

**KATONAH MUSEUM OF ART**

**Financial Statements  
(Together with Independent Auditors' Report)**

**For the Years Ended June 30, 2018 and 2017**

**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

**KATONAH MUSEUM OF ART**  
**FINANCIAL STATEMENTS**  
**(Together with Independent Auditors' Report)**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Katonah Museum of Art

We have audited the accompanying financial statements of Katonah Museum of Art, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and change in net assets (deficit), functional expenses and cash flows for the year 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit 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 opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Katonah Museum of Art as of June 30, 2018, and the change in its net assets (deficit) and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

Our audits were made for the purpose of forming an opinion on the financial statements as a whole. The other financial information on pages 20-23 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The financial statements as of June 30, 2017 were audited by Dylewsky, Goldberg and Brenner, LLC, who merged with Marks Paneth LLP as of November 1, 2017 and whose report dated October 30, 2017 expressed an unmodified opinion on those statements.

*Marks Paneth LLP*

Purchase, NY

December 3, 2018

**KATONAH MUSEUM OF ART  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 635,858	\$ 568,756
Investments	5,146,705	4,960,441
Pledges receivable	111,000	129,422
Inventory	1,812	2,484
Prepaid expenses	24,595	25,833
Other current assets	4,000	4,000
Total Current Assets	5,923,970	5,690,936
 Property and Equipment, net	 772,010	 905,466
	 <b>\$ 6,695,980</b>	 <b>\$ 6,596,402</b>

**LIABILITIES AND NET ASSETS (DEFICIT)**

<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 110,599.00	\$ 99,677
Capital leases payable, current portion	-	1,111
Deferred revenue	20,433	-
Total Current Liabilities	131,032	100,788
 <b>Net Assets (Deficit)</b>		
Unrestricted	(439,477)	(344,598)
Temporarily restricted	646,230	732,017
Permanently restricted	6,358,195	6,108,195
Total Net Assets	6,564,948	6,495,614
	 <b>\$ 6,695,980</b>	 <b>\$ 6,596,402</b>

**KATONAH MUSEUM OF ART**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIT)**  
**YEAR ENDED JUNE 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
<b>Direct Support</b>				
Contributions	\$ 712,676	\$ 1,989	\$ 250,000	\$ 964,665
In-kind contributions	23,862	-	-	23,862
Admissions, rentals and exhibition fees	29,010	-	-	29,010
Retail sales	1,278	-	-	1,278
Program income	43,949	-	-	43,949
Special events revenue	376,882	-	-	376,882
Net direct benefit to donors	(211,433)	-	-	(211,433)
Net assets released from restrictions	381,680	(381,680)	-	-
Total Direct Support	<u>1,357,904</u>	<u>(379,691)</u>	<u>250,000</u>	<u>1,228,213</u>
<b>Other Income</b>				
Government support	51,350	-	-	51,350
Investment income	-	293,904	-	293,904
Other income	470	-	-	470
Total Other Income	<u>51,820</u>	<u>293,904</u>	<u>-</u>	<u>345,724</u>
<b>Total Support and Revenue</b>	<u>1,409,724</u>	<u>(85,787)</u>	<u>250,000</u>	<u>1,573,937</u>
<b>Program Services</b>				
Exhibitions	450,278	-	-	450,278
Education	411,747	-	-	411,747
Total Program Services	<u>862,025</u>	<u>-</u>	<u>-</u>	<u>862,025</u>
Management and general	333,963	-	-	333,963
Fund development	308,450	-	-	308,450
Total Support Services	<u>642,413</u>	<u>-</u>	<u>-</u>	<u>642,413</u>
<b>Total Functional Expenses</b>	<u>1,504,438</u>	<u>-</u>	<u>-</u>	<u>1,504,438</u>
<b>Operating Deficit</b>	(94,714)	(85,787)	250,000	69,499
Loss on Disposal of Non-operating Asset	(165)	-	-	(165)
<b><u>CHANGE IN NET ASSETS</u></b>	(94,879)	(85,787)	250,000	69,334
Net assets (deficit) - beginning of year	<u>(344,598)</u>	<u>732,017</u>	<u>6,108,195</u>	<u>6,495,614</u>
Net assets (deficit) - end of year	<u>\$ (439,477)</u>	<u>\$ 646,230</u>	<u>\$ 6,358,195</u>	<u>\$ 6,564,948</u>

