

KATONAH MUSEUM OF ART

**Financial Statements and Other Financial Information
(Together with Independent Auditors' Report)**

For the Years Ended June 30, 2021 and 2020

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

KATONAH MUSEUM OF ART
FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION
(Together with Independent Auditors' Report)
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1-2
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities and Change in Net Assets	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-18
OTHER FINANCIAL INFORMATION	
Graphical Information	19-22

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Katonah Museum of Art

Report on the Financial Statements

We have audited the accompanying financial statements of Katonah Museum of Art (the "Museum" or "Organization"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and change in net assets, 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 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, 2021 and 2020, 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.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The other financial information on pages 19-22 is presented for purposes of additional analysis of the financial statements 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.

Handwritten signature of Mark Peneth in black ink.

Purchase, NY
December 16, 2021

**KATONAH MUSEUM OF ART
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020**

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 532,628	\$ 593,107
Investments	5,734,874	4,691,586
Inventory	1,575	1,575
Prepaid expenses	6,118	23,016
Funds held on behalf of others	13,591	14,383
Other current assets	4,000	4,000
Total Current Assets	6,292,786	5,327,667
Property and Equipment, net	624,242	755,967
	\$ 6,917,028	\$ 6,083,634
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 128,725	\$ 79,255
Loan payable	165,820	157,380
Due to Katonah Museum Artist Association	13,591	14,383
Deferred revenue	88,499	73,010
Total Current Liabilities	396,635	324,028
Net Assets		
Without donor restrictions	228,646	471,518
With donor restrictions	6,291,747	5,288,088
Total Net Assets	6,520,393	5,759,606
	\$ 6,917,028	\$ 6,083,634

See accompanying notes to financial statements.

**KATONAH MUSEUM OF ART
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Direct Support			
Government grants and contributions	\$ 783,257	\$ 2,130	\$ 785,387
In-kind contributions	7,037	-	7,037
Admissions, rentals and exhibition fees	91,050	-	91,050
Retail sales	23,261	-	23,261
Program income	21,053	-	21,053
Special events revenue	222,916	-	222,916
Net direct benefit to donors	(28,594)	-	(28,594)
Net assets released from restrictions	279,000	(279,000)	-
Total Direct Support	1,398,980	(276,870)	1,122,110
Other Income			
Investment income	-	1,280,529	1,280,529
Gain on extinguishment of debt - PPP loan	157,380	-	157,380
Other income	17,181	-	17,181
Total Other Income	174,561	1,280,529	1,455,090
Total Support and Revenue	1,573,541	1,003,659	2,577,200
FUNCTIONAL EXPENSES			
Program Services			
Exhibitions	649,717	-	649,717
Education	599,617	-	599,617
Total Program Services	1,249,334	-	1,249,334
Support Services			
Management and general	288,340	-	288,340
Fund development	278,739	-	278,739
Total Support Services	567,079	-	567,079
Total Functional Expenses	1,816,413	-	1,816,413
CHANGE IN NET ASSETS	(242,872)	1,003,659	760,787
Net assets - beginning of year	471,518	5,288,088	5,759,606
Net assets - end of year	\$ 228,646	\$ 6,291,747	\$ 6,520,393

**KATONAH MUSEUM OF ART
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Direct Support			
Government grants and contributions	\$ 804,277	\$ 92,300	\$ 896,577
Admissions, rentals and exhibition fees	74,740	-	74,740
Retail sales	30,419	-	30,419
Program income	64,083	-	64,083
Special events revenue	76,490	-	76,490
Net direct benefit to donors	(433)	-	(433)
Net assets released from restrictions	584,338	(584,338)	-
Total Direct Support	1,633,914	(492,038)	1,141,876
Other Income			
Investment income	-	20,055	20,055
Other income	183	-	183
Total Other Income	183	20,055	20,238
Total Support and Revenue	1,634,097	(471,983)	1,162,114
FUNCTIONAL EXPENSES			
Program Services			
Exhibitions	731,839	-	731,839
Education	642,730	-	642,730
Total Program Services	1,374,568	-	1,374,568
Support Services			
Management and general	175,621	-	175,621
Fund development	226,408	-	226,408
Total Support Services	402,029	-	402,029
Total Functional Expenses	1,776,597	-	1,776,597
<u>CHANGE IN NET ASSETS</u>	(142,500)	(471,983)	(614,483)
Net assets - beginning of year	614,018	5,760,071	6,374,089
Net assets - end of year	\$ 471,518	\$ 5,288,088	\$ 5,759,606

