

**MUSEUM OF ARTS AND DESIGN**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**



**LUTZ AND GARR**  
CERTIFIED PUBLIC ACCOUNTANTS, LLP  
551 FIFTH AVENUE - SUITE 400, NEW YORK, NY 10176  
212-697-2299 FAX: 212-949-1768

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
Museum of Arts and Design

We have audited the accompanying financial statements of Museum of Arts and Design (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Museum of Arts and Design as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 14 to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, Museum of Arts and Design has suspended some of its program activities at the direction of state and local governmental authorities. Our opinion is not modified with respect to this matter

*Lotz + Carr, LLP*

New York, New York  
September 24, 2020

## MUSEUM OF ARTS AND DESIGN

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019 WITH COMPARATIVE TOTALS FOR 2018

	2019							
	Without Donor Restrictions				With Donor Restrictions			
	Operating	Property and Equipment/ Capital Campaign	Board Designated Endowment	Total	Time and Purpose	Perpetual in Nature	Total	2018 Total
<b>Assets</b>								
Cash and cash equivalents (Notes 1b and 4a)	\$7,551,149	\$ -	\$ -	\$ 7,551,149	\$ 6,404	\$ 633,277	\$ 8,190,830	\$ 2,721,577
Unconditional promises to give (Notes 1c and 5)								
Without donor restrictions, less allowance for uncollectible pledges	336,808	-	-	336,808	-	-	336,808	116,337
With donor restrictions	-	-	-	-	822,233	1,486,723	2,308,956	785,033
Accounts receivable	235,841	36	-	235,877	18,205	-	254,082	175,446
Museum store inventory (Note 1h)	449,043	-	-	449,043	-	-	449,043	483,908
Prepaid expenses and other current assets	286,488	-	-	286,488	-	-	286,488	158,606
Investments (Notes 1d and 6)	616,001	-	-	616,001	-	-	616,001	-
Investments - endowment (Notes 1d, 6 and 7)	-	-	1,062,028	1,062,028	3,952,161	11,962,278	16,976,467	12,988,004
Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 8)	-	65,548,997	-	65,548,997	-	-	65,548,997	67,049,003
Collection (Note 1g)	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$9,475,330</b>	<b>\$65,549,033</b>	<b>\$1,062,028</b>	<b>\$76,086,391</b>	<b>\$ 4,799,003</b>	<b>\$14,082,278</b>	<b>\$94,967,672</b>	<b>\$84,477,914</b>
<b>Liabilities and Net Assets</b>								
Liabilities								
Accounts payable and accrued expenses	\$ 884,695	\$ 850	\$ -	\$ 885,545	\$ -	\$ -	\$ 885,545	\$ 1,310,247
Refundable advances and deferred revenue (Note 1j)	105,640	-	-	105,640	-	-	105,640	26,000
Deferred rent liability (Note 1i)	50,156	-	-	50,156	-	-	50,156	31,005
Interfund (receivable) payable	6,534,942	426,193	-	6,961,135	(6,961,135)	-	-	-
Total Liabilities	7,575,433	427,043	-	8,002,476	(6,961,135)	-	1,041,341	1,367,252
Commitments and Contingencies (Notes 9, 10, 13 and 14)								
Net Assets								
Without Donor Restrictions								
Property and equipment	-	65,121,990	-	65,121,990	-	-	65,121,990	67,285,003
Board designated endowment (Note 3a)	-	-	1,062,028	1,062,028	-	-	1,062,028	900,096
Operations	1,899,897	-	-	1,899,897	-	-	1,899,897	1,323,943
Total Without Donor Restrictions	1,899,897	65,121,990	1,062,028	68,083,915	-	-	68,083,915	69,509,042
With Donor Restrictions								
Subject to time and purpose restriction (Note 3b)	-	-	-	-	11,760,138	-	11,760,138	3,279,159
Perpetual in nature (Note 3c)	-	-	-	-	-	14,082,278	14,082,278	10,322,461
Total With Donor Restrictions	-	-	-	-	11,760,138	14,082,278	25,842,416	13,601,620
Total Net Assets	1,899,897	65,121,990	1,062,028	68,083,915	11,760,138	14,082,278	93,926,331	83,110,662
<b>Total Liabilities and Net Assets</b>	<b>\$9,475,330</b>	<b>\$65,549,033</b>	<b>\$1,062,028</b>	<b>\$76,086,391</b>	<b>\$ 4,799,003</b>	<b>\$14,082,278</b>	<b>\$94,967,672</b>	<b>\$84,477,914</b>

See notes to financial statements.

