

**THE LEHMAN COLLEGE ART GALLERY, INC.**

**FINANCIAL STATEMENTS**

**June 30, 2019**

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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, 2019, 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, 2019, 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, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 15, 2018. As discussed in Note 11, The Lehman College Art Gallery, Inc. has adopted Financial Accounting Standards Update No. 2016-14 and has adjusted the presentation of these statements accordingly. Our opinion is not modified with respect to this matter.



Mt. Kisco, New York  
August 14, 2019

THE LEHMAN COLLEGE ART GALLERY, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2019

(With Summarized Comparative Information as of June 30, 2018)

	<u>ASSETS</u>	
	<u>2019</u>	<u>2018</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 108,017	\$ 155,941
Investments at fair value (Note 3)	437,198	380,218
Grants and other receivables	128,257	55,176
Prepaid expenses (Note 7)	<u>41,817</u>	<u>39,255</u>
<b>Total Current Assets</b>	<b>715,289</b>	<b>650,590</b>
<b>Fixed assets, net of accumulated depreciation of \$7,411 in 2019 and \$5,434 in 2018</b>	<b>2,448</b>	<b>4,425</b>
<b>Artwork (Note 2)</b>	<b>121,200</b>	<b>121,200</b>
<b>Investments – with donor restrictions (Note 3 &amp; 9)</b>	<b><u>814,980</u></b>	<b><u>814,980</u></b>
<b>Total Assets</b>	<b>\$ <u>1,653,917</u></b>	<b>\$ <u>1,571,195</u></b>
	<u>LIABILITIES AND NET ASSETS</u>	
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 34,428	\$ 13,736
Deferred revenue	<u>-</u>	<u>8,422</u>
<b>Total Current Liabilities</b>	<b><u>34,428</u></b>	<b><u>22,158</u></b>
<b>Net Assets:</b>		
Without donor restrictions	804,509	734,057
With donor restrictions	<u>814,980</u>	<u>814,980</u>
<b>Total Net Assets</b>	<b><u>1,619,489</u></b>	<b><u>1,549,037</u></b>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>1,653,917</u></b>	<b>\$ <u>1,571,195</u></b>

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, 2019

(With Summarized Comparative Information for the Year Ended June 30, 2018)

	2019		Total	Total 2018
	Without Donor Unrestrictions	With Donor Restrictions		
<b>Revenue:</b>				
Contributions – in kind (Note 8)	\$ 480,625	\$	\$ 480,625	\$ 480,749
Educational program income	147,787		147,787	137,100
Grant income		203,310	203,310	133,550
Corporation and foundation donations	26,625	10,500	37,125	31,200
Individual donations	4,490		4,490	8,815
Rental/other income	22,800		22,800	37,700
Investment return, net	17,523	39,537	57,060	32,969
<b>Net Assets released from restrictions:</b>				
Satisfaction of program restrictions	<u>253,347</u>	<u>(253,347)</u>	<u>-</u>	<u>-</u>
<b>Total Revenue</b>	<u>953,197</u>	<u>-</u>	<u>953,197</u>	<u>862,083</u>
<b>Expenditures:</b>				
Program expenses	763,479		763,479	712,611
Administrative expenses	<u>119,266</u>	<u>-</u>	<u>119,266</u>	<u>119,064</u>
<b>Total Expenditures</b>	<u>882,745</u>	<u>-</u>	<u>882,745</u>	<u>831,675</u>
<b>Increase (decrease) in Net Assets</b>	<b>70,452</b>		<b>70,452</b>	<b>30,408</b>
<b>Net Assets, beginning of fiscal year</b>	<u>734,057</u>	<u>814,980</u>	<u>1,549,037</u>	<u>1,518,629</u>
<b>Net Assets, end of fiscal year</b>	<u>\$ 804,509</u>	<u>\$ 814,980</u>	<u>\$ 1,619,489</u>	<u>\$ 1,549,037</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, 2019

(With Summarized Comparative Information for the Year Ended June 30, 2018)

