

# **The Studio Museum in Harlem and Subsidiary**

Consolidated Financial Statements

June 30, 2024 and 2023

## Independent Auditors' Report

### Board of Trustees The Studio Museum in Harlem and Subsidiary

#### *Opinion*

We have audited the accompanying consolidated financial statements of The Studio Museum in Harlem and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Studio Museum in Harlem and Subsidiary as of June 30, 2024 and 2023, and the consolidated changes in their net assets and their 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 Consolidated Financial Statements section of our report. We are required to be independent of The Studio Museum in Harlem and Subsidiary 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 Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated 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 consolidated 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 consolidated 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 Studio Museum in Harlem and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt abouts The Studio Museum in Harlem and Subsidiary'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.

***Report on Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary schedules on pages 37-40 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*PKF O'Connor Davies, LLP*

December 20, 2024

## The Studio Museum in Harlem and Subsidiary

### Consolidated Statements of Financial Position

	June 30	
	2024	2023
<b>ASSETS</b>		
Cash	\$ 8,343,910	\$ 17,837,703
Contributions receivable, net	26,775,465	28,724,063
Leverage loan interest receivable	18,498	18,498
Leverage loan receivable	6,702,733	6,702,733
Investments, at fair value	59,608,457	64,420,538
Museum store inventory	99,409	89,501
Prepaid expenses, security deposits and other	4,077,026	675,754
Property, equipment and leasehold improvements, at cost, net	164,796,020	118,387,459
Restricted cash	8,129,647	9,995,050
Right-of-use assets - operating leases	22,635,405	8,397,585
Total Assets	\$ 301,186,570	\$ 255,248,884
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 9,619,460	\$ 1,069,921
Contracts payable	6,472,662	10,798,140
Debt payable	15,600,975	18,436,453
Lease liabilities - operating leases	23,587,389	8,687,520
Deferred revenue	35,000	-
Total Liabilities	55,315,486	38,992,034
<b>NET ASSETS</b>		
Without Donor Restrictions		
Undesignated	60,121,674	33,842,648
Board designated endowment	2,215,399	11,092,179
Total Without Donor Restrictions	62,337,073	44,934,827
With Donor Restrictions		
Purpose and time	142,522,954	134,660,966
Endowment	41,011,057	36,661,057
Total With Donor Restrictions	183,534,011	171,322,023
Total Net Assets	245,871,084	216,256,850
Total Liabilities and Net Assets	\$ 301,186,570	\$ 255,248,884

See notes to consolidated financial statements

## The Studio Museum in Harlem and Subsidiary

### Consolidated Statement of Activities Year Ended June 30, 2024

	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Campaign	Total Without Donor Restrictions		
<b>SUPPORT AND REVENUE</b>					
Support					
Government	\$ 1,066,879	\$ 16,514,657	\$ 17,581,536	\$ -	\$ 17,581,536
Contributions	5,476,903	-	5,476,903	13,730,637	19,207,540
Total Support	<u>6,543,782</u>	<u>16,514,657</u>	<u>23,058,439</u>	<u>13,730,637</u>	<u>36,789,076</u>
Revenue					
Special events, net of direct benefits to donors of \$1,052,166	3,066,944	-	3,066,944	-	3,066,944
Membership fees	378,480	-	378,480	-	378,480
Museum sales	63,672	-	63,672	-	63,672
Investment return	1,733,734	823,275	2,557,009	3,396,907	5,953,916
Other	166,597	-	166,597	-	166,597
Total Revenue	<u>5,409,427</u>	<u>823,275</u>	<u>6,232,702</u>	<u>3,396,907</u>	<u>9,629,609</u>
Total Support and Revenue Before Net Assets Released from Restrictions	11,953,209	17,337,932	29,291,141	17,127,544	46,418,685
Net assets released from restrictions	4,768,760	146,796	4,915,556	(4,915,556)	-
Total Support and Revenue	<u>16,721,969</u>	<u>17,484,728</u>	<u>34,206,697</u>	<u>12,211,988</u>	<u>46,418,685</u>
<b>EXPENSES</b>					
Program Services					
Curatorial	3,160,983	152,161	3,313,144	-	3,313,144
Exhibitions	463,424	-	463,424	-	463,424
Learning and Engagement	1,782,715	-	1,782,715	-	1,782,715
Retail and Visitor Services	675,719	-	675,719	-	675,719
Communications	1,591,654	285,147	1,876,801	-	1,876,801
Building and operations	1,768,745	-	1,768,745	-	1,768,745
Capital campaign	-	237,856	237,856	-	237,856
Total Program Services	<u>9,443,240</u>	<u>675,164</u>	<u>10,118,404</u>	<u>-</u>	<u>10,118,404</u>
Supporting Services					
Management and general	3,888,364	174,645	4,063,009	-	4,063,009
Development	2,365,426	257,612	2,623,038	-	2,623,038
Total Supporting Services	<u>6,253,790</u>	<u>432,257</u>	<u>6,686,047</u>	<u>-</u>	<u>6,686,047</u>
Total Expenses	<u>15,697,030</u>	<u>1,107,421</u>	<u>16,804,451</u>	<u>-</u>	<u>16,804,451</u>
Change in Net Assets	1,024,939	16,377,307	17,402,246	12,211,988	29,614,234
<b>NET ASSETS</b>					
Beginning of year	16,457,770	28,477,057	44,934,827	171,322,023	216,256,850
End of year	<u>\$ 17,482,709</u>	<u>\$ 44,854,364</u>	<u>\$ 62,337,073</u>	<u>\$ 183,534,011</u>	<u>\$ 245,871,084</u>

See notes to consolidated financial statements

## The Studio Museum in Harlem and Subsidiary

### Consolidated Statement of Activities Year Ended June 30, 2023

	Without Donor Restrictions		Total Without Donor Restrictions	With Donor Restrictions	Total
	Operating	Campaign			
<b>SUPPORT AND REVENUE</b>					
Support					
Government	\$ 2,252,337	\$ 20,322,800	\$ 22,575,137	\$ -	\$ 22,575,137
Contributions	3,549,747	-	3,549,747	15,217,953	18,767,700
Total Support	<u>5,802,084</u>	<u>20,322,800</u>	<u>26,124,884</u>	<u>15,217,953</u>	<u>41,342,837</u>
Revenue					
Special events, net of direct benefits to donors of \$561,470	3,587,483	-	3,587,483	-	3,587,483
Membership fees	228,477	-	228,477	-	228,477
Museum sales	192,316	-	192,316	-	192,316
Investment return	1,082,694	662,823	1,745,517	1,957,907	3,703,424
Other	214,858	-	214,858	-	214,858
Total Revenue	<u>5,305,828</u>	<u>662,823</u>	<u>5,968,651</u>	<u>1,957,907</u>	<u>7,926,558</u>
Total Support and Revenue Before Net Assets Released from Restrictions	11,107,912	20,985,623	32,093,535	17,175,860	49,269,395
Net assets released from restrictions	<u>4,484,549</u>	<u>760,975</u>	<u>5,245,524</u>	<u>(5,245,524)</u>	<u>-</u>
Total Support and Revenue	<u>15,592,461</u>	<u>21,746,598</u>	<u>37,339,059</u>	<u>11,930,336</u>	<u>49,269,395</u>
<b>EXPENSES</b>					
Program Services					
Curatorial	2,804,741	780,973	3,585,714	-	3,585,714
Exhibitions	428,293	-	428,293	-	428,293
Learning and Engagement	1,130,014	-	1,130,014	-	1,130,014
Retail and Visitor Services	388,621	-	388,621	-	388,621
Communications	793,471	-	793,471	-	793,471
Building and operations	1,099,449	-	1,099,449	-	1,099,449
Capital campaign	-	1,270,599	1,270,599	-	1,270,599
Total Program Services	<u>6,644,589</u>	<u>2,051,572</u>	<u>8,696,161</u>	<u>-</u>	<u>8,696,161</u>
Supporting Services					
Management and general	4,776,594	-	4,776,594	-	4,776,594
Development	2,473,339	-	2,473,339	-	2,473,339
Total Supporting Services	<u>7,249,933</u>	<u>-</u>	<u>7,249,933</u>	<u>-</u>	<u>7,249,933</u>
Total Expenses	<u>13,894,522</u>	<u>2,051,572</u>	<u>15,946,094</u>	<u>-</u>	<u>15,946,094</u>
Change in Net Assets	1,697,939	19,695,026	21,392,965	11,930,336	33,323,301
<b>NET ASSETS</b>					
Beginning of year	<u>14,759,831</u>	<u>8,782,031</u>	<u>23,541,862</u>	<u>159,391,687</u>	<u>182,933,549</u>
End of year	<u>\$ 16,457,770</u>	<u>\$ 28,477,057</u>	<u>\$ 44,934,827</u>	<u>\$ 171,322,023</u>	<u>\$ 216,256,850</u>