**KATONAH MUSEUM OF ART
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021**

	<u>PROGRAM SERVICES</u>			<u>SUPPORT SERVICES</u>			TOTAL EXPENSES
	<u>Exhibitions</u>	<u>Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Fund Development</u>	<u>Total</u>	
Salaries	\$ 349,808	\$ 318,325	\$ 668,133	\$ 121,233	\$ 93,006	\$ 214,239	\$ 882,372
Employee benefits and taxes	42,608	49,772	92,380	12,715	56,206	68,921	161,301
Payroll and Related Expenditures	392,416	368,097	760,513	133,948	149,212	283,160	1,043,673
Professional fees	38,126	79,764	117,890	51,441	37,713	89,154	207,044
Utilities	12,379	12,379	24,758	10,610	-	10,610	35,368
Public relations, marketing and advertising	1,280	2,435	3,715	171	8,092	8,263	11,978
Office expenses	6,628	19,218	25,846	47,865	38,843	86,708	112,554
Education and program expenses	105	7,376	7,481	13,352	37,465	50,817	58,298
Scholarships	-	-	-	275	1,403	1,678	1,678
Exhibition expense	71,582	1,025	72,607	-	-	-	72,607
Merchant and bank fees	2,042	170	2,212	1,492	5,514	7,006	9,218
Insurance	5,298	5,298	10,596	1,177	-	1,177	11,773
Interest Expense	-	-	-	-	-	-	-
Maintenance & repairs	30,420	27,040	57,460	10,140	-	10,140	67,600
Postage, shipping and printing	6,402	2,882	9,284	7,835	10,879	18,714	27,998
Telephone, fax and internet	1,085	1,085	2,170	931	-	931	3,101
Provision for doubtful accounts	-	-	-	-	-	-	-
Total expenses before depreciation	567,763	526,769	1,094,532	279,237	289,121	568,358	1,662,890
Depreciation expense	81,954	72,848	154,802	9,103	18,212	27,315	182,117
Sub-total	649,717	599,617	1,249,334	288,340	307,333	595,673	1,845,007
Less: Special event direct expenses	-	-	-	-	(28,594)	(28,594)	(28,594)
Total Functional Expenses	<u>\$ 649,717</u>	<u>\$ 599,617</u>	<u>\$ 1,249,334</u>	<u>\$ 288,340</u>	<u>\$ 278,739</u>	<u>\$ 567,079</u>	<u>\$ 1,816,413</u>

See accompanying notes to financial statements.

**KATONAH MUSEUM OF ART
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	<u>PROGRAM SERVICES</u>			<u>SUPPORT SERVICES</u>			TOTAL EXPENSES
	<u>Exhibitions</u>	<u>Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Fund Development</u>	<u>Total</u>	
Salaries	\$ 311,413	\$ 307,413	\$ 618,826	\$ 48,072	\$ 86,854	\$ 134,926	\$ 753,752
Employee benefits and taxes	45,685	59,131	104,816	19,925	16,512	36,437	141,253
Payroll and Related Expenditures	357,098	366,544	723,642	67,997	103,366	171,363	895,005
Professional fees	50,037	86,866	136,903	53,250	46,504	99,754	236,657
Utilities	12,997	12,997	25,994	8,354	2,785	11,139	37,133
Public relations, marketing and advertising	5,808	15,082	20,890	2,469	7,406	9,875	30,765
Office expenses	46,054	47,807	93,861	20,110	23,508	43,618	137,479
Education and program expenses	444	14,696	15,140	-	16,384	16,384	31,524
Scholarships	2,250	-	2,250	-	1,187	1,187	3,437
Exhibition expenses	149,789	-	149,789	-	-	-	149,789
Merchant and bank fees	135	5,187	5,322	-	383	383	5,705
Insurance	6,540	6,540	13,080	1,453	-	1,453	14,533
Interest expense	-	-	-	500	-	500	500
Maintenance and repairs	23,956	21,295	45,251	7,986	200	8,186	53,437
Postage, shipping and printing	6,827	3,441	10,268	4,039	9,593	13,632	23,900
Telephone, fax and internet	1,249	1,249	2,498	803	268	1,071	3,569
Provision for doubtful accounts	-	-	-	1,032	-	1,032	1,032
Total expenses before depreciation	663,184	581,704	1,244,888	167,993	211,584	379,577	1,624,465
Depreciation expense	68,655	61,026	129,681	7,628	15,257	22,885	152,566
Sub-total	731,839	642,730	1,374,569	175,621	226,841	402,462	1,777,031
Less: Special event direct expenses	-	-	-	-	(433)	(433)	(433)
Total Functional Expenses	<u>\$ 731,839</u>	<u>\$ 642,730</u>	<u>\$ 1,374,569</u>	<u>\$ 175,621</u>	<u>\$ 226,408</u>	<u>\$ 402,029</u>	<u>\$ 1,776,598</u>

See accompanying notes to financial statements.

