

THE LEHMAN COLLEGE ART GALLERY, INC.

FINANCIAL STATEMENTS

June 30, 2021

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Independent Auditor's Report

The Board of Directors
The Lehman College Art Gallery, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of The Lehman College Art Gallery, Inc. (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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 The Lehman College Art Gallery, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Lehman College Art Gallery, Inc.'s June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 28, 2020.

Carl J. Curt, CPA, PC

Mt. Kisco, New York
September 15, 2021

THE LEHMAN COLLEGE ART GALLERY, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2021

(With Summarized Comparative Information as of June 30, 2020)

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 174,875	\$ 108,036
Investments at fair value (Note 3)	600,719	469,955
Grants and other receivables	32,205	116,536
Prepaid expenses (Note 7)	<u>34,604</u>	<u>48,468</u>
Total Current Assets	<u>842,403</u>	<u>742,995</u>
Fixed assets, net of accumulated depreciation of \$9,859 in 2021 and \$8,760 in 2020	-	1,099
Artwork (Note 2)	121,200	121,200
Investments – with donor restrictions (Note 3 & 9)	<u>814,980</u>	<u>814,980</u>
Total Assets	<u>\$ 1,778,583</u>	<u>\$ 1,680,274</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ <u>9,608</u>	\$ <u>6,792</u>
Total Current Liabilities	<u>9,608</u>	<u>6,792</u>
Net Assets:		
Without donor restrictions	953,995	853,502
With donor restrictions	<u>814,980</u>	<u>819,980</u>
Total Net Assets	<u>1,768,975</u>	<u>1,673,482</u>
Total Liabilities and Net Assets	<u>\$ 1,778,583</u>	<u>\$ 1,680,274</u>

The accompanying notes are an integral part of the financial statements.

THE LEHMAN COLLEGE ART GALLERY, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2021

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

	<u>2021</u>		<u>Total</u>	<u>Total 2020</u>
	<u>Without Donor Unrestrictions</u>	<u>With Donor Restrictions</u>		
Revenue:				
Contributions – in kind (Note 8)	\$ 509,766	\$	\$ 509,766	\$ 485,593
Educational program income	41,445		41,445	157,925
Grant income		99,550	99,550	210,400
Corporation and foundation donations	45,440	20,000	65,440	51,454
Individual donations	7,347		7,347	7,476
Rental/other income	304		304	-
Investment return, net	30,868	99,968	130,836	32,833
Net Assets released from restrictions:				
Satisfaction of program restrictions	<u>224,518</u>	<u>(224,518)</u>	-	-
Total Revenue	<u>859,688</u>	<u>(5,000)</u>	<u>854,688</u>	<u>945,681</u>
Expenditures:				
Program expenses	638,170		638,170	768,786
Administrative expenses	<u>121,025</u>		<u>121,025</u>	<u>122,902</u>
Total Expenditures	<u>759,195</u>		<u>759,195</u>	<u>891,688</u>
Increase (decrease) in Net Assets	100,493	(5,000)	95,493	53,993
Net Assets, beginning of fiscal year	<u>853,502</u>	<u>819,980</u>	<u>1,673,482</u>	<u>1,619,489</u>
Net Assets, end of fiscal year	\$ <u>953,995</u>	\$ <u>814,980</u>	\$ <u>1,768,975</u>	\$ <u>1,673,482</u>

The accompanying notes are an integral part of the financial statements.

THE LEHMAN COLLEGE ART GALLERY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

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

	<u>2021</u>			<u>Total</u> <u>2020</u>
	<u>Program</u> <u>Expenses</u>	<u>Administrative</u> <u>Expenses</u>	<u>Total</u>	
Expenditures:				
Salary and related fringe benefits (Note 7 & 8)	\$ 243,176	\$ 92,224	\$ 335,400	\$ 342,157
Occupancy-in kind (Note 8)	325,318		325,318	299,635
Outside services	52,012		52,012	124,351
Professional fees		15,675	15,675	15,100
Administrative fees (Note 7)		11,699	11,699	12,105
Insurance	4,538	1,318	5,856	4,822
Educational program expenses	4,928		4,928	23,813
Exhibition expenses	3,000		3,000	38,719
Advertising	2,595		2,595	3,357
Membership events	1,504		1,504	723
Office expenses		109	109	3,202
Staff travel			-	475
Security			-	21,880
Depreciation	<u>1,099</u>		<u>1,099</u>	<u>1,349</u>
Total Expenditures	\$ <u>638,170</u>	\$ <u>121,025</u>	\$ <u>759,195</u>	\$ <u>891,688</u>

The accompanying notes are an integral part of the financial statements.