See notes to consolidated financial statements

## The Studio Museum in Harlem and Subsidiary

### Consolidated Statement of Functional Expenses Year Ended June 30, 2024

	Program Services							Supporting Services			Total	
	Curatorial	Exhibitions	Learning and Engagement	Retail and Visitor Services	Marketing and Communications	Building and Operations	Capital Campaign	Total Program Services	Management and General	Development		Total Supporting Services
Personnel Expenses												
Salaries and wages	\$ 823,012	\$ 253,813	\$ 912,547	\$ 232,906	\$ 661,837	\$ 995,140	\$ 73,003	\$ 3,952,258	\$ 1,452,300	\$ 1,153,240	\$ 2,605,540	\$ 6,557,798
Payroll taxes and fringe benefits	261,134	57,981	247,240	106,348	209,519	328,556	17,502	1,228,280	429,706	371,260	800,966	2,029,246
Total Personnel Expenses	1,084,146	311,794	1,159,787	339,254	871,356	1,323,696	90,505	5,180,538	1,882,006	1,524,500	3,406,506	8,587,044
Professional and Consultant Fees	243,344	22,492	12,586	9,050	546,375	158,115	-	991,962	749,388	284,408	1,033,796	2,025,758
Exhibition and Program Costs	710,756	2,128	46,602	26	31,829	4,738	-	796,079	20,990	11,442	32,432	828,511
Collection and Conservation Costs	68,161	-	1,226	-	80	-	-	69,467	755	-	755	70,222
Stipends and Honorariums	1,250	112,286	178,630	-	-	-	-	292,166	50,000	-	50,000	342,166
Travel and Entertainment	12,016	442	39,705	-	12,323	761	765	66,012	140,835	176,576	317,411	383,423
Conferences, Meetings and Staff Development	146	450	395	60	871	420	490	2,832	20,618	44	20,662	23,494
Special Events	-	-	-	-	-	-	-	-	-	1,052,166	1,052,166	1,052,166
Printing Costs	10	12,041	24	1,506	60,401	-	-	73,982	3,035	28,349	31,384	105,366
Supplies	2,560	950	8,505	387	103,158	11,471	-	127,031	10,328	18,265	28,593	155,624
Postage and Shipping	87	21	146	2,350	564	122	144	3,434	1,674	111,509	113,183	116,617
Advertising and Promotion	-	-	-	1,676	76,812	-	-	78,488	15,454	183	15,637	94,125
Equipment Repairs and Maintenance	26,626	570	84	120	138	19,961	-	47,499	271,723	736	272,459	319,958
Occupancy and Utility Costs	1,091,599	-	318,156	295,189	133,304	222,067	134,617	2,194,932	481,717	287,779	769,496	2,964,428
Technology and Communication Services	26,184	250	8,541	9,644	25,020	13,461	5,182	88,282	159,586	84,221	243,807	332,089
Insurance	37,124	-	8,329	8,329	13,882	13,882	5,553	87,099	41,646	27,764	69,410	156,509
Interest, Bank Fees, Payroll and Other Fees	160	-	37	5,081	650	51	600	6,579	112,355	66,967	179,322	185,901
Depreciation and Amortization	-	-	-	-	-	-	-	-	93,469	-	93,469	93,469
Miscellaneous	8,975	-	(38)	3,047	38	-	-	12,022	7,430	295	7,725	19,747
Total Expenses	3,313,144	463,424	1,782,715	675,719	1,876,801	1,768,745	237,856	10,118,404	4,063,009	3,675,204	7,738,213	17,856,617
Less: cost of direct expenses of special events	-	-	-	-	-	-	-	-	-	(1,052,166)	(1,052,166)	(1,052,166)
Total Expenses Reported by Function on Statement of Activities	<u>\$ 3,313,144</u>	<u>\$ 463,424</u>	<u>\$ 1,782,715</u>	<u>\$ 675,719</u>	<u>\$ 1,876,801</u>	<u>\$ 1,768,745</u>	<u>\$ 237,856</u>	<u>\$ 10,118,404</u>	<u>\$ 4,063,009</u>	<u>\$ 2,623,038</u>	<u>\$ 6,686,047</u>	<u>\$ 16,804,451</u>

See notes to consolidated financial statements



## The Studio Museum in Harlem and Subsidiary

### Consolidated Statement of Functional Expenses Year Ended June 30, 2023

	Program Services							Supporting Services				Total
	Curatorial	Exhibitions	Learning and Engagement	Retail and Visitor Services	Communications	Building and Operations	Capital Campaign	Total Program Services	Management and General	Development	Total Supporting Services	
Personnel Expenses												
Salaries and wages	\$ 517,139	\$ 186,154	\$ 772,802	\$ 202,405	\$ 396,753	\$ 720,835	\$ 125,097	\$ 2,921,185	\$ 1,653,512	\$ 1,086,471	\$ 2,739,983	\$ 5,661,168
Payroll taxes and fringe benefits	139,297	37,617	200,653	60,163	104,545	190,292	288	732,855	544,664	297,643	842,307	1,575,162
Total Personnel Expenses	656,436	223,771	973,455	262,568	501,298	911,127	125,385	3,654,040	2,198,176	1,384,114	3,582,290	7,236,330
Professional and Consultant Fees	26,960	39,431	26,177	4,725	197,738	98,159	780,148	1,173,338	628,622	450,561	1,079,183	2,252,521
Exhibition and Program Costs	1,467,361	2,467	24,245	257	617	1,213	-	1,496,160	28,546	230,588	259,134	1,755,294
Collection and Conservation Costs	41,486	-	1,405	-	1,008	-	150,530	194,429	-	-	-	194,429
Stipends and Honorariums	750	85,123	76,375	-	500	-	-	162,748	100,000	-	100,000	262,748
Travel and Entertainment	16,838	15,773	15,101	143	8,358	2,631	7,149	65,993	65,743	35,477	101,220	167,213
Conferences, Meetings and Staff Development	2,406	-	3,026	-	7,746	-	2,790	15,968	32,217	799	33,016	48,984
Special Events	-	-	-	-	-	-	-	-	-	-	561,470	561,470
Printing Costs	240	50,935	3,273	1,284	32,509	-	-	88,241	1,322	54,230	55,552	143,793
Supplies	5,312	1,826	4,785	2,213	3,790	11,574	1,850	31,350	16,177	44,952	61,129	92,479
Postage and Shipping	2,548	1,018	587	20,158	3,229	-	-	27,540	2,588	183,547	186,135	213,675
Advertising and Promotion	-	-	-	304	28,305	-	-	28,609	23,831	2,248	26,079	54,688
Equipment Repairs and Maintenance	49,385	-	-	-	-	28,251	-	77,636	131,302	-	131,302	208,938
Occupancy and Utility Costs	1,298,089	-	300	-	-	46,494	-	1,344,883	937,409	-	937,409	2,282,292
Technology and Communication Services	7,570	7,669	859	2,890	8,198	-	202,697	229,883	145,983	36,599	182,582	412,465
Insurance	9,460	-	-	-	-	-	-	9,460	85,661	-	85,661	95,121
Interest, Bank Fees, Payroll and Other Fees	873	280	110	20,541	175	-	50	22,029	227,943	50,224	278,167	300,196
Bad Debt Expense	-	-	-	-	-	-	-	-	56,390	-	56,390	56,390
Depreciation and Amortization	-	-	-	-	-	-	-	-	92,345	-	92,345	92,345
Miscellaneous	-	-	316	73,538	-	-	-	73,854	2,339	-	2,339	76,193
Total Expenses	3,585,714	428,293	1,130,014	388,621	793,471	1,099,449	1,270,599	8,696,161	4,776,594	3,034,809	7,811,403	16,507,564
Less: cost of direct expenses of special events	-	-	-	-	-	-	-	-	-	(561,470)	(561,470)	(561,470)
Total Expenses Reported by Function on Statement of Activities	\$ 3,585,714	\$ 428,293	\$ 1,130,014	\$ 388,621	\$ 793,471	\$ 1,099,449	\$ 1,270,599	\$ 8,696,161	\$ 4,776,594	\$ 2,473,339	\$ 7,249,933	\$ 15,946,094