**KATONAH MUSEUM OF ART
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 760,787	\$ (614,483)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	182,117	152,566
Realized and unrealized loss (gain) on investments	(1,112,539)	119,495
Gain on extinguishment of debt - PPP loan	(157,380)	-
Changes in Operating Assets and Liabilities:		
Funds held on behalf of others	792	(14,383)
Pledges receivable	-	73,600
Prepaid expenses	16,898	8,503
Accounts payable and accrued expenses	49,470	3,101
Due to Katonah Museum Artist Association	(792)	14,383
Deferred revenue	15,489	22,133
Total Adjustments	(1,005,945)	379,398
Net Cash Used In Operating Activities	(245,158)	(235,085)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	4,158,050	2,527,968
Purchases of investments	(4,088,799)	(2,300,657)
Purchases of property and equipment	(50,392)	(163,140)
Net Cash Provided by Investing Activities	18,859	64,171
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	165,820	157,380
NET DECREASE IN CASH AND CASH EQUIVALENTS	(60,479)	(13,534)
Cash and cash equivalents - beginning of year	593,107	606,641
Cash and cash equivalents - end of year	\$ 532,628	\$ 593,107

**KATONAH MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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 Organizations. 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. The Museum’s programs are supported primarily by grants and contributions, fundraising activities, membership dues and program fees. Approximately 31% of the Organization’s operating income is derived from grants and contributions; 8% is from fundraising events; 5% is from program-related fees, admissions and rentals and the other 56% is from investment returns, retail sales and other miscellaneous income.

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 two classes of net assets: with and without donor restrictions.

Net Assets

The Organization’s net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- Without donor restrictions – Net assets that can be spent at the discretion of the Organization that have no donor-imposed stipulations associated with them.
- With donor restrictions – Net assets subject to donor-imposed stipulations consisting of contributions that are restricted by the donor for a specific time period or purpose.

Revenue Recognition

Contributions: Contributions, including unconditional promises to give (pledges), are recognized as revenues in the period received or pledged. Contributions with donor-imposed stipulations that are met in the same reporting period are reported as increases in net assets without donor restrictions, otherwise they are reported as increases in net assets with donor restrictions. Conditional contributions are recognized as revenues when the conditions on which they depend have been substantially met. Contributions subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in net assets with donor restrictions.

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.

**KATONAH MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under Accounting Standards Update (“ASU”) 2018-08, grants and contributions awarded by government agencies and other donors are generally considered as conditional grants, non-exchange transactions restricted for specific purposes, and are recognized as revenue when qualifying expenses are incurred. As of June 30, 2021 and 2020, the Organization received conditional grants from foundations in the amounts of \$61,500 and \$20,000, respectively. As of June 30, 2021 and 2020, \$61,500 and \$20,000 of such grants are available for future revenue recognition provided that certain performance related conditions are met, respectively. If such services are not provided, the Organization may be required to return the funds already remitted.

Management determines whether an allowance for uncollectible receivables should be provided for grants, contributions and accounts receivable. Such estimate is generally based on management’s assessment of the aged basis of the funding source receivables, creditworthiness of its donors, current economic conditions, subsequent cash collections and historical information. The Museum determined that no allowance was necessary for grants, contributions and accounts receivable. All receivables, grants and contributions are expected to be collected within one year.

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.

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.

Service Revenues, and Facility Reimbursed Expenses

The Organization receives revenue from admissions, exhibition fees, program services, retail sales, and facility rentals which are accounted for under FASB ASU 2014-09. Revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing the contracted services. For reimbursed expenses and facility rental, the Organization bills for direct costs based on a contract, or when services are performed. Receivables are due in full when billed and revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided. This method depicts the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. All performance obligations relate to contracts with a duration of less than one year, therefore there are no performance obligations or contract balances that are unsatisfied as of June 30, 2021.

Admissions, exhibition fees, program services, retail sales, and facility rentals consist of revenues for the following, for the year ended June 30:

	<u>2021</u>	<u>2020</u>
Admissions, rentals and exhibition fees	\$ 91,050	\$ 74,740
Retail sales	23,261	30,419
Program and other operational income	<u>38,234</u>	<u>64,266</u>
	<u>\$ 152,545</u>	<u>\$ 169,425</u>

**KATONAH MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 acquired to be cash equivalents.

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

Investments

The 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 or liabilities.

Level 2: Quoted prices for identical assets or liabilities in markets that are not active, quoted prices for similar assets or 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.

The Katonah Museum of Art values its investments using Level 1, Level 2 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 unless a donor or law temporarily or permanently restricts their use. Investments are managed in accordance with board-approved investment and spending policies.

Inventory

Inventories consist of gift shop items. Inventory is valued at the lower of cost or net realizable value, as determined on the first-in first-out ("FIFO") method. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predicable costs of completion, disposal and transportation.

