

THE LEHMAN COLLEGE ART GALLERY, INC.
Financial Statements
June 30, 2023 and 2022
(With Independent Auditors' Report Thereon)

THE LEHMAN COLLEGE ART GALLERY, INC.

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Lehman College Art Gallery, Inc. (a nonprofit organization) (the Organization) which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

EFPR Group, CPAs, PLLC

Williamsville, New York
September 28, 2023

THE LEHMAN COLLEGE ART GALLERY, INC.
 Statements of Financial Position
 June 30, 2023 and 2022

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and equivalents	\$ 258,605	286,670
Grants and other receivables	195,783	183,730
Prepaid expenses	52,173	48,066
Total current assets	506,561	518,466
Noncurrent assets:		
Artwork	121,200	121,200
Investments	1,356,629	1,294,846
Total noncurrent assets	1,477,829	1,416,046
Total assets	\$ 1,984,390	1,934,512
<u>Liabilities and Net Assets</u>		
Current liabilities - accounts payable and accrued expenses	60,222	76,172
Net assets:		
Without donor restrictions	1,104,188	1,043,360
With donor restrictions	819,980	814,980
Total net assets	1,924,168	1,858,340
Total liabilities and net assets	\$ 1,984,390	1,934,512

See accompanying notes to financial statements.

THE LEHMAN COLLEGE ART GALLERY, INC.
 Statements of Activities
 Years ended June 30, 2023 and 2022

	2023			2022		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenue:						
Contributed nonfinancial assets (note 8)	\$ 544,279	-	544,279	572,888	-	572,888
Educational program income	309,773	-	309,773	293,800	-	293,800
Grant income	-	159,180	159,180	-	251,900	251,900
Corporation and foundation donations	106,670	15,750	122,420	102,650	10,000	112,650
Individual donations	693	-	693	1,376	-	1,376
Rental/other income	-	-	-	116	-	116
Investment return, net	3,398	58,445	61,843	(18,208)	(102,645)	(120,853)
Net assets released from donor restrictions	228,375	(228,375)	-	159,255	(159,255)	-
Total revenue	<u>1,193,188</u>	<u>5,000</u>	<u>1,198,188</u>	<u>1,111,877</u>	<u>-</u>	<u>1,111,877</u>
Expenses:						
Program services	1,063,846	-	1,063,846	976,151	-	976,151
Management and general	68,514	-	68,514	76,361	-	76,361
Total expenses	<u>1,132,360</u>	<u>-</u>	<u>1,132,360</u>	<u>1,052,512</u>	<u>-</u>	<u>1,052,512</u>
Other nonoperating revenue - CUNY support	-	-	-	30,000	-	30,000
Change in net assets	60,828	5,000	65,828	89,365	-	89,365
Net assets at beginning of year	<u>1,043,360</u>	<u>814,980</u>	<u>1,858,340</u>	<u>953,995</u>	<u>814,980</u>	<u>1,768,975</u>
Net assets at end of year	<u>\$ 1,104,188</u>	<u>819,980</u>	<u>1,924,168</u>	<u>1,043,360</u>	<u>814,980</u>	<u>1,858,340</u>

See accompanying notes to financial statements.

THE LEHMAN COLLEGE ART GALLERY, INC.
Statement of Functional Expenses
Year ended June 30, 2023
with comparative totals for 2022

	<u>Program</u> <u>services</u>	<u>Management</u> <u>and general</u>	<u>Total</u>	
			<u>2023</u>	<u>2022</u>
Expenses:				
Salary and related fringe benefits	\$ -	-	-	107,026
Contributed nonfinancial assets	544,279	-	544,279	572,888
Outside services	437,775	-	437,775	134,281
Professional fees	-	17,375	17,375	16,425
Administrative fees	-	12,431	12,431	8,280
Insurance	1,921	1,653	3,574	2,499
Educational program expenses	60,562	-	60,562	53,910
Advertising	11,956	-	11,956	20,860
Membership events	3,764	-	3,764	101,821
Office expenses	-	37,055	37,055	20,943
Staff travel	1,962	-	1,962	-
Equipment	1,627	-	1,627	13,579
Total expenses	<u>\$ 1,063,846</u>	<u>68,514</u>	<u>1,132,360</u>	<u>1,052,512</u>

See accompanying notes to financial statements.

