is assumed to be 5.0% by 2024. Increasing the assumed healthcare cost trend rate by 1% each year would result in an increase in the post-retirement benefit obligation of \$359,164 as of June 30, 2023. Decreasing the assumed healthcare cost trend rate by 1% each year would result in a decrease in the post-retirement benefit obligation of \$302,123 as of June 30, 2023.

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 \$266,075 of its available line of credit as of June 30, 2023.

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 perpetual donor restrictions is classified as net assets without donor restrictions or net assets with temporary donor restrictions (purpose and time restricted) based on donor stipulations.

As of June 30, 2023, the Board-designated funds totaled \$1,130,387 (\$423,834 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 circumstances as necessary to meet short term cash flow needs.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2023 and June 30, 2022

Note 14 – Liquidity and availability of resources (continued)

The table below presents financial assets available for general expenditures within one year of the statement of financial position date at June 30, 2023 and June 30, 2022:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,150,082	\$ 777,231
Investments, at fair value	3,218,532	2,951,485
Contributions receivable, net	1,078,941	1,482,790
Employee retention payroll tax credits receivable	<u>96,801</u>	<u>135,115</u>
Total financial assets	<u>5,544,356</u>	<u>5,346,621</u>
Less: Donor-imposed restrictions:		
Perpetual donor restrictions	(1,858,836)	(1,798,203)
Temporary donor restrictions	<u>(1,404,101)</u>	<u>(1,173,267)</u>
Total donor-imposed restrictions	<u>(3,262,937)</u>	<u>(2,971,470)</u>
Less: Board-designated funds - Tullock Trust Fund	(706,553)	(706,553)
Financial Assets Available to meet cash needs for general expenditures within one year	<u>\$ 1,574,866</u>	<u>\$ 1,668,598</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 the 2019 fiscal year, 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 the 2020 and 2021 fiscal years related to the COVID-19 health crisis, the Museum reopened for weekend service in September 2020 and served approximately 175,000 visitors in the 2022 fiscal year. The Museum restored a 5-day a week service for the 2023 fiscal year, starting on July 1, 2022. Additionally, the Museum added Tuesday morning visits for field trips.

BROOKLYN CHILDREN'S MUSEUM CORPORATION

Notes to Financial Statements (continued) June 30, 2023 and June 30, 2022

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

The Museum has created a set of three-year projections to understand the impact of COVID-19 on its financial health and sustainability. 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.
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.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)
June 30, 2023 and June 30, 2022****Note 15 – Net assets without donor restrictions deficit elimination plan (continued)**

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 \$2.78 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. As a risk management measure, the Museum was approved for an SBA loan of \$150,000 in the 2021 fiscal year. To repair damages associated with Hurricane Ida, the Museum was approved for a second SBA loan of \$374,300 in the 2022 fiscal year. These funds will be expended on capital work associated with the Museum's lower level, which was substantially damaged in the storm.

Note 16 – Employee retention payroll tax credits

In response to the coronavirus emergency, the Coronavirus Aid, Relief and Economic Security Act and subsequent legislations (the "Acts") were signed into law. The Acts provided, among other things, a refundable credit of certain qualified wages per eligible employee for wages paid or incurred from March 13, 2020 through September 30, 2021. In connection therewith, the Museum filed amended payroll tax returns requesting refunds and recorded a receivable for such employee retention payroll tax credits. As of June 30, 2023 and June 30, 2022, \$96,801 and \$135,115, respectively, was outstanding.

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.

BROOKLYN CHILDREN'S MUSEUM CORPORATION**Notes to Financial Statements (continued)**
June 30, 2023 and June 30, 2022**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.