**KATONAH MUSEUM OF ART**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIT)**  
**YEAR ENDED JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
<b>Direct Support</b>				
Contributions	\$ 502,394	\$ 333,378	\$ -	\$ 835,772
In-kind contributions	92,212	-	-	92,212
Admissions, rentals and exhibition fees	40,017	-	-	40,017
Retail sales	5,841	-	-	5,841
Program income	59,416	-	-	59,416
Special events revenue	333,071	-	-	333,071
Net direct benefit to donors	(269,115)	-	-	(269,115)
Net assets released from restrictions	<u>751,574</u>	<u>(751,574)</u>	-	<u>-</u>
<b>Total Direct Support</b>	<u>1,515,410</u>	<u>(418,196)</u>	-	<u>1,097,214</u>
<b>Other Income</b>				
Government support	60,500	-	-	60,500
Investment income	-	484,307	-	484,307
Other income (loss)	<u>(8,219)</u>	<u>-</u>	<u>-</u>	<u>(8,219)</u>
<b>Total Other Income</b>	<u>52,281</u>	<u>484,307</u>	-	<u>536,588</u>
<b>Total Support and Revenue</b>	<u>1,567,691</u>	<u>66,111</u>	-	<u>1,633,802</u>
<b>Program Services</b>				
Exhibitions	640,330	-	-	640,330
Education	<u>441,806</u>	<u>-</u>	<u>-</u>	<u>441,806</u>
<b>Total Program Services</b>	<u>1,082,136</u>	<u>-</u>	<u>-</u>	<u>1,082,136</u>
Management and general	335,463	-	-	335,463
Fund development	<u>276,508</u>	<u>-</u>	<u>-</u>	<u>276,508</u>
<b>Total Support Services</b>	<u>611,971</u>	<u>-</u>	<u>-</u>	<u>611,971</u>
<b>Total Functional Expenses</b>	<u>1,694,107</u>	<u>-</u>	<u>-</u>	<u>1,694,107</u>
<b>Operating Deficit</b>	(126,416)	66,111	-	(60,305)
Loss on Disposal of Non-operating Asset	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>CHANGE IN NET ASSETS</u></b>	(126,416)	66,111	-	(60,305)
Net assets - beginning of year	<u>(218,182)</u>	<u>665,906</u>	<u>6,108,195</u>	<u>6,555,919</u>
Net assets (deficit) - end of year	<u>\$ (344,598)</u>	<u>\$ 732,017</u>	<u>\$ 6,108,195</u>	<u>\$ 6,495,614</u>

**KATONAH MUSEUM OF ART  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2018**

	<u>PROGRAM SERVICES</u>			<u>SUPPORTING SERVICES</u>			<b>TOTAL EXPENSES</b>
	<u>Exhibitions</u>	<u>Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Fund Development</u>	<u>Total</u>	
Salaries	\$ 208,550	\$ 206,113	\$ 414,663	\$ 84,482	\$ 219,734	\$ 304,216	\$ 718,879
Employee benefits and taxes	<u>20,039</u>	<u>24,915</u>	<u>44,954</u>	<u>44,445</u>	<u>27,434</u>	<u>71,879</u>	<u>116,833</u>
Payroll and Related Expenditures	228,589	231,028	459,617	128,927	247,168	376,095	835,712
Professional fees	450	47,567	48,017	112,149	19,172	131,321	179,338
Utilities	16,215	7,774	23,989	3,439	1,444	4,883	28,872
Public relations, marketing and advertising	-	8,628	8,628	-	675	675	9,303
Office expenses	6,422	8,390	14,812	41,622	15,105	56,727	71,539
Education and program expenses	4,148	33,622	37,770	2,414	11,267	13,681	51,451
Scholarships	-	11,000	11,000	-	-	-	11,000
Exhibition expenses	82,214	957	83,171	-	-	-	83,171
Merchant and bank fees	5,152	150	5,302	1,224	3,776	5,000	10,302
Insurance	8,173	8,171	16,344	911	908	1,819	18,163
Maintenance and repairs	3,745	1,621	5,366	31,895	507	32,402	37,768
Postage, shipping and printing	2,631	4,887	7,518	5,284	4,453	9,737	17,255
Telephone, fax and internet	<u>2,657</u>	<u>3,011</u>	<u>5,668</u>	<u>3,289</u>	<u>1,166</u>	<u>4,455</u>	<u>10,123</u>
Total expenses before depreciation	360,396	366,806	727,202	331,154	305,641	636,795	1,363,997
Depreciation expense	<u>89,882</u>	<u>44,941</u>	<u>134,823</u>	<u>2,809</u>	<u>2,809</u>	<u>5,618</u>	<u>140,441</u>
Total Functional Expenses	<u>\$ 450,278</u>	<u>\$ 411,747</u>	<u>\$ 862,025</u>	<u>\$ 333,963</u>	<u>\$ 308,450</u>	<u>\$ 642,413</u>	<u>\$ 1,504,438</u>

See accompanying notes to financial statement.