**KATONAH MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) 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 on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the program and supporting services in reasonable ratios determined by management.

The expenses that are allocated include salaries, payroll taxes and employee benefits, which are based on the estimates of time and effort spent on direct administration or supervision of program and supporting services. Business and related costs including utilities, repairs and maintenance, insurance, depreciation and equipment contracts are allocated based on designated space. Credit card fees, printing and postage, scholarship and awards and exhibition and education are allocated based on usage where possible.

Due to Katonah Museum Artist Association “KMAA”

Due to KMAA represents the net amount of income and expenses incurred on behalf of the entity.

Advertising Costs

Advertising costs are expensed as incurred.

Uncertainty in Income Taxes

The Organization evaluates all significant tax provisions as required by U.S. GAAP. As of June 30, 2021, 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.

Reclassifications

Certain items in the June 30, 2020 financial statements have been reclassified to conform with the June 30, 2021 presentation. These reclassifications had no impact on the change in net assets for the year ended June 30, 2020.

NOTE 3 – AVAILABLE RESOURCES AND LIQUIDITY

Management monitors levels of available financial assets to anticipate cash requirements for general expenditures as obligations come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities as well as services undertaken to support those activities to be general expenditures. Donor restricted funds for various programs expected to be completed within the year are considered available for the general expenditures to conduct those programs.

**KATONAH MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 – AVAILABLE RESOURCES AND LIQUIDITY (Continued)

The Board of Directors and management approves yearly draws from the endowment funds to cover operating expenses. For the years ended June 30, 2021 and 2020, the Board of Directors and management approved and withdrew \$260,000 and 265,000, respectively, to cover operating expenses.

Financial assets as of June 30, 2021 and 2020 available for general expenditure within one year of the statement of financial position date, without donor or other restrictions limiting their use, were as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 532,628	\$ 593,107
Investments	<u>5,734,874</u>	<u>4,691,586</u>
Total financial assets	6,267,502	5,284,693
Less: net assets with donor restrictions	<u>(5,861,415)</u>	<u>(4,836,636)</u>
	<u>\$ 406,087</u>	<u>\$ 448,057</u>

NOTE 4 – INVESTMENTS

The following table presents the Museum's fair value hierarchy for those investments measured at fair value as of June 30, 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Financial assets:			
Common stock	\$ 2,594,242	\$ 2,594,242	\$ -
Bond funds	128,921	-	128,921
Exchange traded funds	821,520	821,520	-
Mutual funds	1,813,358	1,813,358	-
Other assets	<u>376,833</u>	<u>376,833</u>	<u>-</u>
Total Investments	<u>\$ 5,734,874</u>	<u>\$ 5,605,953</u>	<u>\$ 128,921</u>

The following table presents the Museum's fair value hierarchy for those investments measured at fair value as of June 30, 2020:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 3</u>
Financial assets:			
Equity funds	\$ 2,611,588	\$ 2,611,588	\$ -
Bond funds	1,824,276	1,824,276	-
Alternative assets	<u>255,721</u>	<u>226,527</u>	<u>29,194</u>
Total Investments	<u>\$ 4,691,585</u>	<u>\$ 4,662,391</u>	<u>\$ 29,194</u>

**KATONAH MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 – INVESTMENTS (Continued)

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

	<u>2021</u>	<u>2020</u>
Financial assets:		
Beginning balance, July 1	\$ 29,194	\$ 47,904
Net realized and unrealized losses	-	(12,981)
Capital distributions	(29,194)	(5,000)
Interest and dividends	-	34
Management fees	-	(312)
Other loss	-	(452)
Ending balance, June 30	<u>\$ -</u>	<u>\$ 29,194</u>

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

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 191,346	\$ 169,897
Net realized and unrealized gains (losses) on investments	1,112,539	(119,495)
Net investment expenses	<u>(23,356)</u>	<u>(30,347)</u>
Total Investment Return	<u>\$ 1,280,529</u>	<u>\$ 20,055</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.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 162,567	\$ 162,567
Building and improvements	4,128,826	4,103,114
Furniture and equipment	<u>128,392</u>	<u>103,712</u>
	4,419,785	4,369,393
Less: accumulated depreciation	<u>(3,795,543)</u>	<u>(3,613,426)</u>
Total Property and Equipment, net	<u>\$ 624,242</u>	<u>\$ 755,967</u>

Depreciation expense amounted to \$182,117 and \$152,566 for the years ended June 30, 2021 and 2020, respectively.

**KATONAH MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 – LOAN PAYABLE

On April 9, 2020, the Organization was granted a loan from an authorized Small Business Administration (“SBA”) lender in the amount of \$157,380 pursuant to the Paycheck Protection Program (the “PPP”) under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), which was enacted on March 27, 2020. The loan was in the form of a note with a maturity date of April 9, 2022, and bears interest at a rate of .98% per annum, and is payable monthly commencing on November 9, 2020.