THE LEHMAN COLLEGE ART GALLERY, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2021

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

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Increase (decrease) in Net Assets	\$ 95,493	\$ 53,993
Adjustments to reconcile increase (decrease) in Net Assets to cash provided (used) by operating activities:		
Depreciation	1,099	1,349
Realized and unrealized gain on investments	(139,658)	(41,263)
(Increase) decrease in grants and other receivables	84,331	11,721
(Increase) decrease in prepaid expenses	13,864	(6,651)
Increase (decrease) in accounts payable and accrued expenses	<u>2,816</u>	<u>(27,636)</u>
Net cash provided (used) by operating activities	<u>57,945</u>	<u>(8,487)</u>
Cash Flows from Investing Activities:		
Purchase of investments	(95,444)	(95,316)
Proceeds from sale of investments	<u>104,338</u>	<u>103,822</u>
Net cash provided (used) by investing activities	<u>8,894</u>	<u>8,506</u>
Net increase (decrease) in cash and cash equivalents	66,839	19
Cash and cash equivalents, beginning of fiscal year	<u>108,036</u>	<u>108,017</u>
Cash and cash equivalents, end of fiscal year	\$ <u>174,875</u>	\$ <u>108,036</u>

Supplemental disclosure of cash flow information:

Cash paid during the year for:

Interest	\$ -0-	\$ -0-
Income taxes	\$ -0-	\$ -0-

The accompanying notes are an integral part of the financial statements.

THE LEHMAN COLLEGE ART GALLERY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 1 – Description of Organization:

On April 28, 1986, the Board of Trustees of the City University of New York authorized the incorporation of The Lehman College Art Gallery, Inc. (the “Organization”) pursuant to the provisions of the Not-for-Profit Corporation Law of the State of New York. The purpose of the Organization is to encourage and promote the creation of the visual arts; and to plan, develop, and promote cultural and educational activities among the students and faculty of Herbert H. Lehman College (the “College”) and the residents of the Greater New York Metropolitan Area.

Note 2 – Summary of Significant Accounting Policies:

- a. The accompanying financial statements are prepared in accordance with U.S. generally accepted accounting principles on the accrual basis of accounting.
- b. The Organization considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.
- c. Investments are classified as held for investment and are stated at fair market value. Realized and unrealized gains or losses and investment income are reflected within investment return, net, in the statement of activities. Securities received as donations are recorded at fair market value and are generally sold immediately by the Organization.
- d. The accompanying financial statements present information regarding the financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets without donor restrictions may be expended for any purpose in performing the primary objectives of the Organization and may be used at the discretion of management and the board of directors. Net assets with donor restrictions are subject to stipulations imposed by donors or grantors. Some restrictions are temporary in nature; those restrictions that will be met by the passage of time or accomplishing the purpose restriction. Other restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.
- e. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include the Art Director’s salary and office expenses which are allocated equally between program and administrative.
- f. A substantial number of volunteers made significant contributions of their time to the Organization’s programs. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

THE LEHMAN COLLEGE ART GALLERY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 2 – Summary of Significant Accounting Policies (continued):

- g. Certain reclassifications may have been made to some prior year account balances in order to conform to current year presentation.
- h. 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. Actual results could differ from those estimates.
- i. Income from unconditional contributions is recognized when received or pledged. Grant income is recognized when the conditions are fulfilled and when the grant expenses are incurred. Program income is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services. Grants and other receivables are stated at the amount that management expects to collect, therefore no allowance for doubtful accounts has been deemed necessary.
- j. The Organization was granted 501(c)(3) status under Section 501(a) of the Internal Revenue Code. Therefore, the Organization is generally exempt from both Federal and State income taxes.

The Organization adopted the provision pertaining to uncertain tax positions and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The Organization is generally no longer subject to income tax examination by the applicable taxing jurisdiction for periods prior to 2018.

- i. Subsequent events have been evaluated through September 15, 2021, which is the date the financial statements were available to be issued.
- j. The Organization has adopted the policy of capitalizing donated works of art.

Note 3 – Fair Value Measurements:

The Organization adopted the provisions pertaining to fair value measurements and disclosures which offers a framework consisting of a three-tier hierarchy of inputs (Level 1, Level 2 and Level 3) to be used in determining the fair market value of assets and liabilities for disclosed purposes. The following is a summary of the fair value hierarchy of inputs:

Fair value measurements based on Level 1 inputs: Includes quoted prices in active markets for identical assets or liabilities to which the company has access at the measurement date.

THE LEHMAN COLLEGE ART GALLERY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 3 – Fair Value Measurements (continued):

Fair value measurement based on Level 2 inputs: Includes inputs other than quoted market prices that are directly or indirectly observable for the assets or liability, including quoted prices in an active market for similar assets or liabilities; quoted prices in a market that is not active for the same or similar assets or liabilities; inputs other than quoted market prices that are observable for the asset or liability.

Fair value measurements based on Level 3 inputs: Includes unobservable inputs reflecting the assumptions that a market participant would use to price the asset or liability.