**MUSEUM OF ARTS AND DESIGN**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2018**

	2018						
	Without Donor Restrictions				With Donor Restrictions		
	Operating	Property and Equipment/ Capital Campaign	Board Designated Endowment	Total	Time and Purpose	Perpetual in Nature	Total
<b>Assets</b>							
Cash and cash equivalents (Notes 1b and 4a)	\$2,714,630	\$ 548	\$ -	\$ 2,715,178	\$ 6,399	\$ -	\$ 2,721,577
Unconditional promises to give (Notes 1c and 5)							
Without donor restrictions, less allowance for uncollectible pledges	116,337	-	-	116,337	-	-	116,337
With donor restrictions	-	-	-	-	785,033	-	785,033
Accounts receivable	155,866	36	-	155,902	19,544	-	175,446
Museum store inventory (Note 1h)	483,908	-	-	483,908	-	-	483,908
Prepaid expenses and other current assets	158,606	-	-	158,606	-	-	158,606
Investments - endowment (Notes 1d, 6 and 7)	-	-	900,096	900,096	1,765,447	10,322,461	12,988,004
Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 8)	-	67,049,003	-	67,049,003	-	-	67,049,003
Collection (Note 1g)	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$3,629,347</b>	<b>\$67,049,587</b>	<b>\$ 900,096</b>	<b>\$71,579,030</b>	<b>\$2,576,423</b>	<b>\$10,322,461</b>	<b>\$84,477,914</b>
<b>Liabilities and Net Assets</b>							
Liabilities							
Accounts payable and accrued expenses	\$1,292,364	\$ 17,883	\$ -	\$ 1,310,247	\$ -	\$ -	\$ 1,310,247
Refundable advances and deferred revenue (Note 1j)	26,000	-	-	26,000	-	-	26,000
Deferred rent liability (Note 1i)	31,005	-	-	31,005	-	-	31,005
Interfund (receivable) payable	956,035	(253,299)	-	702,736	(702,736)	-	-
<b>Total Liabilities</b>	<b>2,305,404</b>	<b>(235,416)</b>	<b>-</b>	<b>2,069,988</b>	<b>(702,736)</b>	<b>-</b>	<b>1,367,252</b>
Commitments and Contingencies (Notes 9, 10 and 13)							
Net Assets							
Without Donor Restrictions							
Property and equipment	-	67,285,003	-	67,285,003	-	-	67,285,003
Board Designated Endowment (Note 3a)	-	-	900,096	900,096	-	-	900,096
Operations	1,323,943	-	-	1,323,943	-	-	1,323,943
<b>Total Without Donor Restrictions</b>	<b>1,323,943</b>	<b>67,285,003</b>	<b>900,096</b>	<b>69,509,042</b>	<b>-</b>	<b>-</b>	<b>69,509,042</b>
With Donor Restrictions							
Subject to time and purpose restriction (Note 3b)	-	-	-	-	3,279,159	-	3,279,159
Perpetual in nature (Note 3c)	-	-	-	-	-	10,322,461	10,322,461
<b>Total Without Donor Restrictions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,279,159</b>	<b>10,322,461</b>	<b>13,601,620</b>
<b>Total Net Assets</b>	<b>1,323,943</b>	<b>67,285,003</b>	<b>900,096</b>	<b>69,509,042</b>	<b>3,279,159</b>	<b>10,322,461</b>	<b>83,110,662</b>
<b>Total Liabilities and Net Assets</b>	<b>\$3,629,347</b>	<b>\$67,049,587</b>	<b>\$ 900,096</b>	<b>\$71,579,030</b>	<b>\$2,576,423</b>	<b>\$10,322,461</b>	<b>\$84,477,914</b>

See notes to financial statements.

## MUSEUM OF ARTS AND DESIGN

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019 WITH COMPARATIVE TOTALS FOR 2018

	2019							
	Without Donor Restrictions				With Donor Restrictions			
		Property and Equipment/ Capital Campaign	Board Designated Endowment	Total	Time and Purpose	Perpetual in Nature	Total	2018 Total
	Operating							
Revenues, Gains and Other Support								
Contributions (Note 4b)	\$ 6,097,534	\$ -	\$ -	\$ 6,097,534	\$ 6,901,267	\$ 3,773,317	\$16,772,118	\$ 6,181,689
Donated services (Note 11)	94,223	-	-	94,223	-	-	94,223	80,659
	6,191,757	-	-	6,191,757	6,901,267	3,773,317	16,866,341	6,262,348
Special events income	2,395,636	-	-	2,395,636	-	-	2,395,636	2,443,927
Less: Direct expenses	(451,301)	-	-	(451,301)	-	-	(451,301)	(466,230)
Merchandise sales	2,469,796	-	-	2,469,796	-	-	2,469,796	2,685,608
Less: Cost of sales, including payments to artists	(1,252,764)	-	-	(1,252,764)	-	-	(1,252,764)	(1,380,633)
Museum admission fees	745,698	-	-	745,698	-	-	745,698	634,910
Membership and support group dues	431,831	-	-	431,831	-	-	431,831	452,791
Member trips	10,040	-	-	10,040	-	-	10,040	20,830
Education lectures, workshops and other income	54,039	-	-	54,039	-	-	54,039	14,469
Rental income (Note 10b)	819,792	-	-	819,792	-	-	819,792	758,345
Net investment income (loss) (Note 6)	17,720	23	204,139	221,882	2,741,946	-	2,963,828	(925,598)
Loss on disposal of property and equipment (Note 8)	-	(93,737)	-	(93,737)	-	-	(93,737)	-
	11,432,244	(93,714)	204,139	11,542,669	9,643,213	3,773,317	24,959,199	10,500,767
Investment income appropriated to operations (Notes 3a and 3b)	600,000	-	(42,207)	557,793	(557,793)	-	-	-
Return of prior year grant	-	-	-	-	-	-	-	(49,917)
Net assets released from restrictions	604,441	-	-	604,441	(604,441)	-	-	-
	12,636,685	(93,714)	161,932	12,704,903	8,480,979	3,773,317	24,959,199	10,450,850
Total Revenues, Gains and Other Support								
Expenses								
Program Services								
Exhibitions	3,696,407	996,721	-	4,693,128	-	-	4,693,128	4,141,252
Curatorial	1,498,255	249,045	-	1,747,300	-	-	1,747,300	1,645,382
Education and other	2,755,772	646,565	-	3,402,337	-	-	3,402,337	3,326,704
Total Program Services	7,950,434	1,892,331	-	9,842,765	-	-	9,842,765	9,113,338
Supporting Services								
Administration	1,262,385	86,720	-	1,349,105	-	-	1,349,105	1,075,933
Membership and development	2,792,485	123,915	-	2,916,400	-	-	2,916,400	2,504,169
Capital campaign	-	-	-	-	-	-	-	2,852
Total Supporting Services	4,054,870	210,635	-	4,265,505	-	-	4,265,505	3,582,954
Total Expenses	12,005,304	2,102,966	-	14,108,270	-	-	14,108,270	12,696,292
Increase (Decrease) in Net Assets from Operations Before Changes Related to Collection Items Not Capitalized	631,381	(2,196,680)	161,932	(1,403,367)	8,480,979	3,773,317	10,850,929	(2,245,442)
Changes in net assets related to collection items not capitalized								
Endowment withdrawal for collection purchases	13,500	-	-	13,500	-	(13,500)	-	-
Collection items purchased (Note 1g)	(35,260)	-	-	(35,260)	-	-	(35,260)	(181,485)
Increase (Decrease) in Net Assets from Operations	609,621	(2,196,680)	161,932	(1,425,127)	8,480,979	3,759,817	10,815,669	(2,426,927)
Interfund appropriation for property and equipment	(33,667)	33,667	-	-	-	-	-	-
Increase (decrease) in net assets	575,954	(2,163,013)	161,932	(1,425,127)	8,480,979	3,759,817	10,815,669	(2,426,927)
Net assets, beginning of year	1,323,943	67,285,003	900,096	69,509,042	3,279,159	10,322,461	83,110,662	85,537,589
Net Assets, End of Year	\$ 1,899,897	\$65,121,990	\$ 1,062,028	\$68,083,915	\$11,760,138	\$14,082,278	\$93,926,331	\$83,110,662

See notes to financial statements.