The Organization has met all of the conditions for forgiveness of the PPP loan as of June 30, 2021 and recognized gain on extinguishment of debt amounting to \$157,380. On April 23, 2021, the Organization was legally released from its PPP loan obligation.

On February 23, 2021, the Organization qualified for a second draw of the PPP Loan, for an aggregate principal amount of \$165,820 (the "Second Draw"). The Second Draw bears interest at a fixed rate of 1.0% per annum, with the first ten months of interest deferred, has a term of five years, and is unsecured and guaranteed by the U.S. SBA. The principal amount of the Second Draw is subject to forgiveness under the PPP upon the Organization’s request to the extent that the Second Draw proceeds are used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization.

Management has opted to account for the proceeds as a loan under FASB Accounting Standards Codification (“ASC”) until the loan is, in part or wholly, forgiven, and the Organization has been “legally released”.

The Organization applied for, and was qualified for full forgiveness of the Second Draw with respect to covered expenses. On October 25, 2021, the Organization was legally released from its PPP loan obligation. The Organization will recognize \$165,820 of loan forgiveness income in the subsequent period.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Building Fund	\$ 3,995	\$ 3,995
Betty Himmel Fund	30,038	30,038
Kai Brouard Fund	8,306	8,556
John Jay Scholarship Fund	7,951	8,451
The Future is Now Fund	170,332	168,452
Time restricted	-	18,000
Donor-restricted perpetual endowment	<u>6,071,125</u>	<u>5,050,596</u>
	<u>\$ 6,291,747</u>	<u>\$ 5,288,088</u>

Net assets of \$279,000 and \$584,338 were released from restrictions during the years ended June 30, 2021 and 2020, respectively, when expenses were incurred to satisfy the time and purpose restrictions specified by donors.

**KATONAH MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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 net assets with donor restrictions, (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. In addition, in accordance with U.S. GAAP, any unappropriated earnings on endowment funds that would otherwise be considered without donor restrictions should be reflected as net assets with donor restrictions until appropriated by the Board of Trustees 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 net assets with donor restrictions will be reflected as net assets with donor restrictions 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.

The Museum has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. The primary emphasis of the investment policy is to grow the real value of the endowment through a diversified, volatility-managed portfolio capable of supporting spending needs. Accordingly, the investment process seeks to achieve a total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix which includes equities, fixed income, alternative investments and cash equivalents. Over a multi-year period, this mix is intended to result in an inflation-protected rate of return that has sufficient liquidity to make an annual distribution in accordance with the spending policy while growing the funds. While the Museum's goal is for the endowment spending policy to remain consistent, the Museum reassesses both its investment and spending policies annually.

Portfolio and manager performance are reviewed quarterly during endowment committee meetings. The board has established an annual spending goal for the Museum that is expected to be no more than 5% annually, calculated based on the average of the most recent thirteen-quarter market value of the portfolio.

**KATONAH MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	<u>Perpetual Endowments</u>
Endowment net assets, beginning of year	\$ 5,050,596
Investment return:	
Investment income	191,346
Realized and unrealized gains on investments	1,112,539
Investment fees	<u>(23,356)</u>
Total investment return	1,280,529
Appropriation of endowment assets for expenditure	<u>(260,000)</u>
	<u>1,020,529</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 6,071,125</u>

At June 30, 2021, funds with original gift values of \$6,358,196, fair values of \$6,071,125, and deficiencies of \$287,071 were reported in net assets with donor restrictions. During the year ended June 30, 2021, the Board of Directors appropriated \$260,000 from underwater endowment funds.

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	<u>Perpetual Endowments</u>
Endowment net assets, beginning of year	\$ 5,295,405
Investment return:	
Investment income	169,897
Realized and unrealized losses on investments	(119,495)
Investment fees	<u>(30,347)</u>
Total investment return	20,055
Appropriation of endowment assets for expenditure	<u>(264,864)</u>
	<u>(244,809)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 5,050,596</u>

At June 30, 2020, funds with original gift values of \$6,358,196, fair values of \$5,050,596, and deficiencies of \$1,307,600 were reported in net assets with donor restrictions. During the year ended June 30, 2020, the Board of Directors appropriated \$265,000 from underwater endowment funds.

**KATONAH MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The Museum leases certain office equipment under operating lease agreements expiring through December 2025.