THE LEHMAN COLLEGE ART GALLERY, INC.
Statement of Functional Expenses
Year ended June 30, 2022

	<u>Program services</u>	<u>Management and general</u>	<u>Total</u>
Expenses:			
Salary and related fringe benefits	\$ 77,597	29,429	107,026
Contributed nonfinancial assets	572,888	-	572,888
Outside services	134,281	-	134,281
Professional fees	-	16,425	16,425
Administrative fees	-	8,280	8,280
Insurance	1,215	1,284	2,499
Educational program expenses	53,910	-	53,910
Advertising	20,860	-	20,860
Membership events	101,821	-	101,821
Office expenses	-	20,943	20,943
Equipment	<u>13,579</u>	<u>-</u>	<u>13,579</u>
Total expenses	<u>\$ 976,151</u>	<u>76,361</u>	<u>1,052,512</u>

See accompanying notes to financial statements.

THE LEHMAN COLLEGE ART GALLERY, INC.
 Statements of Cash Flows
 Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 65,828	89,365
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized loss (gain) on investments	(20,302)	155,039
Changes in:		
Grants and other receivable	(12,053)	(151,525)
Prepaid expenses	(4,107)	(13,462)
Accounts payable and accrued expenses	<u>(15,950)</u>	<u>66,564</u>
Net cash provided by operating activities	<u>13,416</u>	<u>145,981</u>
Cash flows from investing activities - purchases of investments	<u>(41,481)</u>	<u>(34,186)</u>
Net change in cash and equivalents	(28,065)	111,795
Cash and equivalents at beginning of year	<u>286,670</u>	<u>174,875</u>
Cash and equivalents at end of year	<u>\$ 258,605</u>	<u>286,670</u>

See accompanying notes to financial statements.

THE LEHMAN COLLEGE ART GALLERY, INC.

Notes to Financial Statements

June 30, 2023 and 2022

(1) Nature of Organization and Summary of Significant Accounting Policies

(a) Nature of Operations

On April 28, 1986, the Board of Trustees of the City University of New York (CUNY) 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.

(b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

(c) Basis of Presentation

The Organization reports information regarding its financial position according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represents resources available for the general support of the Organization's activities. Net assets with donor restrictions are those whose use has been limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Organization.

(d) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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 revenue, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

(e) Cash and Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less, to be cash equivalents.

(f) Contributions

Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions in the reporting period in which the support is recognized, depending on the nature of donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

THE LEHMAN COLLEGE ART GALLERY, INC.

Notes to Financial Statements, Continued

(1) Nature of Organization and Summary of Significant Accounting Policies, Continued

(g) Receivables

Receivables are stated at the amount billed to customers once the service has been provided.

The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Receivables are ordinarily due upon receipt of the invoice. Interest is not accrued or recorded on outstanding accounts receivable. Delinquent receivables are written-off based on individual credit evaluation and specific circumstances of the customer.

(h) Capitalization and Depreciation

Property and equipment are recorded at cost or fair market value at the date of the gift in the case of donated equipment. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property and equipment, the appropriate property and equipment accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of activities.

(i) Functional Allocation of Expenses

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs are allocated based on management estimates.

(j) Subsequent Events

Management has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

(k) Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) therefore, no provision for income taxes is reflected in the financial statements. The Organization has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Organization presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Organization has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the Organization are subject to examination by taxing authorities.

THE LEHMAN COLLEGE ART GALLERY, INC.

Notes to Financial Statements, Continued

(2) Liquidity

The Organization has \$454,388 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of \$258,605 of cash and equivalents and \$195,783 of receivables. Some of these financial assets are subject to donor or contractual restrictions that make them unavailable for general expenditure within one year of the 2023 statement of financial position.