The following table provides the fair value hierarchy of the Organization's financial assets as of June 30, 2021:

<u>Financial Assets</u>	<u>Level 1</u>
Money market funds	\$ 115,964
Bond mutual funds	895,797
Stock mutual funds-domestic	331,748
Stock mutual funds-international	<u>72,190</u>
Total	\$ <u>1,415,699</u>

Note 4 – Liquidity and Availability:

The Organization is substantially supported by contributions and grants and must maintain sufficient resources to meet those responsibilities to its donors. As part of the liquidity plan, the Organization has a policy to structure its financial assets to be available for its general expenditures, liabilities, and other obligations that come due and invests excess cash in investments and a savings account.

The following represents the financial assets as of June 30, 2021, that are available to meet general expenditures within one year, reduced by amounts for donor-imposed restrictions or board designations:

Financial assets, at year end	\$ 1,622,779
Less amounts not available to be used within one year:	
Restricted by donor in perpetuity	<u>(814,980)</u>
Financial assets available to meet general expenditures within one year	\$ <u>807,799</u>

THE LEHMAN COLLEGE ART GALLERY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 5 – Fixed Assets:

Fixed assets are carried at cost, net of accumulated depreciation. These amounts do not purport to represent replacement or realized values. Depreciation is recorded using the straight-line method based on the useful lives of the assets, which is estimated to be 5 years.

Fixed assets are detailed as follows:

Furniture and fixtures	\$ 5,494
Computer equipment	<u>4,365</u>
	9,859
Less: accumulated depreciation	<u>(9,859)</u>
Total Net Fixed Assets	\$ <u>-</u>

Note 6 – Commitments and Contingencies:

- a. Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions, which from time to time may exceed the Federal depository insurance coverage limits.
- b. Pursuant to the Organization's contractual relationships with certain funding sources, outside organizations have the right to examine the books and records of the Organization involving transactions relating to those grants. The accompanying financial statements make no provisions for possible disallowances. Although such possible disallowances could be substantial in amount, in the opinion of Management, any actual disallowances would be immaterial.

Note 7 – Payroll and Related Fringe Benefits:

The Organization's payroll and fringe benefits, including pension contributions for eligible employees, are paid directly by the CUNY Research Foundation and are reimbursed by the Organization. At June 30, 2021, prepaid expenses include \$31,950 paid to the CUNY Research Foundation which is applicable to payroll and fringe benefits for the following fiscal year. The Organization paid the CUNY Research Foundation administrative fees for the fiscal year ended June 30, 2021 totaling \$11,699, which are calculated based on 7.75% of payroll and related fringe benefits.

THE LEHMAN COLLEGE ART GALLERY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 8 – Donated Use of Facilities and Services:

The Organization occupies 8,561 square feet of donated space for offices and an art gallery located at Lehman College, Bronx, New York. The estimated market value rental of the office and gallery space is \$325,318 including the Organization's share of electric, water, heat, cleaning and maintenance. This fair market value was based upon a space survey prepared in 2021 by the Real Property Manager at City University of New York Department of Space Planning and Capital Budget and is based on \$38 per square foot. The fair market value of this space is reflected in the accompanying financial statements as an in-kind contribution and occupancy expense.

The Organization has an agreement with the College to provide payroll and fringe benefits for the Art Director. During the fiscal year ended June 30, 2021, the total value of services provided of \$184,448 is recognized as an in-kind contribution and salary expense by the Organization.

Note 9 – Net Assets:

Restricted support is recorded as an increase in net assets with donor restrictions. When the restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are classified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions. The Organization's net assets with donor restrictions for the year ended June 30, 2021 were as follows:

Not subject to appropriation or expenditure:

Investment in perpetuity:

Edith and Herbert Lehman Endowment Fund	\$ 25,000
Robert Lehman Endowment Fund	50,000
Pierre and Dorothy Brodin Endowment Fund	<u>739,980</u>

Total net assets with restrictions \$ 814,980

Note 10 – Endowments:

The Organization is subject to the State Prudent Management of Institutional Funds Act ("SPMIFA") and thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board appropriates such amounts for expenditure which are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount, unless a donor stipulates the contrary.

THE LEHMAN COLLEGE ART GALLERY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 10 – Endowments (continued):

As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or calculate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The general purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Underwater Endowments

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires that the Organization to retain as a fund of perpetual duration.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable 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 Organization must hold in perpetuity or for donor specified periods. Under this policy, as provided by the Board of Trustees, the endowment assets are invested with a moderate level of investment risk.

THE LEHMAN COLLEGE ART GALLERY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 11 – Summarized Comparative Information:

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with general accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Note 12 – COVID-19 Pandemic:

The accompanying June 30, 2021 financial statements of the Organization do not include any adjustments related to the COVID-19 pandemic. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on future developments, all of which are highly uncertain and cannot be predicted at this time.