See notes to consolidated financial statements

## The Studio Museum in Harlem and Subsidiary

### Consolidated Statements of Cash Flows

	Years Ended June 30	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 29,614,234	\$ 33,323,301
Adjustments to reconcile change in net assets to net cash from operating activities		
Bad debt expense	116,617	208,938
Depreciation	75,269	92,345
Amortization of closing costs	18,200	18,200
Net realized and unrealized gain on investments	(4,015,386)	(1,468,947)
Change in present value discount of pledges receivable	(214,940)	192,534
Cash received for capital campaign	(21,242,409)	(30,117,241)
Permanently restricted contributions	(4,400,000)	(2,655,784)
Amortization of right-of-use assets - operating leases	2,241,832	2,086,418
Changes in operating assets and liabilities		
Contributions receivable	2,163,538	814,928
Accounts receivable	(116,617)	-
Museum store inventory	(9,908)	(30,975)
Prepaid insurance, security deposits and other	(3,401,272)	(134,961)
Accounts payable and accrued expenses	8,549,539	426,566
Lease liabilities - operating leases	(1,579,783)	(1,796,483)
Deferred revenue	35,000	-
Net Cash from Operating Activities	7,833,914	958,839
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	92,813,465	10,973,397
Purchases of investments	(83,985,998)	(16,039,861)
Additions to property and equipment	(46,483,830)	(38,859,674)
Change in contracts payable	(4,325,478)	3,090,928
Net Cash from Investing Activities	(41,981,841)	(40,835,210)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from building loan	14,266,167	17,237,111
Repayment of building loan	(17,119,845)	(13,532,353)
Cash contributions restricted for capital campaign	21,242,409	30,117,241
Permanently restricted contributions	4,400,000	2,655,784
Net Cash from Financing Activities	22,788,731	36,477,783
Net Change in Cash and Restricted Cash	(11,359,196)	(3,398,588)
<b>CASH AND RESTRICTED CASH</b>		
Beginning of year	27,832,753	31,231,341
End of year	\$ 16,473,557	\$ 27,832,753
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid in cash (all was capitalized as CIP)	\$ 555,710	\$ 446,675

See notes to consolidated financial statements

## The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### 1. Organization and Tax Status

The Studio Museum in Harlem (the “Museum”) and its wholly owned subsidiary, SMH Support Corp. (the “Support Corp.”) (collectively, the “Organization”), are incorporated in the State of New York. The Museum is the nexus for artists of African descent locally, nationally, and internationally and for work that has been inspired and influenced by black culture. It is a site for the dynamic exchange of ideas about art and society and for over 50 years the Museum has been a vanguard of arts and culture.

Since opening in a rented loft at Fifth Avenue and 125<sup>th</sup> Street in 1968, the Museum has earned recognition for its catalytic role in promoting the works of artists of African descent. The Museum’s Curatorial Artists-In-Residence (“AIR”) program has supported nearly 150 graduates who have gone on to establish highly regarded careers. A wide variety of Education and Public Programs have brought the African American experience alive for the public by means of lectures, dialogues, panel discussions, and performances, as well as interpretive programs both on-site and off-site for students and teachers. The Exhibitions program has also expanded the scope of historical art literature through the production of scholarly catalogues, brochures and pamphlets.

In 1979, the New York Bank for Savings donated a 60,000 square foot facility at 144 West 125<sup>th</sup> Street to the Museum. Renovated and opened in 1982, the Museum was comprised of three floors of gallery space, workshop and studio spaces, library and archival space, art storage, an outdoor court and the Museum Store. After a major expansion and renovation of the 125<sup>th</sup> Street facility, completed in 2008, the Museum included a new glass façade and entry court, a 100-seat auditorium, an educational workshop space, expanded cloakroom and 3,000 square feet of additional gallery space for the Museum’s permanent collection.

The Museum has undertaken a capital campaign to design and build a new state-of-the-art 82,000 square feet certified LEED-Museum (the “Capital Project”). As a result, during the 2019 fiscal year, the 60,000 square foot facility was demolished and many of the programs the Museum offered since that time have been limited.

The Museum’s *Permanent Collection*, another important component of the Curatorial department, includes over 9,000 paintings, sculptures, watercolors, drawings, pastels, prints, photographs, mixed media works, and installations. These works have been acquired through donation and purchase, and in 2001, the Museum inaugurated an Acquisitions Committee, which donates funds for purchases for the collection. Featured in the Collection are works by artists such as Terry Adkins, Romare Bearden, Robert Colescott, Melvin Edwards, Richard Hunt, Lois Mailou Jones, Jacob Lawrence, Norman Lewis, Betye Saar, Nari Ward, and Hale Woodruff. The Museum is also the custodian of an extensive archive of the work of photographer James Van Der Zee, the quintessential chronicler of the Harlem community from 1906 to 1983. Building on the existing *Collection* – which was inaugurated in 1977 with an acquisition policy put in place in 1979 – the Museum embarked on an initiative to expand its holdings with the opening of expanded gallery space in 2008.

## The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### 1. Organization and Tax Status *(continued)*

The Museum Store is a unique education resource featuring catalogues, logo items, cards and other products published by the Museum along with a diverse selection of books on the art and culture of African America and the African Diaspora and related crafts, jewelry, videos and compact discs that relate to the core mission of the Museum. In connection with the facility being demolished, the Museum Store was vacated and dismantled, all inventory was stored at an offsite facility. The Museum Store has continued to operate online.

The Support Corp. is a non-for-profit 501(c)(3) organization that was incorporated in New York on July 24, 2018, and is organized and will be operated at all times exclusively for the benefit of the Museum.

The Support Corp. was created to separate certain considerations from the Museum's general operations, including isolating certain real estate activities and liabilities from the Museum's overall charitable activities and assets.