**MUSEUM OF ARTS AND DESIGN**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2018**

	2018						
	Without Donor Restrictions			With Donor Restrictions			
	Operating	Property and Equipment/ Capital Campaign	Board Designated Endowment	Total	Time and Purpose	Perpetual in Nature	Total
Revenues, Gains and Other Support							
Contributions (Note 4b)	\$ 4,941,096	\$ -	\$ -	\$ 4,941,096	\$ 1,240,593	\$ -	\$ 6,181,689
Donated services (Note 11)	80,659	-	-	80,659	-	-	80,659
	5,021,755	-	-	5,021,755	1,240,593	-	6,262,348
Special events income	2,443,927	-	-	2,443,927	-	-	2,443,927
Less: Direct expenses	(466,230)	-	-	(466,230)	-	-	(466,230)
Merchandise sales	2,685,608	-	-	2,685,608	-	-	2,685,608
Less: Cost of sales, including payments to artists	(1,380,633)	-	-	(1,380,633)	-	-	(1,380,633)
Museum admission fees	634,910	-	-	634,910	-	-	634,910
Membership and support group dues	452,791	-	-	452,791	-	-	452,791
Member trips	20,830	-	-	20,830	-	-	20,830
Education lectures, workshops and other income	14,469	-	-	14,469	-	-	14,469
Rental income (Note 10b)	758,345	-	-	758,345	-	-	758,345
Net investment income (loss) (Note 6)	(2,111)	311	(36,718)	(38,518)	(887,080)	-	(925,598)
	10,183,661	311	(36,718)	10,147,254	353,513	-	10,500,767
Investment income appropriated to operations (Notes 3a and 3b)	575,000	-	(23,197)	551,803	(551,803)	-	-
Return of prior year grant	-	-	-	-	(49,917)	-	(49,917)
Net assets released from restrictions	798,815	-	-	798,815	(798,815)	-	-
	11,557,476	311	(59,915)	11,497,872	(1,047,022)	-	10,450,850
Total Revenues, Gains and Other Support							
Expenses							
Program Services							
Exhibitions	3,145,131	996,121	-	4,141,252	-	-	4,141,252
Curatorial	1,396,487	248,895	-	1,645,382	-	-	1,645,382
Education and other	2,680,529	646,175	-	3,326,704	-	-	3,326,704
Total Program Services	7,222,147	1,891,191	-	9,113,338	-	-	9,113,338
Supporting Services							
Administration	989,267	86,666	-	1,075,933	-	-	1,075,933
Membership and development	2,380,329	123,840	-	2,504,169	-	-	2,504,169
Capital campaign	-	2,852	-	2,852	-	-	2,852
Total Supporting Services	3,369,596	213,358	-	3,582,954	-	-	3,582,954
	10,591,743	2,104,549	-	12,696,292	-	-	12,696,292
Total Expenses							
Increase (Decrease) in Net Assets Before Changes Related to Collection Items Not Capitalized	965,733	(2,104,238)	(59,915)	(1,198,420)	(1,047,022)	-	(2,245,442)
Changes in net assets related to collection items not capitalized							
Collection items purchased (Note 1g)	(181,485)	-	-	(181,485)	-	-	(181,485)
	784,248	(2,104,238)	(59,915)	(1,379,905)	(1,047,022)	-	(2,426,927)
Increase (Decrease) in Net Assets from Operations							
Interfund appropriation for property and equipment	(21,430)	21,430	-	-	-	-	-
	762,818	(2,082,808)	(59,915)	(1,379,905)	(1,047,022)	-	(2,426,927)
Increase (decrease) in net assets	561,125	69,367,811	960,011	70,888,947	4,326,181	10,322,461	85,537,589
Net assets, beginning of year							
Net Assets, End of Year	\$ 1,323,943	\$67,285,003	\$ 900,096	\$69,509,042	\$ 3,279,159	\$10,322,461	\$83,110,662

See notes to financial statements.