(3) Cash and Equivalents and Investments

(a) Custodial Credit Risk - Deposits

Custodial credit risk of deposits is the risk that the Organization's deposits may not be returned in the event of a bank failure. At June 30, 2023, \$8,605 of the Organization's bank balance of \$258,605 was exposed to custodial credit risk. At June 30, 2022, \$76,585 of the Organization's bank balance of \$326,585 was exposed to custodial credit risk.

(b) Custodial Credit Risk - Investments

Custodial credit risk as it relates to investments is the risk that in the event of failure of the counterparty of a transaction, the Organization will not be able to recover the value of its investment portfolio that is in the possession of that failed counterparty. At June 30, 2023 and 2022, the Organization's entire investment portfolio balance of \$1,356,629 and \$1,294,846, respectively, was exposed to custodial credit risk, as it was uninsured and uncollateralized.

(4) Fair Value Measurements

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data through correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

THE LEHMAN COLLEGE ART GALLERY, INC.

Notes to Financial Statements, Continued

(4) Fair Value Measurements, Continued

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table provides the fair value hierarchy of the Organization's financial assets at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Level 1:		
Money market funds	\$ 92,751	89,494
Bond mutual funds	930,847	900,481
Mutual funds-domestic	280,325	255,414
Mutual funds-international	<u>52,706</u>	<u>49,457</u>
Total	\$ <u>1,356,629</u>	<u>1,294,846</u>

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, there are no such deficiencies of this nature that are required to be reported in net assets with donor restrictions at June 30, 2023 and 2022. Deficiencies may result from unfavorable market fluctuations that occur shortly after the investment of new restricted contributions with continued appropriation for certain programs that are deemed prudent by the Board of Directors.

(5) Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2023 and 2022 are available for the following purposes or periods:

	<u>2023</u>	<u>2022</u>
Time or purpose restriction:		
Endowment - not subject to appropriation or expenditure	\$ <u>819,980</u>	<u>814,980</u>

During the years ended June 30, 2023 and 2022, net assets with donor restrictions were released from restrictions by incurring expenses for educational programs and other expenses amounting to \$228,375 and \$159,255, respectively.

(6) Endowment Funds

The Organization's endowment includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

THE LEHMAN COLLEGE ART GALLERY, INC.

Notes to Financial Statements, Continued

(6) Endowment Funds, Continued

Interpretation of Relevant Law - The Board of Directors of the Organization has interpreted the New York Prudent Management on 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 restricted endowment, (b) the original value of the subsequent gifts to the restricted endowment, and (c) accumulations to the restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with NYPMIFA the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purpose of the donor-restricted endowment funds, (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 Organization, (7) the Organization's investment policies, and (8) alternatives to expenditure of the endowment fund.

Investment Return Objectives, Risk Parameters and Strategies - The Organization has adopted investment and spending policies, approved by the Board of Directors, 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. Accordingly, the investment process seeks to achieve an after-cost 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 equity and debt securities that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution equal to or exceeding 5%, while growing the funds if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

(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, 2023 and 2022, prepaid expenses include \$52,173 and \$47,054 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 years ended June 30, 2023 and 2022 amounting to \$12,431 and \$8,280, respectively.

THE LEHMAN COLLEGE ART GALLERY, INC.
Notes to Financial Statements, Continued

(8) Contributed Nonfinancial Assets

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities included the following:

	<u>2023</u>	<u>2022</u>
Services	\$ 201,839	204,765
Rent	<u>342,440</u>	<u>368,123</u>
	\$ <u>544,279</u>	<u>572,888</u>

Contributed services recognized are comprised of professional services related to the operations of the Organization. Amounts represent an estimated percentage of time worked on Organization related activity. Contributed rent represents the Organization's share of the building in which the Organization operates. The square footage rate used in the calculation is based on similar office space in the surrounding area.