The Support Corp.'s activities are to (i) lease property in New York, New York, currently leased by the Museum for the Capital Project, (ii) borrow low-interest rate funds, (iii) contract to rehabilitate and expand facilities at the Capital Project, and (iv) lease the Capital Project to the Museum to operate as The Studio Museum in Harlem.

The Support Corp.'s sole member is the Museum, and the Museum has sole authority to appoint a majority of the Support Corp.'s Board of Directors who must be trustees, directors, officers or employees of the Museum. The majority of the Support Corp.'s Board of Directors have the authority to appoint the minority of the Support Corp.'s Board of Directors who must not be trustees, directors, officers or employees of the Museum.

The Museum is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the Museum has been determined by the Internal Revenue Service ("IRS") to be a publicly supported organization, and not a private foundation, within the meaning of Section 509(a)(1) and 170(b)(1)(A)(vi) of the Code. The Museum qualifies for the maximum charitable contribution deductions for donors as permitted by the Code.

The Support Corp. is also exempt from Federal income taxes under Section 501(c)(3) of the Code. In addition, the Support Corp. has been determined by the IRS to be a public supported charity and not a private foundation. The IRS has also specifically determined that the Support Corp. is a Type I Supporting Organization under section 509(a)(3) of the Code. A Type I Supporting Organization is operated, supervised or controlled by one or more publicly supported charities (i.e., the Museum). The Support Corp. qualifies for the maximum charitable contribution deduction for its donors as allowed by the Code.

## **The Studio Museum in Harlem and Subsidiary**

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### **2. Summary of Significant Accounting Policies**

#### ***Principles of Consolidation***

The consolidated financial statements of The Studio Museum in Harlem and Subsidiary include the accounts of the Museum and the Support Corp. The Museum and the Support Corp. have interrelated directors/officers. In preparing the accompanying consolidated financial statements, all inter-company balances and transactions have been eliminated.

#### ***Basis of Presentation and Use of Estimates***

The consolidated financial statements have been prepared in conformity with accounting principles general accepted in the United States of America ("U.S. GAAP") which require 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 consolidated financial statements and the reported amounts of revenue and expenses reported during that period. Actual results could differ from those estimates.

#### ***Reclassifications***

Certain amounts in the June 30, 2023 financial statements have been reclassified to conform to the June 30, 2024 presentation.

#### ***Adoption of New Accounting Pronouncement***

##### ***Credit Losses***

In June 2016, the Financial Accounting Standards Board issued an accounting pronouncement related to the measurement of credit losses on financial instruments. This pronouncement and subsequently issued Accounting Standards Updates, clarified certain provisions of the new guidance, changed the incurred loss model for most financial assets and required the use of an expected loss model for instruments measured at amortized cost and certain other instruments that are not measured at fair value through net income. Under this model, entities are required to estimate the lifetime expected credit losses on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. The adoption of this guidance on July 1, 2023 expanded the Organization's required disclosures for its expected credit losses for loans receivable but did not have a material effect on its financial statements.

##### ***Net Assets***

The Organization reports information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

## The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### 2. Summary of Significant Accounting Policies *(continued)*

#### **Net Assets *(continued)***

Revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as net assets without donor restrictions and net asset with donor restrictions.

*Without donor restrictions* - consist of resources available for the general support of the Organization's operations and may be used at the discretion of the Organization's management and its Board of Trustees.

*With donor restrictions* - consist of resources which have either an implied or stated time restriction or have been restricted by donors for specific activities, including gift instruments requiring the principal be invested in perpetuity and the investment income be used for specific or general purposes. Donor restrictions that have been satisfied are reported in the consolidated statements of activities as net assets released from restrictions and are reclassified to net assets without donor restrictions. Donor restricted contributions whose restrictions expire during the same fiscal year are recognized as support without donor restrictions.

#### **Cash and Restricted Cash**

Cash includes all cash balances held in bank accounts that can be used for operating purposes. Included in restricted cash is cash designated as reserves or restricted as to use until the substantial completion of the Museum's Capital Project and as part of a lease security provision.

The following is a reconciliation of the cash and restricted cash reported on the consolidated statements of financial position to the consolidated statements of cash flows at June 30:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents - undesignated	\$ 7,114,099	\$ 12,505,067
Cash and cash equivalents - capital project	1,229,811	5,385,869
Restricted cash - capital project reserves	7,629,647	9,995,050
Restricted cash - lease security provision	500,000	-
	<u>\$ 16,473,557</u>	<u>\$ 27,885,986</u>

#### **Advertising**

Advertising expense is recognized as the expense is incurred.

## The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Contributions***

Government grant revenue is recognized in the consolidated statements of activities to the extent that reimbursable expenses have been incurred for the purpose specified by the grantor during the period.

Contributions, including unconditional promises to give, are reported as with or without donor restriction revenues in the period received based on donor stipulations. Unconditional promises to give that are greater than one year are discounted to reflect the present value of future cash flows using a risk adjusted discount rate assigned in the year the respective pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. Bequests and wills are recorded as revenue when a legally binding obligation notice is received and when a fair value can reasonably be determined.

Contributions that the donor requires to be used to acquire or renovate long-lived assets (e.g., building improvements, furniture, fixtures and equipment) are reported as with donor restrictions. The donor-imposed restrictions are satisfied when long-lived assets have been placed in service, at which time net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Conditional contributions and grants are recognized as revenue when the barriers on which they depend have been substantially met.

The Organization does not recognize revenue until it is probable of collection. Based on strong collection experience, the Organization has concluded that all revenue recognized is probable of collection.

#### ***Allowance for Doubtful Accounts***

The Museum does not have an allowance for doubtful accounts for any potentially uncollectible contributions receivable. Such estimates are based on management's experience, the aging of receivables, subsequent receipts and current economic conditions.

#### ***Contributed Services***

The Museum is required to recognize contributions of services if they create or enhance non-financial assets, or require specialized skills, are provided by individuals possessing those skills and typically would have been purchased if not contributed.



## **The Studio Museum in Harlem and Subsidiary**

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### **2. Summary of Significant Accounting Policies (continued)**

#### ***Investments and Investment Income Recognition***

Investments are carried at fair value. The fair value of alternative investments has been estimated using the NAV as reported by the management of each respective alternative investment fund. U.S. GAAP guidance provides for the use of NAV as a “Practical Expedient” for estimating fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the Museum’s interest therein. The Museum reviews and evaluates the values provided by the general partners and investment managers, and has hired an investment consultant to assist in evaluating these values and believes the carrying amounts of its investments in the limited partnership and trusts are a reasonable estimate of fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded when declared. Realized and unrealized gains and losses are included in the determination of the change in net assets.

#### ***Fair Value Measurements***

The Museum follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices for similar assets and liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

#### ***Inventory***

The Museum Store inventory is stated at the lower of cost or net realizable value.

#### ***Property, Equipment and Leasehold Improvements***

Property, equipment and leasehold improvements are recorded at cost. The Museum capitalizes, as property, equipment and leasehold improvements, expenditures for assets over a nominal amount and a useful life of greater than one year. Property, equipment and leasehold improvements are depreciated using the straight-line method over their estimated useful lives ranging from 5 to 30 years.

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount of the asset is not recoverable, the value is written down to the asset’s fair value less costs to sell.



## **The Studio Museum in Harlem and Subsidiary**

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### **2. Summary of Significant Accounting Policies (continued)**

#### ***Construction in Progress***

Construction in progress includes all costs associated with the design and construction of the Organization's Capital Project. Upon completion, the cost of the Capital Project will be placed into service and depreciated over its estimated useful life on a straight-line basis.