**KATONAH MUSEUM OF ART  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2017**

	PROGRAM SERVICES			SUPPORTING SERVICES			TOTAL EXPENSES
	Exhibitions	Education	Total	Management and General	Fund Development	Total	
Salaries	\$ 301,685	\$ 223,240	\$ 524,925	\$ 125,796	\$ 188,330	\$ 314,126	\$ 839,051
Employee benefits and taxes	40,017	26,680	66,697	46,610	20,299	66,909	133,606
Payroll and Related Expenditures	341,702	249,920	591,622	172,406	208,629	381,035	972,657
Professional fees	853	65,499	66,352	88,070	19,553	107,623	173,975
Utilities	14,445	6,894	21,339	3,313	1,283	4,596	25,935
Public relations, marketing and advertising	1,039	6,299	7,338	1,121	2,046	3,167	10,505
Office expenses	11,433	14,285	25,718	27,522	28,934	56,456	82,174
Education and program expenses	3,923	16,296	20,219	-	-	-	20,219
Scholarships	-	11,000	11,000	-	-	-	11,000
Exhibition expenses	140,958	3,264	144,222	-	-	-	144,222
Merchant and bank fees	2,925	20	2,945	6,156	2,969	9,125	12,070
Insurance	9,217	9,217	18,434	1,025	1,024	2,049	20,483
Interest	192	243	435	721	125	846	1,281
Maintenance and repairs	16,852	4,704	21,556	23,449	932	24,381	45,937
Postage, shipping and printing	1,506	3,803	5,309	5,561	6,214	11,775	17,084
Telephone, fax and internet	4,376	4,908	9,284	3,278	1,958	5,236	14,520
Total expenses before depreciation	549,421	396,352	945,773	332,622	273,667	606,289	1,552,062
Depreciation expense	90,909	45,454	136,363	2,841	2,841	5,682	142,045
Total Functional Expenses	\$ 640,330	\$ 441,806	\$ 1,082,136	\$ 335,463	\$ 276,508	\$ 611,971	\$ 1,694,107

See accompanying notes to financial statement.

**KATONAH MUSEUM OF ART  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 69,334	\$ (60,305)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by (used in) Operating Activities:		
Depreciation	140,441	142,045
Realized and unrealized gain on investments	(182,324)	(399,215)
Changes in Operating Assets and Liabilities:		
Pledges receivable	18,422	(67,085)
Inventory	672	10,333
Prepaid expenses	1,238	14,927
Accounts payable and accrued expenses	10,922	33,325
Deferred revenue	20,433	(50)
Other current liabilities	<u>-</u>	<u>(1,942)</u>
Total Adjustments	<u>9,804</u>	<u>(267,662)</u>
Net Cash Provided by (Used In) Operating Activities	<u>79,138</u>	<u>(327,967)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	752,271	1,257,216
Purchases of investments	(758,139)	(788,101)
Purchases of property and equipment	<u>(5,057)</u>	<u>(25,000)</u>
Net Cash (Used In) Provided by investing Activities	<u>(10,925)</u>	<u>444,115</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on capital lease obligations	<u>(1,111)</u>	<u>(6,117)</u>
Net Cash Used in Financing Activities	<u>(1,111)</u>	<u>(6,117)</u>
 <b><u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u></b>	 67,102	 110,031
Cash and cash equivalents - beginning of year	<u>568,756</u>	<u>458,725</u>
Cash and cash equivalents - end of year	<u>\$ 635,858</u>	<u>\$ 568,756</u>

See accompanying notes to financial statement.

**KATONAH MUSEUM OF ART  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 - OPERATIONS**

The Katonah Museum of Art (the "Museum" or "Organization"), founded in 1956, originates three to four exhibitions annually covering a broad range of art and humanities topics. Offering lectures, films, workshops, concerts and other events for a general audience, the Katonah Museum of Art also presents innovative programs for over 100-member schools. The Museum's outreach programs for the local Hispanic immigrant population are at the forefront of community-based education programs in the United States. The Katonah Museum of Art, *kunsthalle* or a non-collecting museum, is accredited by the American Association of Museums.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Accounting Basis**

Katonah Museum of Art's financial statements are presented on the accrual basis of accounting and in accordance with Financial Accounting Standards Board ("FASB") guidance on reporting information regarding its financial position and activities for not-for-profit organizations. Under that guidance, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Revenue Recognition**

**Contributions:** Contributions are recognized as unrestricted support unless their use is specifically restricted by the donor. When a donor restriction expires, the stipulated time restriction ends, or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Change in Net Assets (Deficit) as net assets released from restrictions. Contributions that are permanently restricted (endowed) by the donor, from which the Organization may utilize only the income, are recognized as permanently restricted net assets.

**Promises to Give:** Unconditional promises to give are recognized as revenue in the period the promise is made and recorded as assets, or as decreases of liabilities or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Government Grants:** Certain grants and contracts are on a fee-for-service basis where revenue is recognized when earned. Other grants used to pay operating expenses based on budgeted cost levels are recognized ratably over the lives of the grants. Expenditure-driven grant revenue (i.e., the Organization must first incur the expenditure as a basis for reimbursement) is recognized when the related expenditure is incurred.

**Program and Other Fees:** Program and other fees are recognized in the period services are performed in accordance with the terms of the contract or agreement.

**KATONAH MUSEUM OF ART  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Assets**

The Organization maintains its net assets under the three classes:

*Unrestricted* – represents resources available for support of the Club’s operations over which the Board of Directors has discretionary control.