**MUSEUM OF ARTS AND DESIGN**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2019**

	Program Services				Supporting Services				
	Exhibitions	Curatorial	Education and Other	Total	Administration	Membership and Development	Capital Campaign	Total	Total Expenses
Salaries and fringe benefits	\$1,592,013	\$ 751,648	\$1,404,649	\$3,748,310	\$ 592,245	\$ 1,474,176	\$ -	\$2,066,421	\$ 5,814,731
Speakers and instructors	15,000	-	37,412	52,412	-	450	-	450	52,862
Professional fees	59,256	203,745	363,891	626,892	389,955	453,852	-	843,807	1,470,699
Legal services	-	-	-	-	85,000	-	-	85,000	85,000
Installation and design	470,455	-	49	470,504	-	-	-	-	470,504
Video documentation and photos	10,158	-	3,435	13,593	-	75,684	-	75,684	89,277
Security services	381,284	95,269	247,336	723,889	33,174	47,402	-	80,576	804,465
Storage and warehouse	29,330	223,874	9,139	262,343	11,234	-	-	11,234	273,577
Building service contracts	106,487	26,607	69,077	202,171	9,266	13,239	-	22,505	224,676
Electricity	302,472	75,577	196,211	574,260	26,317	37,604	-	63,921	638,181
Telephone	8,911	2,227	5,781	16,919	774	1,108	-	1,882	18,801
Insurance	66,096	16,515	42,876	125,487	5,751	8,217	-	13,968	139,455
Supplies	86,708	3,360	68,999	159,067	15,729	52,263	-	67,992	227,059
Printing	67,595	203	10,071	77,869	11,337	26,894	-	38,231	116,100
Postage	13,743	3,434	8,915	26,092	1,195	1,709	-	2,904	28,996
Shipping and crating	132,913	33,210	86,219	252,342	11,564	16,524	-	28,088	280,430
Equipment and maintenance	124,954	31,221	81,056	237,231	10,884	15,525	-	26,409	263,640
Travel and meals	59,073	11,967	11,637	82,677	45,156	52,336	-	97,492	180,169
Catering	10,481	-	11,208	21,689	-	54,462	-	54,462	76,151
Advertising and promotion	85,740	946	4,132	90,818	5,153	409,910	-	415,063	505,881
Interest	-	-	-	-	3,200	-	-	3,200	3,200
Conservation	40,538	10,202	-	50,740	-	-	-	-	50,740
Bank and credit card fees	273	25	72,230	72,528	1,587	38,134	-	39,721	112,249
Property taxes	32,918	8,225	21,354	62,497	2,864	4,093	-	6,957	69,454
Bad debt expenses	-	-	-	-	-	8,903	-	8,903	8,903
Miscellaneous	9	-	95	104	-	-	-	-	104
Total expenses before depreciation and amortization	3,696,407	1,498,255	2,755,772	7,950,434	1,262,385	2,792,485	-	4,054,870	12,005,304
Depreciation and amortization	996,721	249,045	646,565	1,892,331	86,720	123,915	-	210,635	2,102,966
Total Expenses	<u>\$4,693,128</u>	<u>\$1,747,300</u>	<u>\$3,402,337</u>	<u>\$9,842,765</u>	<u>\$ 1,349,105</u>	<u>\$ 2,916,400</u>	<u>\$ -</u>	<u>\$4,265,505</u>	<u>\$14,108,270</u>

See notes to financial statements.



**MUSEUM OF ARTS AND DESIGN**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2018**

	<b>Program Services</b>				<b>Supporting Services</b>				
	<b>Exhibitions</b>	<b>Curatorial</b>	<b>Education and Other</b>	<b>Total</b>	<b>Administration</b>	<b>Membership and Development</b>	<b>Capital Campaign</b>	<b>Total</b>	<b>Total Expenses</b>
Salaries and fringe benefits	\$1,250,342	\$ 806,913	\$1,408,161	\$3,465,416	\$ 373,514	\$ 986,068	\$ -	\$1,359,582	\$ 4,824,998
Speakers and instructors	5,000	-	38,555	43,555	-	-	-	-	43,555
Professional fees	171,189	88,429	375,571	635,189	303,852	506,902	-	810,754	1,445,943
Legal services	-	-	-	-	80,602	-	-	80,602	80,602
Installation and design	339,784	-	-	339,784	-	-	-	-	339,784
Video documentation and photos	3,613	-	1,460	5,073	-	90,735	-	90,735	95,808
Security services	283,209	70,764	183,715	537,688	24,640	35,210	-	59,850	597,538
Storage and warehouse	10,891	229,910	9,482	250,283	13,553	-	-	13,553	263,836
Building service contracts	80,735	21,435	55,651	157,821	7,462	10,666	-	18,128	175,949
Electricity	336,215	84,008	218,100	638,323	29,253	41,799	-	71,052	709,375
Telephone	3,818	954	2,477	7,249	331	475	-	806	8,055
Insurance	61,933	15,475	40,176	117,584	5,389	7,699	-	13,088	130,672
Supplies	38,579	3,832	31,782	74,193	20,335	62,834	-	83,169	157,362
Printing	76,313	520	3,514	80,347	312	53,196	2,852	56,360	136,707
Postage	73	-	40	113	12,145	20,551	-	32,696	32,809
Shipping and crating	260,815	11,041	116,587	388,443	195	8,407	-	8,602	397,045
Equipment and maintenance	80,487	31,613	55,493	167,593	16,207	9,979	-	26,186	193,779
Travel and meals	95,564	16,573	15,968	128,105	16,628	37,935	-	54,563	182,668
Catering	-	-	5,815	5,815	-	54,004	-	54,004	59,819
Advertising and promotion	5,239	1,531	8,350	15,120	60,604	398,154	-	458,758	473,878
Interest	-	-	-	-	5,695	-	-	5,695	5,695
Conservation	10,351	5,716	-	16,067	-	-	-	-	16,067
Bank and credit card fees	-	32	87,975	88,007	-	51,863	-	51,863	139,870
Property taxes	30,981	7,741	20,097	58,819	2,694	3,852	-	6,546	65,365
Bad debt expenses	-	-	-	-	13,550	-	-	13,550	13,550
Miscellaneous	-	-	1,560	1,560	2,306	-	-	2,306	3,866
Total expenses before depreciation and amortization	3,145,131	1,396,487	2,680,529	7,222,147	989,267	2,380,329	2,852	3,372,448	10,594,595
Depreciation and amortization	996,121	248,895	646,175	1,891,191	86,666	123,840	-	210,506	2,101,697
Total Expenses	<u>\$4,141,252</u>	<u>\$1,645,382</u>	<u>\$3,326,704</u>	<u>\$9,113,338</u>	<u>\$ 1,075,933</u>	<u>\$ 2,504,169</u>	<u>\$ 2,852</u>	<u>\$3,582,954</u>	<u>\$12,696,292</u>

See notes to financial statements.