The approximate future minimum lease payments for the years ending subsequent to June 30, 2021, are as follows:

	<u>Equipment</u>
2022	\$ 16,000
2023	14,000
2024	14,000
2025	<u>6,000</u>
	<u>\$ 50,000</u>

The rental expenses related to leases were \$18,166 and \$19,668 for the years ended June 30, 2021 and 2020, respectively.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic. Subsequent to year-end, the spread of COVID-19 continues around the world which has caused significant disruptions to the global economy and markets. There is considerable uncertainty around the breadth and duration of business disruptions related to COVID-19. The Museum is closely monitoring its operations and is actively working with the clients to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Museum’s financial position is not known.

NOTE 9 – CONCENTRATIONS

Financial instruments that potentially subject the Organization to a concentration of credit risk include cash accounts with various financial institutions that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. As of June 30, 2021 and 2020, the Organization had cash accounts that exceeded the FDIC insurance limits by \$86,249 and \$168,817, respectively.

NOTE 10 – 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 \$8,176 and \$14,112 for the years ended June 30, 2021 and 2020, respectively.

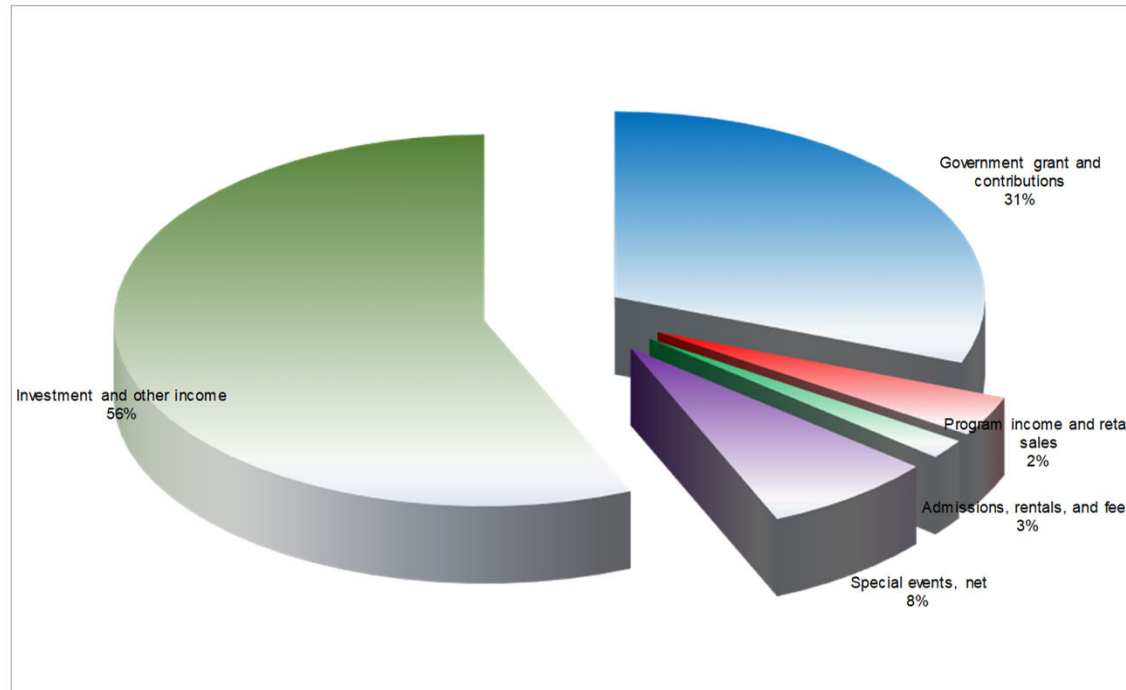
NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through December 16, 2021, the date the financial statements were available to be issued.