*Temporarily Restricted* – represents contributions and other inflows of assets that are subject to donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Club pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reported in the statements of activities and changes in net assets as net assets released from restrictions.

*Permanently Restricted* – represents those resources subject to donor-imposed stipulations that they be maintained intact in perpetuity. The donor permits the use of all the income on related investments and the net capital appreciation thereon, for restricted purpose.

**Non-cash Contributions**

A significant number of volunteers have donated their time in the furtherance of the Organization’s programs and activities. However, the value of these services is not recognized in the financial statements unless the donated service received creates or enhances non-financial assets or requires specialized skills that would typically need to be purchased if not provided by contribution. In addition, the Organization receives in-kind contributions and recognizes the fair value thereof to the extent it would have purchased the merchandise.

**Property and Equipment**

Expenditures for property and equipment are capitalized at cost, if purchased, or at estimated fair values on dates donated. Purchases of \$1,000 or more are capitalized as incurred. Repairs and maintenance to existing facilities are expensed as incurred. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as restricted support. Property and equipment are depreciated using the straight-line method based on the following estimated useful lives of the assets:

Buildings	31.5 years
Improvements	7 to 39 years
Furniture and fixtures	5 to 7 years
Equipment	3 to 7 years

**KATONAH MUSEUM OF ART  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments**

Katonah Museum of Art measures certain financial assets and liabilities at fair value on a recurring basis. Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. An entity is required to classify certain assets and liabilities measured at fair value based on the following fair value hierarchy that prioritizes the inputs used to measure fair value:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and may be derived from internally developed methodologies based on management's best estimates.

Katonah Museum of Art values its investments using Level 1 and Level 3 inputs. The Organization reports investment income and gains and losses as increases or decreases in unrestricted net assets in the Statements of Activities and Change in Net Assets (Deficit) unless a donor or law temporarily or permanently restricts their use. Investments are managed in accordance with board-approved investment and spending policy.

**Inventory**

Inventories consist of gift shop items. The Organization values inventories at the lower of cost or market as determined primarily by the retail method of accounting, using the first-in, first-out ("FIFO") method.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Organization regularly assesses these estimates and, while actual results may differ from these estimates, management believes that material changes will not occur in the near term.

**Functional Expenses**

The costs of providing various programs and other activities have been summarized in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Pledges and Accounts Receivable**

The Organization carries accounts receivable at cost and uses the specific write-off method for doubtful accounts. Experience and management's estimation indicate an allowance for such accounts is immaterial. On a periodic basis, the Organization evaluates its accounts receivable and whether the balances are collectible.

**KATONAH MUSEUM OF ART  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Advertising Costs**

Advertising costs are expensed as incurred.

**Cash and Cash Equivalents**

For purposes of the Statements of Cash Flows, the Organization considers all dollar-denominated, highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

**Uncertainty in Income Taxes**

The Organization evaluates all significant tax provisions as required by accounting practices generally accepted in the United States of America. As of June 30, 2018, the Organization does not believe that it has taken any positions that would require recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next year.

**Income Taxes**

The Organization is exempt from federal income taxes under Internal Revenue Code section 501(c)(3). Contributions made to the Organization are qualified for the maximum tax deductions allowable under the United States Internal Revenue Code.

**NOTE 3 - PLEDGES RECEIVABLE**

The Museum raises funds for various projects and programs. Unconditional pledges receivable due within the year at June 30, 2018 and 2017 were \$111,000 and \$129,422, respectively.

**NOTE 4 - INVESTMENTS**

The following table presents the Museum's fair value hierarchy for those investments measured at fair value as of June 30, 2018:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 3</u>
Financial assets:			
Equity funds	\$ 2,772,134	\$ 2,772,134	\$ -
Bond funds	1,705,547	1,705,547	-
Alternative assets	<u>669,024</u>	<u>304,757</u>	<u>364,267</u>
Total Investments	<u>\$ 5,146,705</u>	<u>\$ 4,782,438</u>	<u>\$ 364,267</u>

**KATONAH MUSEUM OF ART  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 4 - INVESTMENTS (Continued)**

The following table presents the Museum's fair value hierarchy for those investments measured at fair value as of June 30, 2017:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 3</u>
Financial assets:			
Equity funds	\$ 2,598,575	\$ 2,598,575	\$ -
Bond funds	1,644,581	1,644,581	-
Alternative assets	<u>717,285</u>	<u>330,712</u>	<u>386,573</u>
Total Investments	<u>\$ 4,960,441</u>	<u>\$ 4,573,868</u>	<u>\$ 386,573</u>

The following table presents a reconciliation of all Level 3 assets measured at fair value for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Financial assets:		
Beginning balance, July 1	\$ 386,573	\$ 694,994
Net realized and unrealized losses	8,809	(4,845)
Capital distributions	(27,632)	-
Sales	-	(301,426)
Interest and dividends	474	-
Management fees	(2,971)	(2,150)
Other income/loss	<u>(986)</u>	<u>-</u>
Ending Balance, June 30	<u>\$ 364,267</u>	<u>\$ 386,573</u>

The components of investment return as of June 30 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 136,354	\$ 108,049
Net realized and unrealized gains (losses) on investments	182,324	399,215
Net investment expenses	<u>(24,774)</u>	<u>(22,957)</u>
Total Investment Return	<u>\$ 293,904</u>	<u>\$ 484,307</u>

Investments are managed in accordance with the Organization's board-approved investment and spending policies. The primary investment objective is to preserve and enhance the endowment fund by earning a competitive return from a combination of investment income and capital appreciation over the long-term without exposing the assets to undue risk.