**MUSEUM OF ARTS AND DESIGN**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$10,815,669	\$ (2,426,927)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Bad debt expense	8,903	13,550
Depreciation and amortization	2,102,966	2,101,697
Loss on disposal of property and equipment	93,737	-
Net realized (gain) loss on sale of investments	(235,635)	5,221
Net unrealized (gain) loss on sale of investments	(2,393,677)	1,237,955
Endowment contributions	(2,286,594)	-
Deferred rent	19,151	24,536
(Increase) decrease in:		
Unconditional promises to give	(1,753,297)	(579,734)
Accounts receivable	(78,636)	(829)
Museum store inventory	34,865	(4,636)
Prepaid expenses and other current assets	(127,882)	81,143
Increase (decrease) in:		
Accounts payable and accrued expenses	(407,669)	509,597
Refundable advances and deferred revenue	79,640	18,729
Net Cash Provided By Operating Activities	<u>5,871,541</u>	<u>980,302</u>
<b>Cash Flows From Investing Activities</b>		
Payments for purchase of fixed assets	(713,730)	(235,177)
Purchase of investments	(2,726,637)	(1,484,731)
Proceeds from sale of investments	751,485	1,341,254
Net Cash Used By Investing Activities	<u>(2,688,882)</u>	<u>(378,654)</u>
<b>Cash Flows From Financing Activities</b>		
Endowment contributions received	2,286,594	-
Borrowings under line of credit	-	525,017
Repayments of line of credit	-	(525,017)
Net Cash Provided By Financing Activities	<u>2,286,594</u>	<u>-</u>
Net increase in cash and cash equivalents	5,469,253	601,648
Cash and cash equivalents, beginning of year	<u>2,721,577</u>	<u>2,119,929</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 8,190,830</u></u>	<u><u>\$ 2,721,577</u></u>
<b>Supplemental Disclosure</b>		
Interest paid	<u>\$ 3,200</u>	<u>\$ 5,695</u>

See notes to financial statements.

**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**Note 1 - Museum and Summary of Significant Accounting Policies**

**a - Museum**

The Museum of Arts and Design (the "Museum") collects, displays and interprets objects that document contemporary and historic innovation in craft, art and design. In its exhibitions and educational programs, the Museum celebrates the creative process through which materials and process are brought to bear to create artistic works that enhance contemporary life.

The Museum is ideally situated at 2 Columbus Circle on the southwest corner of Central Park where major public transportation services converge and serves over 250,000 visitors annually.

The Museum offers the visiting public four full floors of gallery space, artist studios and a student classroom, a 145-seat theater, a destination store focused on objects created by artists from around the world and a 9<sup>th</sup> floor restaurant, Robert, with a view of Central Park.

**b - Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Museum considers all highly liquid investments without donor restrictions, with an initial maturity of three months or less, to be cash equivalents, except for those short-term investments managed by the Museum's investment managers as part of their long-term investment strategies.

**c - Contributions and Unconditional Promises to Give**

The Museum recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend have been met. The Museum records fundraising benefit revenue equal to the fair value of the direct benefit to donors, and contribution income for the excess received when the event takes place.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Museum uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**Note 1 - Museum and Summary of Significant Accounting Policies (continued)**

d - Investments

The Museum reflects investments at fair value in the statement of financial position. Interest, dividends, and gains and losses on investments are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions are met in the same fiscal year in which the gains and other investment income are recognized.

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-based measurement. Generally accepted accounting principles establish a framework for measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those the market participants would use in pricing the asset based on market data obtained from sources independent of the Museum. Unobservable inputs reflect the Museum's assumptions about the inputs market participants would use in pricing the asset developed based on the best information available in the circumstances. Fair value measurements are categorized into three levels as follows:

- Level 1    Inputs reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Museum has the ability to access at the measurement date.
- Level 2    Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3    Inputs that are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

e - Property and Equipment

Property and equipment are reported at cost, or if donated, at the fair market value at date of receipt. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**Note 1 - Museum and Summary of Significant Accounting Policies (continued)**

f - Financial Statement Presentation

The financial statements of the Museum have been prepared in accordance with U.S. generally accepted accounting principles, which require the Museum to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Museum. These net assets may be used at the discretion of the Museum's management and Board of Trustees.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions may be temporary in nature; those restrictions will be met by actions of the Museum or the passage of time. Other donor restrictions may be perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

g - Art Collection

The Museum maintains a collection of works of contemporary art objects. A description of the contents of the permanent collection is maintained by the registrar. The Museum has insurance coverage for items on its premises, in storage, in transit and on loan at other locations.

The value of the collection, which was acquired through purchases and contributions since the Museum's inception, is not reflected as an asset on the statement of financial position. Purchases of collection items are expensed in the year of acquisition. Contributions of collection items are not recognized in the statement of activities. Proceeds from deaccessions or insurance recoveries are reflected on the statement of activities based on the absence or existence and nature of donor-imposed restrictions. There were no deaccessions for 2019 or 2018. Numerous works were also donated to the permanent collection in 2019 and 2018.

The collection is held for public service rather than financial gain, protected and preserved, and subject to an organizational policy that requires the proceeds from sales of such items to be used to acquire other items for collections.

**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**Note 1 - Museum and Summary of Significant Accounting Policies (continued)**

**h - Museum Store Inventory**

The Museum's store inventory consists of objects created by artists from around the world, as well as publications and other objects, and is stated at the lower of cost, as determined by the first-in, first-out method, or market. The Museum's store sales also consist of artists' works held on consignment which are not included in inventory.

**i - Deferred Rent**

The Museum records rent expense associated with its storage space lease on a straight-line basis over the life of the lease (see Note 10a). The difference between the straight-line amount and amounts paid in accordance with the terms of its lease is recorded as a liability and an expense in the accompanying financial statements.

**j - Revenue Recognition**

Memberships, which annually entitle donors to certain discounts and events, are recognized as revenue in the period received. Program fees, admissions, rentals and merchandise sales are recognized as revenue in the period the related goods or services are provided.

**k - Advertising Costs**

Advertising costs are charged to operations when the advertising first takes place. Advertising expense incurred during the years ended December 31, 2019 and 2018 was \$505,881 and \$473,878, respectively.

**l - Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**m - Functional Allocation of Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Depreciation, telephone and utilities, postage, security, building and equipment maintenance, insurance and property taxes are allocated on the basis of square footage.

Salaries, payroll taxes, employee benefits and professional fees are allocated on the basis of time and effort for administration and management and timesheet records for remaining staff.