OTHER FINANCIAL INFORMATION

Katonah Museum of Art

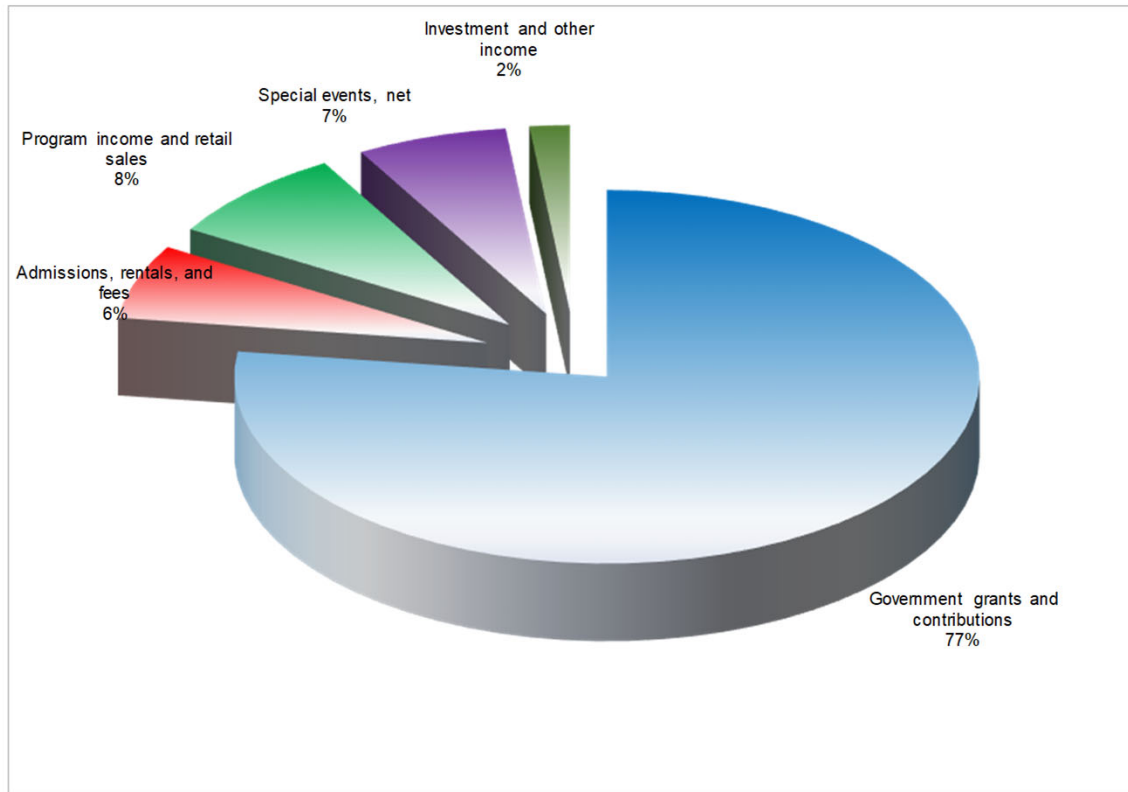
Support and Revenue Year Ended June 30, 2021