**KATONAH MUSEUM OF ART  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 162,567	\$ 162,567
Building and improvements	3,939,419	3,933,770
Furniture and equipment	<u>412,068</u>	<u>412,660</u>
	4,514,054	4,508,997
Less: accumulated depreciation	<u>(3,742,044)</u>	<u>(3,603,531)</u>
 Total Property and Equipment, net	 \$ <u>772,010</u>	 \$ <u>905,466</u>

The Organization wrote off \$2,393 of assets during the fiscal year ending June 30, 2018.

**NOTE 6 - NET ASSETS**

Temporarily Restricted: Amounts temporarily restricted at June 30, 2018 and 2017 are primarily purpose restricted and are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Building Fund	\$ 152,022	\$ 152,022
Improvement Fund	5,000	5,000
Education Bus Fund	6,626	6,626
Betty Himmel Fund	48,000	65,000
Kai Brouard Fund	9,056	8,562
John Jay Scholarship Fund	8,451	7,957
Rosalie Dolmatch Fund	-	11,330
Outreach Program	145,705	145,705
Bridge Fund	234,991	242,341
Sally Righter Fund	4,399	9,817
Beitzel Fund	3,853	8,616
Learning Center Fund	421	1,061
Education Fund	1,301	2,940
Other operating restrictions	<u>26,405</u>	<u>65,040</u>
 Total Temporarily Restricted Net Assets	 \$ <u>646,230</u>	 \$ <u>732,017</u>



**KATONAH MUSEUM OF ART  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 6 - NET ASSETS (Continued)**

Net assets of \$381,680 and \$751,574 were released from restrictions during the years ended June 30, 2018 and 2017, respectively, when expenses were incurred to satisfy the time and purpose restrictions specified by donors.

Permanently Restricted: Income generated from the permanently restricted net assets of \$6,358,196 is available to support special programs, exhibitions and education activities of the Organization.

All permanently restricted net assets are endowed. Any income earned on the endowment funds is available for temporarily restricted or operational purposes.

The Museum's board of trustees has interpreted New York's Prudent Management of Institutional Funds Act ("NYPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations, if any, to the permanent endowment made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by the NYPMIFA.

The Board recognizes that NYPMIFA created a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected as temporarily restricted until appropriated.

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

- 1) The duration and preservation of the fund,
- 2) The purposes of the Museum and the donor-restricted fund,
- 3) General economic conditions,
- 4) The possible effect of inflation and deflation,
- 5) The expected total return from income and the appreciation of investments,
- 6) Other resources of the Museum,
- 7) The investment policies of the Museum, and
- 8) Where appropriate and circumstances would otherwise warrant, alternatives to expenditures of the endowment fund giving due consideration to the effect that such alternatives may have on the Museum.

**KATONAH MUSEUM OF ART  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 6 - NET ASSETS (Continued)**

Endowment net asset composition by type of fund as of June 30, 2018:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 6,358,195	\$ 6,358,195
Unrestricted endowment funds	(927,126)	-	(927,126)
<b>Total Funds</b>	<b>\$ (927,126)</b>	<b>\$ 6,358,195</b>	<b>\$ 5,431,069</b>

Endowment net asset composition by type of fund as of June 30, 2017:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 6,108,195	\$ 6,108,195
Unrestricted endowment funds	(876,042)	-	(876,042)
<b>Total Funds</b>	<b>\$ (876,042)</b>	<b>\$ 6,108,195</b>	<b>\$ 5,232,153</b>

Changes in endowment net assets for the years ended June 30, 2018 and 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Endowment net assets, beginning of year July 1, 2016</b>	<b>\$ (802,566)</b>	<b>\$ -</b>	<b>\$ 6,108,195</b>	<b>\$ 5,305,629</b>
Investment return:				
Investment income	-	108,049	-	108,049
Net depreciation (realized and unrealized)	-	399,215	-	399,215
Investment fees	-	(22,957)	-	(22,957)
<b>Total Investment Return</b>	<b>-</b>	<b>484,307</b>	<b>-</b>	<b>484,307</b>
Contributions	-	21,689	-	21,689
Appropriation of endowment assets for expenditure	(73,476)	(505,996)	-	(579,472)
Released from restriction	-	-	-	-
<b>Endowment net assets, year ended June 30, 2017</b>	<b>\$ (876,042)</b>	<b>\$ -</b>	<b>\$ 6,108,195</b>	<b>\$ 5,232,153</b>