#### ***Museum Collections and Exhibits***

The Museum's collections are comprised of artifacts of historical significance and art objects that are held for educational, exhibit, and curatorial purposes. Proceeds from the sales of the collection are used to acquire other items for the collection. Contributions for the purchase of items for the collections and exhibits are classified as net assets with donor restrictions until acquisitions are made. In accordance with accounting policies generally followed by museums, the value of Museum's collections and exhibits are not capitalized in the consolidated statements of financial position. Purchases of items are expensed in the year in which the items are acquired. The cost of the items purchased is reported as a separate program expense. Contributed collection items are not reflected in the consolidated financial statements.

#### ***Functional Allocation of Expenses***

The consolidated statements of functional expenses present the natural classification detail of expenses by function. Expenses are summarized and categorized based upon their functional classification as either program services or supporting services. Specific expenses that are readily identifiable to a single program or supporting activity are charged directly to that function. Certain expenses such as salaries, administrative services, art costs and storage, occupancy and utility costs, and other operational expenses are attributable to more than one program or supporting function and have been allocated based on time and effort or by reasonable ratios determined by management.

#### ***Deferred Loan Closing Costs***

The deferred loan closing costs were incurred in connection with the notes payable (see note 8) and are being amortized using the straight-line method (which approximates the effective interest method) over the life of the notes. The amortized costs are expensed over the life of the notes. The unamortized portion is netted with the related long-term debt on the consolidated statements of financial position.

## The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### 2. Summary of Significant Accounting Policies *(continued)*

#### **Leases**

The Organization leases several real estate units and determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets ("ROU assets"), and operating lease liabilities on the accompanying consolidated statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The leases do not provide an implicit borrowing rate. The Organization uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset includes any lease payments made and excludes lease incentives. The lease terms may include options to extend the lease and when it is reasonably certain that the Organization will exercise that option, such amounts are included in ROU assets and lease liabilities. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

#### **Accounting for Uncertainty in Income Taxes**

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management is not aware of any violations of its tax status as organizations exempt from income tax, nor of any exposure to unrelated business income tax that would require financial statement recognition or disclosure. The Organization is no longer subject to examination by the applicable taxing jurisdictions for years prior to 2021.

#### **Subsequent Events Evaluation by Management**

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which date is December 20, 2024.

## The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### 3. Concentrations of Credit Risk

The Organization's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, investments, contributions receivable and a loan receivable. The Organization places its cash with high credit quality financial institutions which, at times, may exceed federally insured limits prescribed by the Federal Deposit Insurance Corporation ("FDIC").

The Museum places its investments with credit worthy, high quality financial institutions where the balances may at times exceed the federally insured limits prescribed by the Securities Investor Protection Corporation ("SIPC").

Concentrations of credit risk with respect to receivables are generally diversified due to the large number of entities and individuals composing the Museums' donor base.

The loan receivable is due from Studio Museum in Harlem NMTC Investment Fund, LLC (the "Investment Fund") created in connection with a new market tax credit program agreement. Investments are exposed to various risks such as interest rate, market volatility, liquidity and credit. Due to the uncertainty related to the foregoing risks, it is reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the consolidated statement of financial position at June 30, 2024.

The Organization believes no significant risk of loss exists with respect to its cash, investments and receivables.

### 4. Contributions Receivable

Unconditional promises to give are included in the consolidated financial statements as contributions and pledges receivable, net of a present value discount ranging from 0.35% to 5.05% of the future cash flows. Contributions and pledges receivable consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Up to one year	\$ 20,879,143	\$ 23,095,819
Two to five years	6,127,974	5,394,956
More than five years	<u>100,000</u>	<u>350,000</u>
Sub-total	27,107,117	28,840,775
Less: present value discount	<u>(331,652)</u>	<u>(116,712)</u>
	<u>\$ 26,775,465</u>	<u>\$ 28,724,063</u>

## The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### 5. Leverage Loan Receivable

During December 2018, in connection with the Capital Project, the Museum entered into a leverage loan agreement ("Loan") with the Investment Fund.

The Museum loaned the Investment Fund \$6,702,733 which matures on December 27, 2048 (the "Maturity Date"), when all outstanding principal and accrued and unpaid interest shall be received by the Museum. The Loan is also evidenced by a promissory note. The interest rate of the Loan is 1.1% per annum. Interest only payments are due quarterly (January, April, July and October) commencing on April 10, 2019 and ending on October 10, 2025.

On December 27, 2025, the Investment Fund shall make an interest only payment for the period accrued from October 10, 2025 through December 27, 2025. On April 10, 2026, the Investment Fund shall make a one-time payment of principal and interest accrued on the Loan from December 28, 2025 through March 31, 2026. Thereafter, until and including the Maturity Date, quarterly installments of principal and interest in the amount of \$93,488 each based upon a 156-month amortization schedule shall be due and payable. The Loan is secured by a continuing security interest in all the Investment Fund's rights, title and interest, as defined in the Loan agreement.

Scheduled principal collections on outstanding loan is to be received as follows:

<u>Fiscal Year</u>	
2025	\$ -
2026	74,355
2027	301,616
2028	301,616
2029	301,616
2030 and thereafter	<u>5,723,530</u>
	<u>\$ 6,702,733</u>

## The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### 6. Investments

The following is a summary of the Museum's investments held and the Level under the fair value hierarchy as of June 30:

	2024		2023	
	Level	Fair Value	Level	Fair Value
Money market funds	(1)	\$ 15,362,717	(1)	\$13,302,506
Government obligations	(1)	1,414,153	(1)	10,826,075
Corporate obligations	(2)	1,711,189	(2)	9,586,117
Mortgage backed	(2)	979,574	(2)	1,019,653
Equities	(1)	1,090,108	(1)	6,627,398
Mutual Funds				
Equities	(1)	9,458,925	(1)	17,382,150
Fixed income	(1)	7,711,069	(1)	3,272,764
Real assets funds	(1)	-	(1)	2,403,875
Alternative investments	*	21,880,722		-
Total		\$ 59,608,457		\$ 64,420,538

\* As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy.

During 2024 and 2023, there were no transfers between levels 1, 2 or 3 of the fair value hierarchy.

Information regarding alternative investments measured at NAV at June 30 is as follows:

	2024			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investment trust	(a) \$ 16,260,823	\$ -	Monthly	5 days
Investment trust	(b) 5,315,189	-	Monthly	5 days
Private equity	(c) 304,710	928,234	N/A	N/A
	\$ 21,880,722	\$ 928,234		

## The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### 6. Investments (continued)

- a. The investment trust seeks to provide investments results that correspond to the total return performance of publicly-traded common stocks in the aggregate, as represented by the Standard & Poor's 500® Index.
- b. The investment trust seeks to track the investment results of an index composed of large- and mid- capitalization developed and emerging markets equities.
- c. The private equity investment is a direct lending strategy focused on middle-market companies across the U.S. and Canada. It provides senior debt to public and private middle-market companies to help fund growth, implement M&A, refinance existing debt, recapitalize businesses and undertake other strategic initiatives.

### 7. Property, Equipment and Leasehold Improvements

As of June 30, property, equipment and leasehold improvements consist of the following:

	<u>2024</u>	<u>2023</u>
Building and leasehold improvements	\$ 559,484	\$ 559,484
Furniture, fixtures and equipment	1,552,987	1,366,497
Construction in progress (Support Corp.)	9,491,000	9,392,999
Construction in progress ("CIP")	<u>154,499,899</u>	<u>108,508,560</u>
	166,103,370	119,827,540
Less: accumulated depreciation and amortization	<u>(1,515,350)</u>	<u>(1,440,081)</u>
	<u>\$ 164,588,020</u>	<u>\$ 118,387,459</u>

Depreciation expense for the years ended June 30, 2024 and 2023 was \$75,269 and \$92,345. During the years ended June 30, 2024 and 2023 interest of \$555,710 and \$446,675 was capitalized as CIP to the Organization's property, equipment and leasehold improvements.