See independent auditors' report

Katonah Museum of Art

Support and Revenue Year Ended June 30, 2020

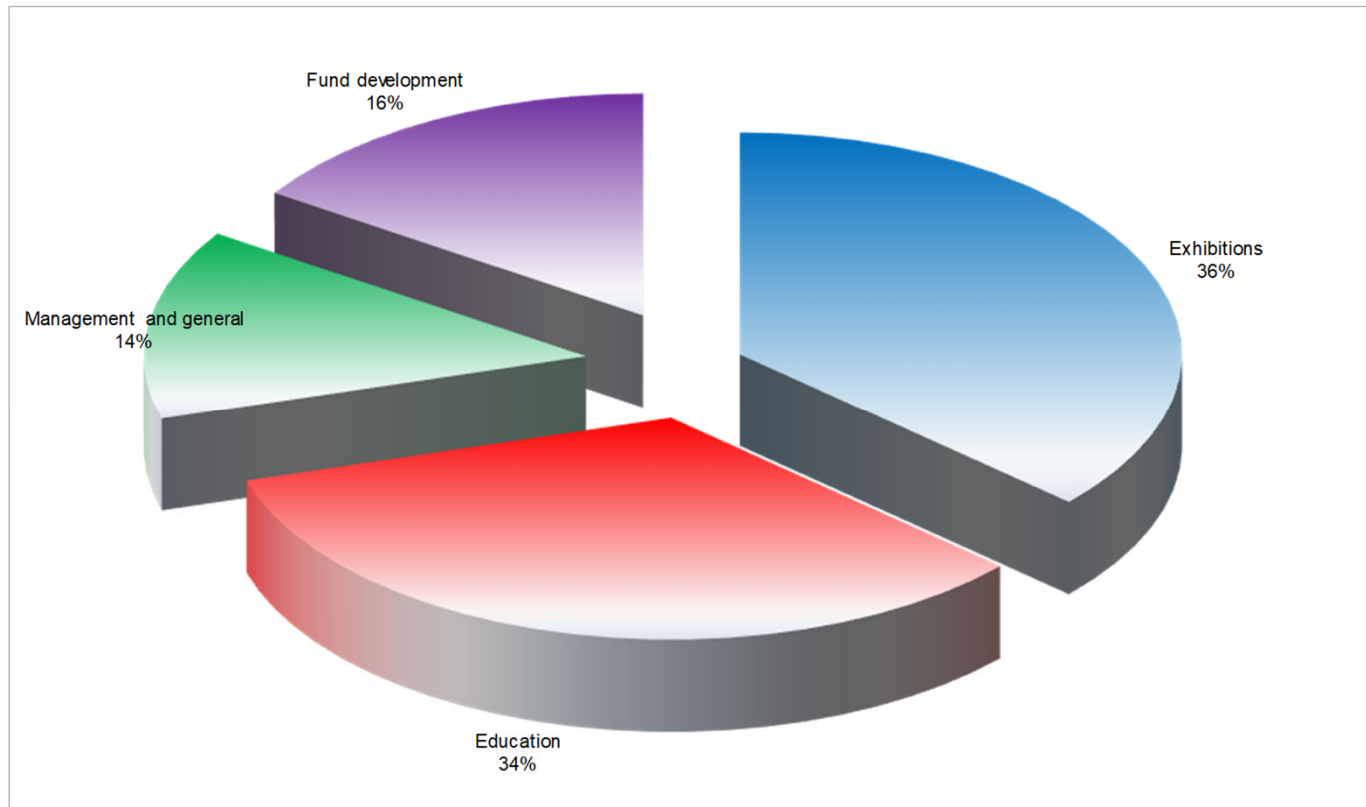


See independent auditors' report

Katonah Museum of Art

Expenses

Year Ended June 30, 2021

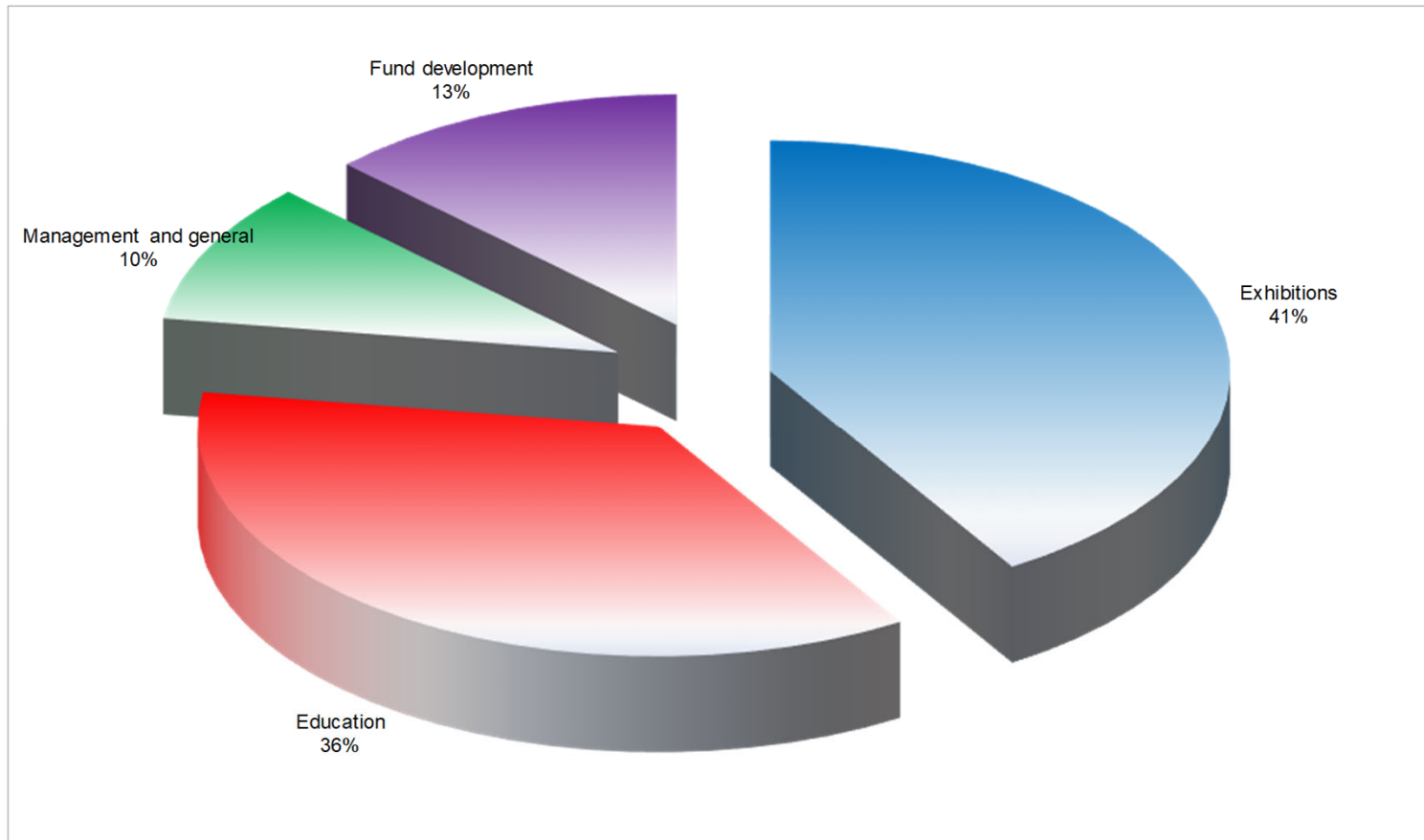


See independent auditors' report

Katonah Museum of Art

Expenses

Year Ended June 30, 2020



See independent auditors' report