**KATONAH MUSEUM OF ART  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 6 - NET ASSETS (Continued)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Endowment net assets, year ended June 30, 2017</b>	<b>\$ (876,042)</b>	<b>\$ _____ -</b>	<b>\$ 6,108,195</b>	<b>\$ 5,232,153</b>
Investment return:				
Investment income	-	136,354	-	136,354
Net depreciation (realized and unrealized)	-	182,324	-	182,324
Investment fees	_____ -	(24,774)	_____ -	(24,774)
Total Investment Return	-	293,904	-	293,904
Contributions	-	-	250,000	250,000
Appropriation of endowment assets for expenditure	(51,084)	(293,904)	-	(344,988)
Released from restriction	_____ -	_____ -	_____ -	_____ -
<b>Endowment net assets, year ended June 30, 2018</b>	<b>\$ (927,126)</b>	<b>\$ _____ -</b>	<b>\$ 6,358,195</b>	<b>\$ 5,431,069</b>

**NOTE 7 - COMMITMENTS**

The Museum has an operating lease agreement for office equipment that expires in fiscal year 2018. The rental expenses related to leases were \$17,262 and \$24,693 for the years ended June 30, 2018 and 2017, respectively.

During 2015, the Museum purchased office equipment subjected to capital lease obligations. The equipment is included in property and equipment. As of June 30, 2018, the cost of the office equipment was \$16,318. Amortization expense related to the leased equipment for the year ended June 30, 2018 was \$583 and is included with depreciation of property and equipment.

Capital lease obligations consisted of the following at June 30, 2018:

Office server, 15.07% implicit rate of interest, payable in monthly payments of \$566, due in full in August 2017	\$ 1,111
Less: current maturities	(1,111)
Total Capital Lease Obligations	\$ _____ -

**KATONAH MUSEUM OF ART  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 8 - CONCENTRATIONS**

The Organization maintains its cash and cash equivalents in bank deposit accounts and in federal government obligation money market funds at high-credit, quality financial institutions. The balances in cash accounts may at times exceed federally insured limits.

**NOTE 9 - SIMPLE IRA PLAN**

The Organization maintains a SIMPLE IRA plan under section 408(p) of the Internal Revenue Code. The plan covers all employees who are reasonably expected to receive at least \$5,000 in compensation for the calendar year. For each calendar year, the Museum will contribute a matching contribution up to a limit of 3% of the employee's compensation for the calendar year. Pension expense was \$10,169 and \$17,455 for the years ended June 30, 2018 and 2017, respectively.

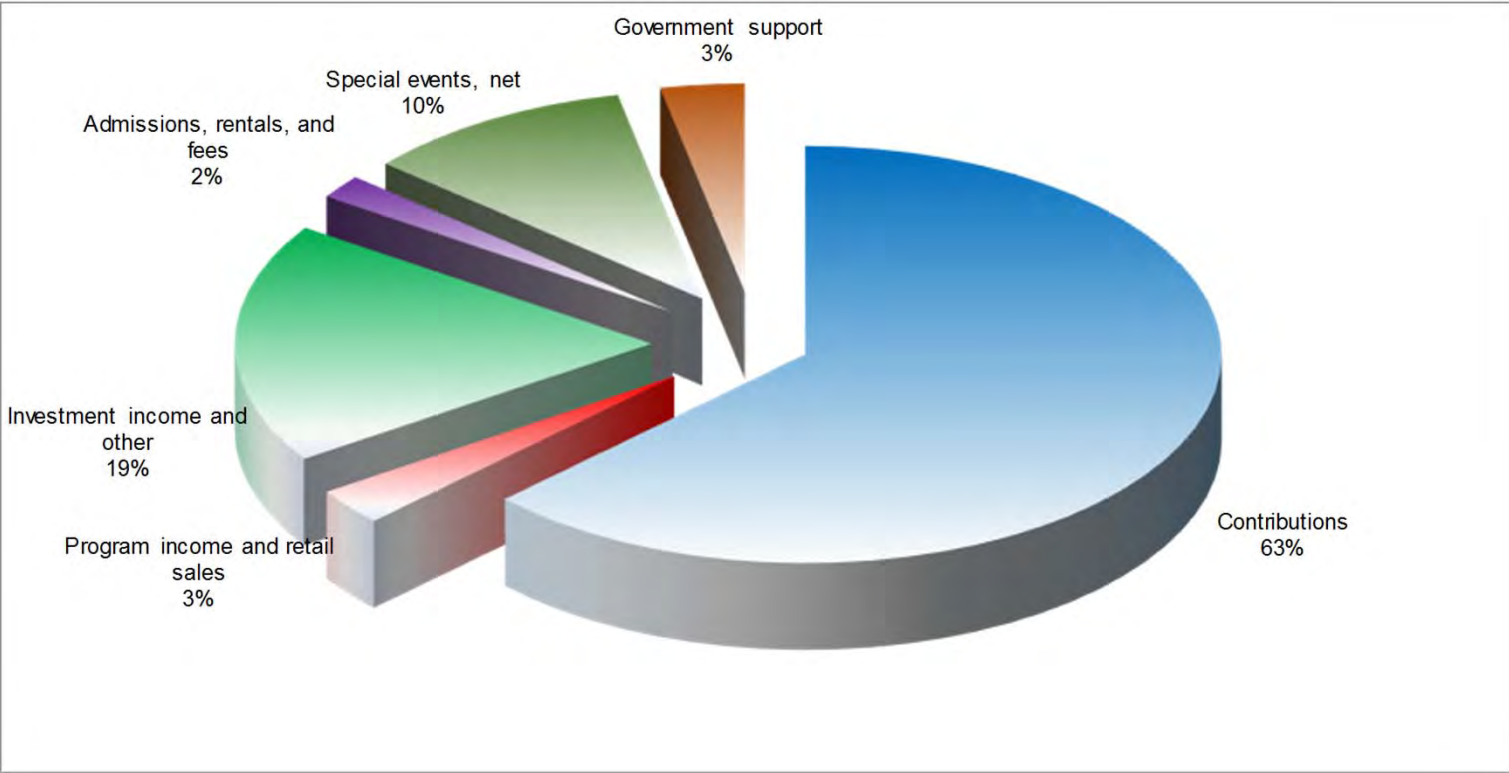
**NOTE 10 - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through December 3, 2018, the date that the financial statements were available to be issued.

