

THE LEHMAN COLLEGE ART GALLERY, INC.  
Financial Statements  
June 30, 2022 and 2021  
(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 statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year 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, 2022, 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.

#### Prior Period Financial Statements

The financial statements of The Lehman College Art Gallery, Inc. as of June 30, 2021, were audited by other auditors whose report dated September 15, 2021, expressed an unmodified opinion on those statements.

#### Basis for Opinion

We conducted our audit 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 audit.
- 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 audit 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 audit.

EFPR Group, CPAs, PLLC

Williamsville, New York  
December 8, 2022

THE LEHMAN COLLEGE ART GALLERY, INC.  
 Statements of Financial Position  
 June 30, 2022 and 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and equivalents	\$ 286,670	174,875
Grants and other receivables	183,730	32,205
Prepaid expenses	48,066	34,604
Total current assets	518,466	241,684
Noncurrent assets:		
Artwork	121,200	121,200
Investments	1,294,846	1,415,699
Total noncurrent assets	1,416,046	1,536,899
Total assets	\$ 1,934,512	1,778,583
<u>Liabilities and Net Assets</u>		
Current liabilities - accounts payable and accrued expenses	76,172	9,608
Net assets:		
Without donor restrictions	1,043,360	953,995
With donor restrictions	814,980	814,980
Total net assets	1,858,340	1,768,975
Total liabilities and net assets	\$ 1,934,512	1,778,583

See accompanying notes to financial statements.

THE LEHMAN COLLEGE ART GALLERY, INC.  
 Statements of Activities  
 Years ended June 30, 2022 and 2021

	2022			2021		
	<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)	\$ 572,888	-	572,888	509,766	-	509,766
Educational program income	293,800	-	293,800	41,445	-	41,445
Grant income	-	251,900	251,900	-	99,550	99,550
Corporation and foundation donations	102,650	10,000	112,650	45,440	20,000	65,440
Individual donations	1,376	-	1,376	7,347	-	7,347
Rental/other income	116	-	116	304	-	304
Investment return, net	(18,208)	(102,645)	(120,853)	30,868	99,968	130,836
Net assets released from donor restrictions	159,255	(159,255)	-	224,518	(224,518)	-
Total revenue	<u>1,111,877</u>	<u>-</u>	<u>1,111,877</u>	<u>859,688</u>	<u>(5,000)</u>	<u>854,688</u>
Expenses:						
Program services	976,151	-	976,151	689,637	-	689,637
Management and general	76,361	-	76,361	69,558	-	69,558
Total expenses	<u>1,052,512</u>	<u>-</u>	<u>1,052,512</u>	<u>759,195</u>	<u>-</u>	<u>759,195</u>
Other nonoperating revenue - CUNY support	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	89,365	-	89,365	100,493	(5,000)	95,493
Net assets at beginning of year	<u>953,995</u>	<u>814,980</u>	<u>1,768,975</u>	<u>853,502</u>	<u>819,980</u>	<u>1,673,482</u>
Net assets at end 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>

See accompanying notes to financial statements.

THE LEHMAN COLLEGE ART GALLERY, INC.  
Statement of Functional Expenses  
Year ended June 30, 2022  
with comparative totals for 2021

	Program services	Management and general	Total	
			<u>2022</u>	<u>2021</u>
Expenses:				
Salary and related fringe benefits	\$ 77,597	29,429	107,026	150,952
Contributed nonfinancial assets	572,888	-	572,888	509,766
Outside services	134,281	-	134,281	52,012
Professional fees	-	16,425	16,425	15,675
Administrative fees	-	8,280	8,280	11,699
Insurance	1,215	1,284	2,499	5,856
Educational program expenses	53,910	-	53,910	4,928
Exhibition expenses	-	-	-	3,000
Advertising	20,860	-	20,860	2,595
Membership events	101,821	-	101,821	1,504
Office expenses	-	20,943	20,943	109
Equipment	13,579	-	13,579	-
Depreciation	-	-	-	1,099
	-	-	-	1,099
Total expenses	\$ 976,151	76,361	1,052,512	759,195

See accompanying notes to financial statements.