Other expenses are based on actual costs directly related to the program services and support services categories.

**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**Note 1 - Museum and Summary of Significant Accounting Policies (continued)**

n - Recent Accounting Pronouncements

For 2019, the Museum has adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. The adoption of this standard resulted in no significant changes in the way the Museum recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

o - Subsequent Events

The Museum has evaluated subsequent events through September 24, 2020, the date that the financial statements are considered available to be issued.

p - Tax Status

Museum of Arts and Design is a not-for-profit Museum exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

q - Prior Year Information

For comparability, certain 2018 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2019.

**Note 2 - Information Regarding Liquidity and Availability**

The Museum has been operating recently with a budgeted loss for each fiscal year based on the revenues expected to be available to fund anticipated expenses. A substantial portion of general expenditures during a given year are funded with contributed and earned income and other revenue earned during the year. The Museum considers general expenditures to consist of all expenses related to its ongoing program services, and the expenses related to administrative and fundraising activities undertaken to support those services.

The Museum regularly monitors liquidity to meet its operating needs and other commitments and obligations, while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs and to maintain liquid financial assets on an ongoing basis sufficient to cover ninety days of general expenditures.

**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**Note 2 - Information Regarding Liquidity and Availability (continued)**

The Museum's financial assets as of December 31, available within one year to meet cash needs for general expenditures are summarized as follows:

	<u>2019</u>	<u>2018</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 8,190,830	\$ 2,721,577
Unconditional promises to give	2,645,764	901,370
Accounts receivable	254,082	175,446
Investments	<u>17,592,468</u>	<u>12,988,004</u>
Total Financial Assets	28,683,144	16,786,397
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time	(7,789,772)	(1,494,168)
Plus: Net assets with restrictions to be met in less than a year	3,906,693	618,729
Net assets with donor restrictions for endowment, subject to spending policy and appropriation	(18,052,644)	(12,107,452)
Board designated endowment funds	(1,062,028)	(900,096)
Plus: Amounts appropriated for use within one year	<u>1,031,000</u>	<u>600,000</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 6,716,393</u>	<u>\$ 3,503,410</u>

In addition to these financial assets available within one year, the Museum maintains a board designated endowment of approximately \$1,000,000. This amount could be made available at any time to meet cash needs for general expenditures at the discretion of the Board of Governing Trustees.

The Museum also has available a \$1,000,000 line of credit from which it may draw upon, the terms of which are more fully described in Note 9.



**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**Note 3 - Restrictions on Assets**

a - Net Assets Without Donor Restrictions - Board Designated Endowment

The Museum's board designated endowment was established with a grant from the National Endowment for the Arts, and accumulated investment income earned thereon, which was subsequently released from restriction by the donor. For 2019 and 2018, \$42,207 and \$23,197, respectively, was appropriated to operations pursuant to the Museum's spending policy.

b - Net Assets With Donor Restrictions - Subject to Time and Purpose Restriction

Net assets subject to time and purpose restriction are restricted for the following future purposes:

	<u>2019</u>	<u>2018</u>
Accumulated endowment investment earnings (including accrued investment income)	\$ 3,970,366	\$1,784,991
Future exhibitions, projects and operations	7,754,600	1,472,236
Permanent collection acquisitions	<u>35,172</u>	<u>21,932</u>
	<u>\$11,760,138</u>	<u>\$3,279,159</u>

For 2019 and 2018, \$557,793 and \$551,803, respectively, was released from restriction in accordance with the Museum's spending policy for use in programs and operations.

c - Net Assets With Donor Restrictions - Perpetual in Nature

Net assets that are perpetual in nature consist of restricted endowment contributions which require that the principal be retained and only the income be used for programs of the Museum. These endowments as of December 31 are summarized as follows:

	<u>2019</u>	<u>2018</u>
General program activities	\$12,920,778	\$ 9,147,461
Education programs	1,050,000	1,050,000
Ceramic works acquisition	61,500	75,000
Curatorial programs	<u>50,000</u>	<u>50,000</u>
	<u>\$14,082,278</u>	<u>\$10,322,461</u>

**Note 4 - Concentrations**

- a - The Museum maintains its cash and cash equivalents at two financial institutions in New York. Certain cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000.

**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**Note 4 - Concentrations (continued)**

b - In 2019, contributions from four donors totaled approximately 75% of operating contributions, while contributions from four donors totaled approximately 91% of contributions with donor restrictions subject to time and purpose restriction and contributions from four donors totaled approximately 97% of contributions with donor restrictions that are perpetual in nature. In 2018, contributions from five donors totaled approximately 75% of operating contributions and contributions from two donors totaled approximately 76% of contributions with donor restrictions subject to time and purpose restriction.

**Note 5 - Unconditional Promises to Give**

Unconditional promises to give are due as follows:

	<u>2019</u>	<u>2018</u>
Due within one year	\$1,312,908	\$581,764
Due in one to five years	<u>1,456,723</u>	<u>349,000</u>
	2,769,631	930,764
Less: Discount to present value	(113,867)	(22,779)
Less: Allowance for uncollectible pledges	<u>(10,000)</u>	<u>(6,615)</u>
	<u>\$2,645,764</u>	<u>\$901,370</u>

Unconditional promises to give due after one year are reflected at present value of estimated future cash flows using a discount rate of 3%.

**Note 6 - Investments**

Investments are reflected at fair value and are summarized as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds and invested cash	\$ 2,776,889	\$ 2,776,889	\$ 484,542	\$ 484,542
Equities	616,001	616,001	-	-
Exchange traded funds	9,108,021	12,225,505	9,829,548	10,637,690
Corporate obligations	1,813,143	1,865,579	1,789,177	1,757,508
Preferred stock	26,050	25,580	26,050	25,350
Restricted preferred stock	<u>59,756</u>	<u>82,914</u>	<u>59,756</u>	<u>82,914</u>
	<u>\$14,399,860</u>	<u>\$17,592,468</u>	<u>\$12,189,073</u>	<u>\$12,988,004</u>

**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**Note 6 - Investments (continued)**

Marketable securities are reported on the basis of quoted market values. The value of the restricted preferred stock is estimated by the Museum based on information about the company and its financial performance.