## **OTHER FINANCIAL INFORMATION**

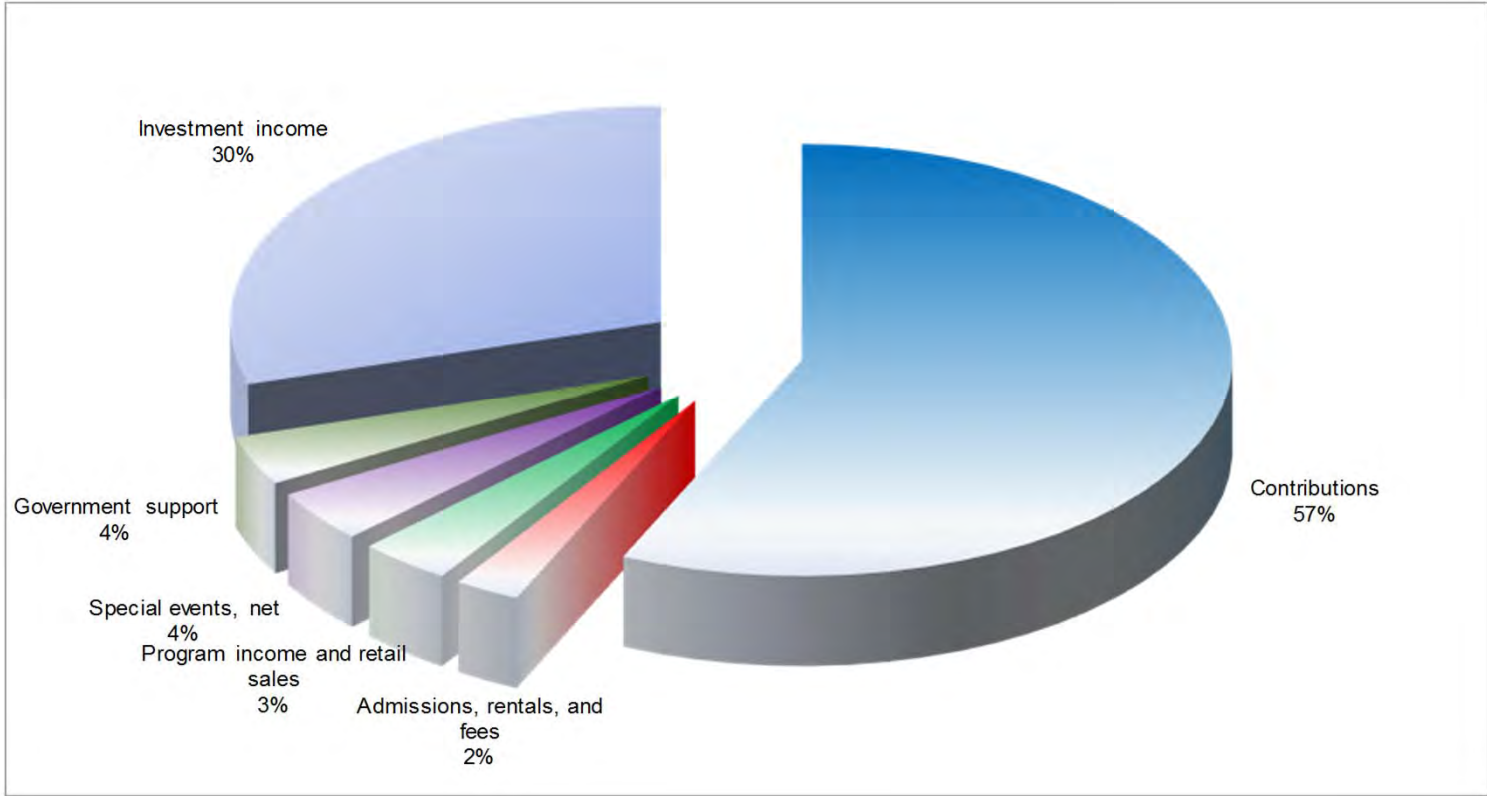
# Katonah Museum of Art

Support and Revenue  
Year Ended June 30, 2018



# Katonah Museum of Art

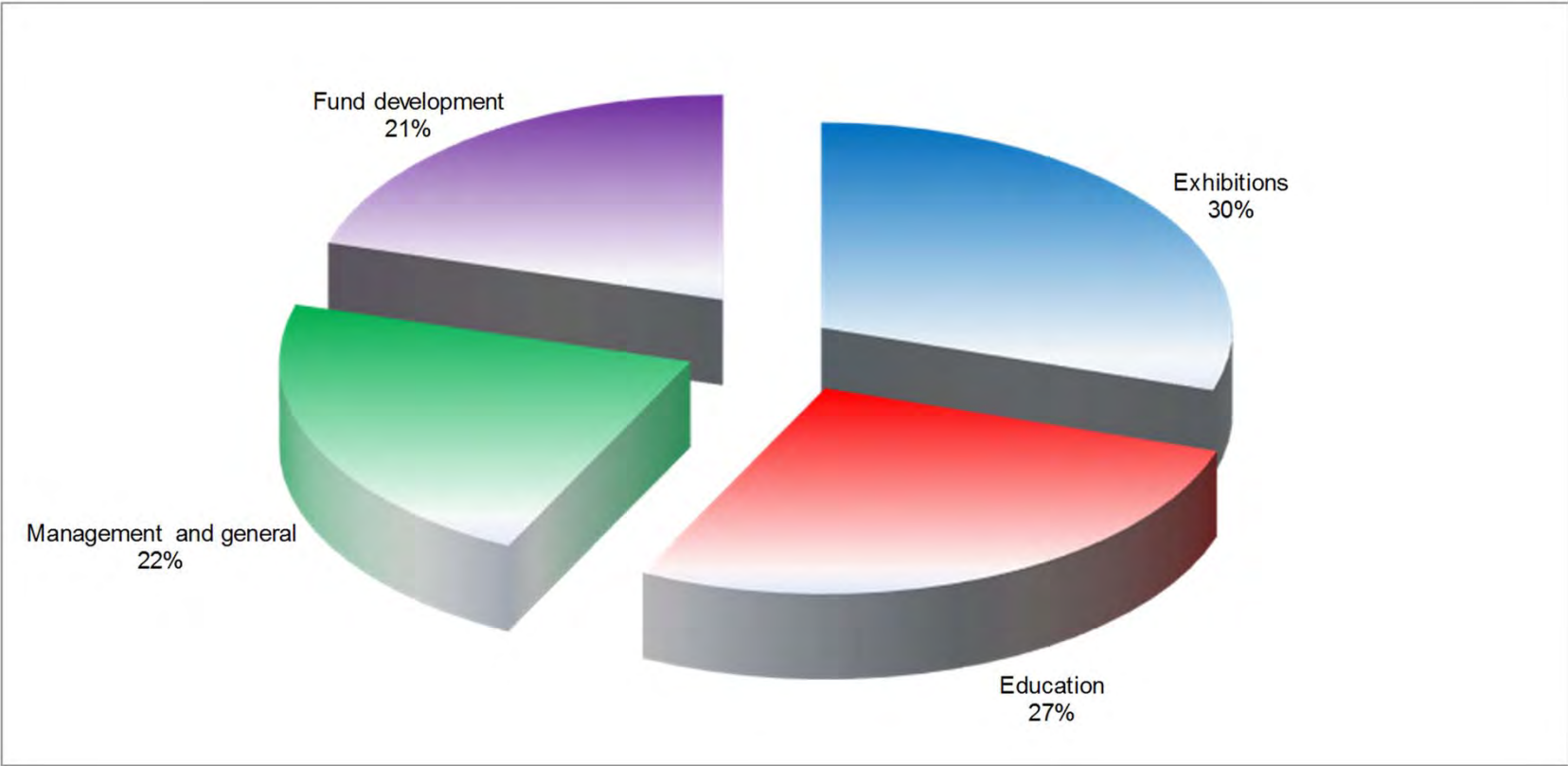
Support and Revenue  
Year Ended June 30, 2017



# Katonah Museum of Art

## Expenses

Year Ended June 30, 2018





# Katonah Museum of Art

## Expenses

Year Ended June 30, 2017