### 8. Debt Payable

#### ***Building Loan***

During December 2018, the Museum entered into a \$58,831,000 Building Loan Agreement (the "Building Loan") with a financial institution to obtain bridge financing to fund the Museum's Capital Project, subject to terms and conditions as outlined in the Building Loan agreement. The Building Loan will bridge: (i) funds from the New York City Council, the Mayor's office and the Department of Cultural Affairs ("City Funds") and (ii) funds from private donor pledges ("Donor Funds"). The Museum is entitled to reimbursements for Building Loan advances from the City Funds' reimbursable costs, as defined in the City Grant Agreement. During March 2020, another financial institution has been selected to service this Building Loan. The Building Loan was set to expire in December 2021.

## The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### 8. Debt Payable (continued)

#### ***Building Loan (continued)***

On December 15, 2021, the Museum, as a result of unavoidable construction delays in the Capital Project, entered into an amended and restated loan agreement, with generally the same terms as the original Building Loan, extending the maturity date to September 2024. The Museum has elected to amortize the closing costs related to this Building Loan and other financing over the original three-year period.

Throughout the term of the Building Loan, the outstanding principal amount shall bear interest at the Secured Overnight Financing Rate plus 300 basis points or at the bank's prime rate. The Building Loan has an unused fee, payable quarterly, equal to .15% per annum of the difference between (i) the maximum amount outstanding and (ii) the actual average outstanding principal balance of the Building Loan during the quarter ended immediately prior to the payment date, as outlined in the Building Loan documents. Such fee is recorded as interest expense in the consolidated financial statements.

The Building Loan requires certain reserve balances totaling \$7,629,647 and \$9,995,050 as of June 30, 2024 and 2023, as defined in the loan documents. Any Building Loan closing costs were paid from the Museum's operating reserve and were not deducted from the loan proceeds, in accordance with the loan agreement.

#### ***Note Payable 1***

On December 27, 2018, the Support Corp. obtained a 30-year \$6,702,733 note ("Note 1") from Citi NMTC Subsidiary CDE XXXIII, LLC which will mature on December 27, 2048. The proceeds of Note 1 are being used to fund the Capital Project in which the Support Corp. along with the Museum intend to replace the then-existing Studio Museum in Harlem building and outdoor sculpture court. Note 1 requires quarterly interest payments at the rate of 1% per annum through December 27, 2025. On April 1, 2026, the Support Corp. is required to make a one-time payment in the amount of \$81,646 of principal and interest accrued on Note 1 for the period beginning December 28, 2025 and ending March 31, 2026. Commencing on June 1, 2026, quarterly installments of principal and interest shall be payable each quarter such that the combined amount of interest and principal payable for each such quarter shall be equal to \$81,646, until the entire unpaid principal balance is fully paid.

## The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### 8. Debt Payable (continued)

#### **Note Payable 2**

On December 27, 2018, the Support Corp. obtained a 30-year \$3,097,267 note ("Note 2") maturing December 27, 2048. The proceeds of Note 2 are being used to fund the Capital Project. Note 2 requires quarterly interest payments at the rate of 1% per annum through December 27, 2025. On April 1, 2026, the Support Corp. is required to make a one-time payment in the amount of \$37,728 of principal and interest accrued on Note 2 for the period beginning December 28, 2025 and ending March 31, 2026. Commencing on June 1, 2026, quarterly installments of principal and interest shall be payable each quarter such that the combined amount of interest and principal payable for each such quarter shall be equal to \$37,728 until the entire unpaid principal balance is fully paid.

The following is a summary of the required minimum annual principal payments on the notes as of June 30, 2024:

Fiscal Year	Building Loan	Note 1	Note 2	Total
2025	\$ 6,246,875	\$ -	\$ -	\$ 6,246,875
2026	-	129,940	60,044	189,984
2027	-	259,556	119,940	379,496
2028	-	259,556	119,940	379,496
2029 and thereafter	-	6,053,681	2,797,343	8,851,024
	<u>6,246,875</u>	<u>6,702,733</u>	<u>3,097,267</u>	<u>16,046,875</u>
Less: unamortized loan closing costs	-	(303,212)	(142,688)	(445,900)
Net Debt Payable	<u>\$ 6,246,875</u>	<u>\$ 6,399,521</u>	<u>\$ 2,954,579</u>	<u>\$ 15,600,975</u>

### 9. Pension and Retirement Plans

The Museum participates in the employee Cultural Institutions Retirement System ("CIRS"), which covers all eligible employees. CIRS is a multi-employer plan administered by the City of New York, and its actuarial present value of vested and non-vested accumulated plan benefits and net assets available for plan benefits are not determinable on an individual institution basis. CIRS sponsors three employee benefit plans: a 401(k) savings plan, a defined benefit pension plan, and a group life insurance plan. The Museum makes contributions to these plans on behalf of all eligible employees. In addition, employees are allowed to contribute to the 401(k) plan.

The City of New York directly pays the pension costs for specific eligible Museum employees who are on City-funded payrolls. The Museum pays the cost for eligible employees that are on non-City-funded payrolls. The value of City-paid costs is reported as public support and an employee benefit expense.



## The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### 9. Pension and Retirement Plans *(continued)*

Total defined benefit pension contribution costs for the years ended June 30 are as follows:

	2024	2023
Paid by the City of New York	\$ 94,092	\$ 98,194
Paid by the Museum	581,779	465,890
	\$ 675,871	\$ 564,084

The risk of participating in the multiemployer plan is different from a single-employer plan in the following respects:

- a. Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers;
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participant employers.
- c. If an employer chooses to stop participating in the multiemployer plan, the employer may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Investment securities held by the CIRS Plan, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility.

The Museum's participation in the CIRS Plan for the years ended June 30, 2024 and 2023 is outlined in the table below. The "EIN" column provides the employer identification number for the plan. The most recent Pension Protection Act ("PPA") zone status is green at June 30, 2024, and as required by the PPA, is certified by the Plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The CIRS Plan does not have a financial improvement plan or rehabilitation plan pending or implemented. The last column lists the expiration dates of the collective bargaining agreement to which the plan is subject. The Museum's contributions to the CIRS Plan did not exceed 5% of the CIRS Plan's total contributions for the years ended June 30, 2024 and 2023.

Pension Fund	EIN	Plan Number	Protection Act Zone Status		Total Pension Cost to the Plan		Expiration Date of Collective Bargaining Agreement
			2024	2023	2024	2023	
The Cultural Institution's Pension Plan	11-2001170	001	Green	Green	\$ 675,871	\$ 564,084	6/30/2025

## The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### 10. Lease Agreements

#### *Office Space Leases*

In connection with the Capital campaign, the Museum vacated their current premises and entered into various operating lease agreements and a permit for use of state-owned property.

During December 2016, the Museum entered into a permit for use of state-owned property for office space at 163 West 125<sup>th</sup> Street (NYC). The lease commenced on December 1, 2016 and expired November 30, 2019. The lease required annual minimum rent of \$76,260. From December 2019 through June 2020, the permit fee for state-owned property was on a month-to-month basis. During July 2020, the permit for use of state-owned property was extended to July 2023 at an annual fee of \$94,054. During September 2023, the lease was extended through September 2026 at an annual fee of \$91,512.