	2019			Total 2018
	Program Expenses	Administrative Expenses	Total	
<b>Expenditures:</b>				
Salary and related fringe benefits (Note 7 & 8)	\$ 225,829	\$ 90,495	\$ 316,324	\$ 313,272
Occupancy-in kind (Note 8)	299,635		299,635	299,635
Outside services	104,791		104,791	67,839
Exhibition expenses	65,375		65,375	56,179
Educational program expenses	28,277		28,277	41,064
Security	21,433		21,433	13,387
Professional fees		14,400	14,400	14,900
Administrative fees (Note 7)		10,488	10,488	10,242
Advertising	6,152		6,152	3,373
Office expenses	2,690	2,690	5,380	4,338
Staff travel	3,306		3,306	3,021
Insurance	1,762	1,193	2,955	2,947
Membership events	2,252		2,252	444
Depreciation	<u>1,977</u>		<u>1,977</u>	<u>1,034</u>
<b>Total Expenditures</b>	<b>\$ <u>763,479</u></b>	<b>\$ <u>119,266</u></b>	<b>\$ <u>882,745</u></b>	<b>\$ <u>831,675</u></b>

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, 2019

(With Summarized Comparative Information for the Year Ended June 30, 2018)

(Increase (decrease) in Cash and Cash Equivalents)

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities:</b>		
Increase (decrease) in Net Assets	\$ 70,452	\$ 30,408
Adjustments to reconcile increase decrease in Net Assets to cash provided (used) by operating activities:		
Depreciation	1,977	1,034
(Increase) decrease in grants and other receivables	(73,081)	16,312
(Increase) decrease in prepaid expenses	(2,562)	(3,619)
Increase (decrease) in accounts payable and accrued expenses	20,692	(15,934)
Increase (decrease) in deferred revenue	<u>(8,422)</u>	<u>8,422</u>
Net cash provided (used) by operating activities	<u>9,056</u>	<u>36,623</u>
<b>Cash Flows from Investing Activities:</b>		
(Increase) decrease in investments	<u>(56,980)</u>	<u>(32,887)</u>
Net increase (decrease) in cash and cash equivalents	(47,924)	3,736
Cash and cash equivalents, beginning of fiscal year	<u>155,941</u>	<u>152,205</u>
Cash and cash equivalents, end of fiscal year	\$ <u>108,017</u>	\$ <u>155,941</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, 2019

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**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. Support revenue is recognized when earned and expenses are recognized when incurred. Income from contributions is recognized when received or pledged.
- b. The Organization considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.
- c. 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.
- d. 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.
- e. 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.
- f. Certain reclassifications may have been made to some prior year account balances in order to conform to current year presentation.

THE LEHMAN COLLEGE ART GALLERY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

- g. 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.
- h. 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 2016.
- i. Subsequent events have been evaluated through August 14, 2019, 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 – Investments:

Investments are stated at fair market value. Realized and unrealized gains or losses and interest income are reflected within investment return, net, in the statement of activities.

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.

*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.

THE LEHMAN COLLEGE ART GALLERY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 3 – Investments (continued):

*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, 2019:

<u>Financial Assets</u>	<u>Level 1</u>
Money market funds	\$ 221,623
Bond mutual funds	739,943
Stock mutual funds-domestic	245,042
Stock mutual funds-international	<u>45,570</u>
Total	\$ <u>1,252,178</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, 2019, 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	\$ 1,488,452
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>673,472</u>

THE LEHMAN COLLEGE ART GALLERY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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>(7,411)</u>
Total Net Fixed Assets	\$ <u>2,448</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, 2019, prepaid expenses include \$41,115 paid to the CUNY Research Foundation which is applicable to payroll and fringe benefits for the fiscal year. The Organization paid the CUNY Research Foundation administrative fees for the fiscal year ended June 30, 2019 totaling \$10,488, 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, 2019

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**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 \$299,635 including the Organization's share of electric, water, heat, cleaning and maintenance. This fair market value was based upon a space survey prepared in 2019 by the Real Property Manager at City University of New York Department of Space Planning and Capital Budget and is based on \$35 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.

As of May 1, 2016, 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, 2019, the total value of services provided of \$180,990 is recognized as an in kind contribution and salary expense by the Organization.

**Note 9 – Net Assets:**

The Organization's net assets with donor restrictions for the year ended June 30, 2019 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, 2019

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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, 2019

**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, 2018, from which the summarized information was derived.

As of June 30, 2019, the Organization has adopted Financial Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The Organization has adjusted the presentation of prior year summarized comparative information accordingly.