The following schedule summarizes the net investment return for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 339,989	\$ 323,428
Net realized gain (loss) on sale of investments	<u>235,635</u>	<u>(5,221)</u>
	575,624	318,207
Net unrealized gain (loss)	<u>2,393,677</u>	<u>(1,237,955)</u>
	2,969,301	(919,748)
Investment management and custody fees	<u>(5,473)</u>	<u>(5,850)</u>
Net Investment Income (Loss)	<u>\$2,963,828</u>	<u>\$ (925,598)</u>

The following summarizes investments at December 31, 2019 and 2018 by the levels within the fair value hierarchy used to measure their respective fair values:

<u>2019</u>				
	<u>Fair Value</u>	<u>Level 1 (Quoted Prices in Active Markets in Identical Assets)</u>	<u>Level 2 (Quoted Prices in Active Markets in Similar Assets)</u>	<u>Level 3 Significant Unobservable Inputs</u>
Money market funds and invested cash	\$ 2,776,889	\$ 2,776,889	\$ -	\$ -
Equities	616,001	616,001	-	-
Exchange traded funds	12,225,505	12,225,505	-	-
Corporate obligations	1,865,579	-	1,865,579	-
Preferred stock	25,580	-	25,580	-
Restricted preferred stock	<u>82,914</u>	<u>-</u>	<u>-</u>	<u>82,914</u>
	<u>\$17,592,468</u>	<u>\$15,618,395</u>	<u>\$1,891,159</u>	<u>\$82,914</u>
<u>2018</u>				
	<u>Fair Value</u>	<u>Level 1 (Quoted Prices in Active Markets in Identical Assets)</u>	<u>Level 2 (Quoted Prices in Active Markets in Similar Assets)</u>	<u>Level 3 Significant Unobservable Inputs</u>
Money market funds and invested cash	\$ 484,542	\$ 484,542	\$ -	\$ -
Exchange traded funds	10,637,690	10,637,690	-	-
Corporate obligations	1,757,508	-	1,757,508	-
Preferred stock	25,350	-	25,350	-
Restricted preferred stock	<u>82,914</u>	<u>-</u>	<u>-</u>	<u>82,914</u>
	<u>\$12,988,004</u>	<u>\$11,122,232</u>	<u>\$1,782,858</u>	<u>\$82,914</u>

**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**Note 6 - Investments (continued)**

There were no changes in fair value in 2019 and 2018 for the Museum's investment in restricted preferred stock.

**Note 7 - Endowment Funds**

The Museum's endowment consists of the Museum's board designated endowment and four donor-restricted funds established for the purposes described in Note 3c. Consistent with New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the Museum classifies as net assets with donor restrictions (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment and (c) accumulations to the donor restricted endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment with donor restrictions that is not perpetual in nature is classified as endowment subject to spending policy and appropriation until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by NYPMIFA.

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

- (i) the duration and preservation of the endowment fund;
- (ii) the purposes of the Museum and the endowment fund;
- (iii) general economic conditions;
- (iv) the possible effect of inflation or deflation;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of the Museum;
- (vii) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Museum; and
- (viii) the investment policy of the Museum

**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**Note 7 - Endowment Funds (continued)**

As of December 31, 2019 and 2018, the Museum's invested endowment funds composition, by type of fund and net asset classification, are summarized as follows:

<b>2019</b>				
	<b>With Donor Restrictions</b>			
	<b>Without Donor Restrictions</b>	<b>Investment Income Above Original Gift Amount</b>	<b>Investment in Perpetuity</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$3,952,161	\$12,595,555	\$16,547,716
Board designated endowment funds	<u>1,062,028</u>	<u>-</u>	<u>-</u>	<u>1,062,028</u>
Total Endowment Funds	<u>\$1,062,028</u>	<u>\$3,952,161</u>	<u>\$12,595,555</u>	<u>\$17,609,744</u>
<b>2018</b>				
	<b>With Donor Restrictions</b>			
	<b>Without Donor Restrictions</b>	<b>Investment Income Above Original Gift Amount</b>	<b>Investment in Perpetuity</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$1,765,447	\$10,322,461	\$12,087,908
Board designated endowment funds	<u>900,096</u>	<u>-</u>	<u>-</u>	<u>900,096</u>
Total Endowment Funds	<u>\$900,096</u>	<u>\$1,765,447</u>	<u>\$10,322,461</u>	<u>\$12,988,004</u>

Changes in endowment funds for the years ended December 31, 2019 and 2018 are summarized as follows:

<b>2019</b>				
	<b>With Donor Restrictions</b>			
	<b>Without Donor Restrictions</b>	<b>Investment Income Above Original Gift Amount</b>	<b>Investment in Perpetuity</b>	<b>Total</b>
Endowment funds, beginning of year	<u>\$ 900,096</u>	<u>\$1,765,447</u>	<u>\$10,322,461</u>	<u>\$12,988,004</u>
Investment Return:				
Investment income, net of fees	22,576	305,795	-	328,371
Net appreciation (realized and unrealized)	<u>181,563</u>	<u>2,438,712</u>	<u>-</u>	<u>2,620,275</u>
Total Investment Return	<u>204,139</u>	<u>2,744,507</u>	<u>-</u>	<u>2,948,646</u>
Contributions	<u>-</u>	<u>-</u>	<u>2,286,594</u>	<u>2,286,594</u>
Withdrawals	<u>-</u>	<u>-</u>	<u>(13,500)</u>	<u>(13,500)</u>
Appropriation of endowment assets to operations	<u>(42,207)</u>	<u>(557,793)</u>	<u>-</u>	<u>(600,000)</u>
Endowment Funds, End of Year	<u>\$1,062,028</u>	<u>\$3,952,161</u>	<u>\$12,595,555</u>	<u>\$17,609,744</u>