During October 2017, the Museum entered into a lease for office space at 429 West 127<sup>th</sup> Street (NYC). The lease commenced on January 1, 2018 and expired on December 31, 2020, requiring an annual base rent of \$158,850 in year 1 of the lease increasing to \$175,132 in year 3, as defined in the lease documents. During February 2020, the Museum extended the term of the lease through June 30, 2023. The extended lease required an annual base rent of \$210,159 in year 1 of the extension increasing to \$231,700 in year 3. In March 2023, the Museum signed a second amendment to the lease, beginning July 1, 2023 and expiring on June 30, 2025. The amendment required an annual base rent of \$243,576 for each of the three years. The Museum is also required to pay additional rent, certain operational costs, as outlined in the lease. The Museum has a \$13,238 security deposit with the landlord. The deposit is recorded within prepaid insurance, security deposits and other on the consolidated statements of financial position.

During June 2018, the Museum entered another lease for office space at 310 Lenox Avenue (NYC), beginning on June 12, 2018 through June 30, 2024. The lease required annual base rent of \$450,000, increasing to \$506,472 through the expiration of the lease. The Museum was also required to pay as additional rent, certain operational costs, as outlined in the lease. The Museum has a \$200,000 security deposit with the landlord. The deposit is recorded within prepaid insurance, security deposits and other on the consolidated statements of financial position.

During November 2023, the Museum entered into another lease for office space at 119 W 125<sup>th</sup> Street (NYC), beginning on February 1, 2024 through January 31, 2034. The lease requires annual base rent of \$1,425,393 for the first five years of the lease and \$1,556,163 for the last five years of the lease. The Museum has an option to renew for an additional 5-year period, which it expects to exercise. In conjunction with this lease, the Museum has posted a letter of credit with JP Morgan Chase bank in the amount of \$500,000 to be held and used under the security provisions of the lease. The letter of credit is included in the Museum's cash in the consolidated statement of financial position. Additionally, the lease provides a tenant improvement allowance of \$1,961,550, of which the landlord will reimburse the Museum for the work cost. The improvement allowance amount has been spent during the fiscal year ended June 30, 2024 and is included in prepaid expenses, security deposits, and other in the consolidated statement of financial position.

## The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### 10. Lease Agreements (continued)

#### Office Space Leases (continued)

The total office space expense for the fiscal years ended June 30, 2024 and 2023 was \$1,458,973 and \$883,351 and is recorded in the consolidated statement of functional expenses as occupancy and utilities.

#### Storage Spaces Leases

During April 2015, the Museum entered into a storage lease agreement for its artwork (157 West 124th Street, NYC). The lease commenced on January 1, 2016 and expires December 31, 2025. The lease requires an annual minimum rent of \$336,000 in year 1 of the lease increasing to \$450,272 in the 10<sup>th</sup> year of the lease, as defined in the lease documents. Thereafter, it will continue on a month-to-month basis unless terminated by either party.

During July 2021, the Museum entered into a third storage lease agreement (122 West 146th St, NYC) for its artwork. The initial term of the lease will expire September 2031. The lease is then renewable for an additional five-year term. Thereafter, it will continue on a month-to-month basis unless terminated by either party. The Museum has paid a security deposit of \$62,139. This deposit is recorded within prepaid insurance, security deposits and other on the consolidated statements of financial position. The landlord provided the Museum a rent credit for 3 months. The lease required an annual base rent of \$745,668 increasing to \$931,327 in the 10<sup>th</sup> year of the lease. If the Museum elects to renew for an additional five-year term, the annual fixed rent shall be equal to the greater of ninety percent of the annual fair market value of the premises in its condition on the commencement date of the renewal term or \$954,518 per annum.

The ROU assets and corresponding lease liabilities associated with the future lease payments on the above noted lease are shown below as of June 30:

	<u>2024</u>	<u>2023</u>
Right-of-use assets - operating leases	\$ 22,635,405	\$ 8,397,585
Lease liabilities - operating leases	23,587,389	8,687,520

## The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### 10. Lease Agreements *(continued)*

Information associated with the measurement of the Museum's operating lease obligations is as follows for the year ended June 30:

	2024	2023
Weighted Average:		
Discount rate	3.71%	2.89%
Remaining lease term in years	12.20	6.67

Future minimum lease payments were as follows:

Year Ended June 30:	
2024	\$ 2,640,163
2025	2,619,325
2026	2,285,071
2027	2,283,109
2028	2,359,041
Thereafter	17,702,290
Total Future Minimum Lease Payments	29,888,999
Less Imputed Interest	(6,301,610)
Total Operating Lease Liability	\$ 23,587,389

A breakdown of occupancy & utility costs is as follows for the year ended June 30:

	2024	2023
Operating leases, included in operating expenses	\$ 2,699,925	\$ 2,086,418
Short-term leases, included in operating expenses	37,289	55,419
Variable lease payments, included in operating expenses	227,214	140,455
Total	\$ 2,964,428	\$ 2,282,292

Supplemental cash flow information related to leases was as follows includes the following for the years ended June 30:

	2024	2023
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 2,037,876	\$ 1,983,502
ROU assets recognized during the year	\$ 16,479,652	\$ 10,210,534

## **The Studio Museum in Harlem and Subsidiary**

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### **11. Sub-Sublease Agreement**

On December 27, 2018, the Support Corp. entered into a Sub-Sublease Agreement with the Museum for certain real property (including tenant initial improvements) to be used by the Museum for the operation of the museum. The Support Corp. holds a sub-leasehold interest in the real property where the new museum is being built with the City of New York, pursuant to the Sublease dated the same date between the Support Corp., as sublessee, and the Museum, as sublessor (the "Sublease"), which the Sublease is subject and subordinate to certain Amended and Restated Agreement of the Lease dated as of December 14, 2018, (the "Lease") between the Museum, as tenant, and the City of New York, as landlord (the "Landlord").

The Museum and the Support Corp. entered into the Sublease in connection with the Support Corp.'s construction and financing of the Museum's initial improvements (as defined in the Lease), which, following completion, will result in a new museum building. The Museum is responsible hereunder for operation of the museum.

The term of this Sub-Sublease Agreement shall commence immediately upon substantial completion of tenant's initial improvements (effective date) and expire on August 31, 2039, unless terminated sooner or extended for an additional 25 years. The Museum shall pay to the Support Corp. base rent commencing on the effective date and then quarterly thereafter, in advance, on the first day of each March, June, September and December, in an amount equal to one-fourth of the annual amounts per the base rent schedule.

All activity between the Museum and the Support Corp. has been eliminated in consolidation.

### **12. Commitments**

#### ***Capital Project***

The Museum's Capital Project is on the site of its former building and sculpture court, at 144 West 125th Street, consisting of City-owned Lots 9 and 11, which are leased to the Museum pursuant to a long-term lease dated December 14, 2018 with a term ending on August 31, 2039 subject to Museum's right to extend the term to August 31, 2064.

In connection with the Capital Project, the Museum has various contracts with different entities at different stages of construction for softs/hard costs incurred, such as early design, probes, schematic designs, bid, negotiations, legal, permits, allocated staff time, architectural, engineering, consulting, construction manager and general contractors.

## The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### 12. Commitments (continued)

#### Capital Project (continued)

The Museum's Capital Project is a joint venture with the Support Corp. wherein the Support Corp. will be responsible for a portion of the total Capital Project costs and expenses. Work completed under these agreements through June 30, 2024 and 2023, totaled \$164,198,899 and \$117,901,559 (including \$9,491,000 and \$9,392,999 of Support Corp.'s share) and are recorded as construction in progress in the property, equipment and leasehold improvements accounts in the consolidated statements of financial position. As of June 30, 2024 and 2023, work completed under the various contracts but remaining to be paid was approximately \$6,473,000 and \$10,798,000, and is recorded as contract payable on the consolidated statements of financial position.