THE LEHMAN COLLEGE ART GALLERY, INC.  
Statement of Functional Expenses  
Year ended June 30, 2021

	<u>Program services</u>	<u>Management and general</u>	<u>Total</u>
Expenses:			
Salary and related fringe benefits	\$ 110,195	40,757	150,952
Contributed nonfinancial assets	509,766	-	509,766
Outside services	52,012	-	52,012
Professional fees	-	15,675	15,675
Administrative fees	-	11,699	11,699
Insurance	4,538	1,318	5,856
Educational program expenses	4,928	-	4,928
Exhibition expenses	3,000	-	3,000
Advertising	2,595	-	2,595
Membership events	1,504	-	1,504
Office expenses	-	109	109
Depreciation	1,099	-	1,099
	\$ 689,637	69,558	759,195
Total expenses	\$ 689,637	69,558	759,195

See accompanying notes to financial statements.



THE LEHMAN COLLEGE ART GALLERY, INC.  
 Statements of Cash Flows  
 Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 89,365	95,493
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	-	1,099
Realized and unrealized loss (gain) on investments	155,039	(139,658)
Changes in:		
Grants and other receivable	(151,525)	84,331
Prepaid expenses	(13,462)	13,864
Accounts payable and accrued expenses	<u>66,564</u>	<u>2,816</u>
Net cash provided by operating activities	<u>145,981</u>	<u>57,945</u>
Cash flows from investing activities:		
Purchases of investments	(34,186)	(95,444)
Proceeds from sale of investments	<u>-</u>	<u>104,338</u>
Net cash provided by (used in) investing activities	<u>(34,186)</u>	<u>8,894</u>
Net change in cash and equivalents	111,795	66,839
Cash and equivalents at beginning of year	<u>174,875</u>	<u>108,036</u>
Cash and equivalents at end of year	<u>\$ 286,670</u>	<u>174,875</u>

See accompanying notes to financial statements.

THE LEHMAN COLLEGE ART GALLERY, INC.

Notes to Financial Statements

June 30, 2021 and 2020

(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) Recent Accounting Standards Issued

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, "Presentation and Disclosures for Not-for-Profit Entities for Contributed Nonfinancial Assets." ASU 2020-07 requires new presentation and disclosures for gift-in-kind donations to improve transparency on how those assets are used and valued. These financial statements and notes reflect retroactive adoption of this new standard.

(k) 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.

THE LEHMAN COLLEGE ART GALLERY, INC.

Notes to Financial Statements, Continued

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

(l) Risks and Uncertainties

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences on a national, regional and local level are unknown, but have the potential to result in a significant economic impact. The impact of this situation on the Organization and its future results and financial position is not presently determinable.

(m) 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.

(n) Reclassifications

Reclassifications have been made to certain 2021 balances in order to conform them to the 2022 presentation.

(2) Liquidity

The Organization has \$470,400 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of \$286,670 of cash and equivalents and \$183,730 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 2022 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, 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, 2022 and 2021, the Organization's entire investment portfolio balance of \$1,294,846 and \$1,415,699, respectively, was exposed to custodial credit risk, as it was uninsured and uncollateralized.

THE LEHMAN COLLEGE ART GALLERY, INC.

Notes to Financial Statements, Continued

(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.

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Level 1:		
Money market funds	\$ 89,494	115,964
Bond mutual funds	900,481	895,797
Mutual funds-domestic	255,414	331,748
Mutual funds-international	<u>49,457</u>	<u>72,190</u>
Total	\$ <u>1,294,846</u>	<u>1,415,699</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, 2022 and 2021. 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.

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

(5) Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2022 and 2021 are available for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Time or purpose restriction:		
Endowment - not subject to appropriation or expenditure	\$ <u>814,980</u>	<u>814,980</u>

During the years ended June 30, 2022 and 2021, net assets with donor restrictions were released from restrictions by incurring expenses for educational programs and other expenses amounting to \$159,255 and \$224,518, 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.

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.

THE LEHMAN COLLEGE ART GALLERY, INC.

Notes to Financial Statements, Continued

(6) Endowment Funds, Continued

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, 2022 and 2021, prepaid expenses include \$47,054 and \$33,592 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, 2022 and 2021 amounting to \$8,280 and \$11,699, respectively.

(8) Contributed Nonfinancial Assets

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statements of activities included the following:

	<u>2022</u>	<u>2021</u>
Services	\$ 204,765	184,448
Rent	<u>368,123</u>	<u>325,318</u>
	\$ <u>572,888</u>	<u>509,766</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.