**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**Note 7 - Endowment Funds (continued)**

	<b>2018</b>			<b>Total</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions Investment Income Above Original Gift Amount</b>	<b>Investment in Perpetuity</b>	
Endowment funds, beginning of year	<u>\$560,011</u>	<u>\$3,205,231</u>	<u>\$10,322,461</u>	<u>\$14,087,703</u>
Investment Return:				
Investment income, net of fees	12,609	303,736	-	316,345
Net depreciation (realized and unrealized)	<u>(49,327)</u>	<u>(1,191,717)</u>	<u>-</u>	<u>(1,241,044)</u>
Total Investment Return	<u>(36,718)</u>	<u>(887,981)</u>	<u>-</u>	<u>(924,699)</u>
Transfers in	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>400,000</u>
Appropriation of endowment assets to operations	<u>(23,197)</u>	<u>(551,803)</u>	<u>-</u>	<u>(575,000)</u>
Endowment Funds, End of Year	<u>\$900,096</u>	<u>\$1,765,447</u>	<u>\$10,322,461</u>	<u>\$12,988,004</u>

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that will first and foremost preserve capital, then ultimately seek to provide an average total return of 5.0% above the current inflation rate (CPI), net of fees and other expenses. The target allocation is 65% equities and 35% fixed income, the performance of which is to be measured against the appropriate benchmarks. Actual returns in any given year may vary from the target returns.

To satisfy its long-term rate-of-return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Museum targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Museum has a policy of appropriating for distribution each year, 5% of the average fair value of endowment funds over the prior twelve calendar quarters, through the calendar year-end preceding the year, in which the distribution is planned. In establishing this policy, the Museum considered the long-term expected return on its endowment. Accordingly, over the long-term, the Museum expects the current spending policy to allow its endowment to grow at the rate of inflation. This is consistent with the Museum's objective to at a minimum maintain the purchasing power of the endowment assets.

**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**Note 8 - Property and Equipment**

Property and equipment consist of the following:

	<u>Life</u>	<u>2019</u>	<u>2018</u>
Building	40 years	\$ 9,229,600	\$ 9,229,600
Building improvements	15-40 years	70,933,482	70,447,749
Furniture and equipment	5-20 years	4,849,476	4,793,411
Computers	3 years	<u>465,153</u>	<u>420,778</u>
		85,477,711	84,891,538
Less: Accumulated depreciation		<u>(28,439,114)</u>	<u>(26,352,935)</u>
		57,038,597	58,538,603
Land		<u>8,510,400</u>	<u>8,510,400</u>
Net Property and Equipment		<u><u>\$65,548,997</u></u>	<u><u>\$67,049,003</u></u>

During the year ended December 31, 2019, assets with a book value of \$110,524 were written off, resulting in a loss of \$93,737.

Historically, The City of New York has funded capital improvements and purchases of property and equipment. The City's investment of capital funding obligates the Museum to operate the facility as a non-profit entity, open to and used and maintained for the benefit of the people of the City of New York for cultural, educational, artistic uses and/or related purposes approved by the City.

**Note 9 - Line of Credit**

The Museum had a line of credit with a financial institution in the amount of \$800,000, with an adjustable interest rate tied to the Prime Rate that was closed in June 2020. In April 2020, the Museum opened a line of credit with a different financial institution in the amount of \$1,000,000, with an adjustable interest rate tied to the Adjusted LIBOR Rate. There were no borrowings outstanding at December 31, 2019 and 2018.

**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**Note 10 - Commitments and Contingencies**

- a - The Museum leases storage space for its permanent collection under a lease with a term which expires September 30, 2027.

Future minimum payments are as follows:

<u>Year Ending December 31,</u>	
2020	\$210,246
2021	215,922
2022	221,748
2023	227,739
2024	233,889
Thereafter, through September 30, 2027	675,639

The Museum also pays for other related services under this agreement and leases other space on a month-to-month as needed basis. Rent expense for the years ended December 31, 2019 and 2018 was \$260,722 and \$256,369, respectively.

- b - The Museum leases certain portions of its facility to a tenant under a lease agreement with a term which expires December 31, 2024, and which includes two five-year renewal options. The lease provides for annual rent for the primary portion of the premises covered under the lease based on a percentage of the tenant's gross receipts, subject to a fixed dollar minimum of \$180,000. Another portion of the premises covered under this lease provides for a percentage rent with a \$150,000 fixed dollar minimum and includes an annual cancellation provision in the event that the tenant's actual gross receipts are not greater than the minimum rent.

Total rental income recognized under this lease totaled \$637,243 (2019) and \$640,903 (2018).

- c - The Museum has an employment contract with an officer, which provides for the payment of an annual base salary.

The agreement expires in June 2022. Should the officer's employment be terminated without cause, severance compensation equal to twelve months base salary would be due.

In August of 2020, the officer resigned his position, and the contract terminated.

- d - Government supported projects are subject to audit by the respective government agencies.



**MUSEUM OF ARTS AND DESIGN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**Note 11 - Donated Services**

Donated services are recorded at fair value and consist of legal services and information technology services in 2019 (Note 12). Donated services consisted of legal services and software in 2018.

**Note 12 - Related Party Transaction**

The law firm in which a trustee of the Museum is a partner provided legal services on a pro bono basis valued at \$85,000 and \$80,000 for the years ended December 31, 2019 and 2018, respectively.

**Note 13 - Defined Contribution Plan**

The Museum maintains a 403(b) defined contribution plan for qualifying eligible employees. A matching contribution is made to match 50% of the employee's contribution up to 3% of the employee's compensation. Total expense under this plan for 2019 and 2018 was \$70,898 and \$58,624, respectively.

**Note 14 - Subsequent Event**

In March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, the Museum had to close to visitors and suspend some of its program activities at the direction of the state and local governmental authorities. Since the official shut down on March 14th, the Museum secured a \$907K Payroll Protection Program loan from the federal government, and reforecast the annual budget to include major cost-cutting initiatives including staff furloughs. The Museum was expected to welcome visitors the week of September 14th, 2020.