#### Funding

The following is a summary of the various donations for the Capital Project since 2012:

Fiscal Year	Balance at Beginning of Fiscal Year	Reclassifications *	Contributions	Net Assets Used in Capital Project	Balance at End of Fiscal Year
2012	\$ -	\$ -	\$ 100,000	\$ -	\$ 100,000
2013	100,000	-	2,071,865	(100,000)	2,071,865
2014	2,071,865	-	4,148,911	(310,646)	5,910,130
2015	5,910,130	-	1,308,678	(2,431,012)	4,787,796
2016	4,787,796	(1,000,000)	11,108,958	(5,343,900)	9,552,854
2017	9,552,854	-	22,979,267	(4,028,355)	28,503,766
2018	28,503,766	-	40,515,576	(7,210,149)	61,809,193
2019	61,809,193	-	11,302,779	(8,438,735)	64,673,237
2020	64,673,237	-	5,513,902	(12,198,018)	57,989,121
2021	57,989,121	(2,060,509)	3,947,159	(12,918,478)	46,957,293
2022	46,957,293	-	11,745,886	(20,522,642)	38,180,537
2023	38,180,537	-	13,915,923	(19,485,375)	32,611,085
2024	32,611,085	-	6,288,000	(24,832,953)	14,066,132
Total		<u>\$ (3,060,509)</u>	<u>\$ 134,946,904</u>	<u>\$ (117,820,263)</u>	

\* Prior year reclassifications related to various restrictions and endowment activity.

In addition, the Museum has been named in the City of New York's adopted budgets for an appropriated amount of approximately \$58,831,000 for the Museum's Capital Project. Such appropriation is evidenced by a certain cultural capital grant agreement dated January 2, 2019 between the city of New York, acting by and through NYC Department of Cultural Affairs (DCA), NYC Department of Design and Construction (DDC) and the Museum. This agreement was registered by the City's Comptroller office on February 26, 2019 with an original expiration date of February 22, 2022. The grant agreement was extended through July 21, 2025. Through June 30, 2024 and 2023, \$51,355,905 and \$34,883,508 of appropriated funds have been used by the Museum.

## **The Studio Museum in Harlem and Subsidiary**

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### **13. City Transfers**

At its June 19, 2018 meeting, the Museum Board of Trustees (the "Board") approved the conveyance of its land and building (Lot 9) to The City of New York (the "City") as a donation for no consideration, subject to a new long-term lease for use and occupancy by the Museum, as set forth in the non-binding Memorandum of Understanding (the "MOU") the Museum entered with the City in 2013. To facilitate the transaction, the Museum created an affiliate supporting organization controlled by the Museum, the Support Corp., to hold title and create the Museum leasehold interest prior to the donation to the City. After the transfer, the City and the Museum amended and restated the existing City lease on Lot 11 to consolidate it with the new lease on Lot 9 and allow for construction of the Capital Project. The amended and restated lease is for a nominal rent with a term ending on August 31, 2039 subject to Museum's right to extend the term to August 31, 2064.

During the 2019 fiscal year, the amended and restated lease was approved by the City to proceed with the Capital Project and allowed for the New Markets Tax Credit and bridge loan financing transactions described in Notes 8 and 14.

### **14. New Market Tax Credit Program Agreement ("NMTC")**

The Museum has a NMTC agreement with a financial institution to incentivize the revitalization of the Museum's surrounding communities. The Museum, also referred to as the Sponsor, secured \$10,000,000 in NMTC as defined in the agreement. The property used to secure service financing is the new facility that is expected to be built at the Museum's current site. The NMTC financing was arranged on behalf of the Support Corp. The Support Corp. served as the qualified active low income community business (QALICB) for the NMTC financing.

### **15. Related Party Transactions**

For the fiscal years ended June 30, 2024 and 2023 in connection with the Museum's Capital Project, the Museum obtained legal services from a law firm where a member of the Board is a partner at the law firm. The partner contributes his time on a pro bono basis; and the rates charged by the law firm for other legal services are competitive rates with a further discount of 15-20% provided from those rates. During fiscal years ended 2024 and 2023, the total legal services provided to the Museum by this law firm were approximately \$115,000 and \$70,000. In connection with the Capital Project, the Museum capitalized approximately \$90,000 of legal expenses from this law firm during fiscal 2024 and the Museum did not capitalize any legal expenses during fiscal 2023. There were no contributed services or other gifts in-kind that were restricted by donors during fiscal years 2024 and 2023.



## **The Studio Museum in Harlem and Subsidiary**

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### **16. Employee Retention Payroll Tax Credits**

In response to the coronavirus emergency, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law on March 27, 2020. The CARES Act provided, among other things, a refundable payroll tax credit ("ERC") of 50% of the first \$10,000 of qualified wages per employee for wages paid or incurred from March 13, 2020 through December 31, 2020. During 2021, the Consolidated Appropriations Act and the American Rescue Plan Act increased the payroll tax credit from 50% to 70% up to \$10,000 of qualified wages per quarter per employee through December 31, 2021, for eligible employers. The Infrastructure Investment and Jobs Act signed in November 2021, retroactively terminated the employee retention payroll tax credits as of September 30, 2021. During fiscal 2024 and 2023, the Museum collected and recognized \$0 and \$946,532 of payroll tax credits which included interest. The payroll credits have been recorded as government support on the consolidated statements of activities. The ERC remains subject to audit by government agencies until 2025.

### **17. Legal Proceedings**

The Museum is currently involved in legal proceedings arising in the ordinary course of business. The Museum believes it has a defense for the proceedings and is vigorously defending the actions. The Museum's insurance carrier is providing defense and indemnity for these proceedings and in the opinion of management of the Museum, the resolution of these matters will not have a materially adverse effect on the Organization's consolidated financial statements.

### **18. Board Designated Endowment Net Assets**

The Museum's Board designated a portion of the net assets without donor restrictions to be used for specific operational purposes.

### **19. Endowment**

The Museum's donor-restricted and board designated endowments consist of various individual funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.



## The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### 19. Endowment (*continued*)

#### ***Interpretation of Relevant Law***

The Board has interpreted the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, and except in those cases where the law allows appropriation for spending of the original gift amounts. As a result of this interpretation, the Board classifies as net assets with donor restrictions (perpetual in nature) (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions (perpetual in nature) is classified as net assets with donor restrictions (temporary in nature) until those amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by NYPMIFA.

#### ***Investment Objectives***

The investment strategy of the Museum endowment funds’ assets is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income. Specifically, the primary objective in the investment management for these assets shall be to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index.

Investments held are expected to achieve a balanced return of current income and modest growth of principal to equal or exceed a return to be determined by the Finance Committee of the Board based upon selected benchmarks and as outlined in the Museum’s investment policy. To monitor and oversee the Museum’s investments, the Board selects qualified investment managers.

#### ***Spending Policy***

Consistent with the overall investment goals, the following rules for distribution are set forward. The total annual distribution of spendable income from the endowment fund shall not exceed 5% nor be less than 3% of the average fair value of the endowment fund. The average fair value will be based on the average fair values of the endowment investment fund for the preceding twelve quarters. (For distribution purposes, the fair value of the endowment shall be based on the average values for the preceding twelve quarters ended June 30). The target annual distribution rate shall be 4.5% of the average fair value. The Museum’s Finance Committee shall review the target annual distribution policy annually with any recommended changes submitted for approval to the Board.

## The Studio Museum in Harlem and Subsidiary

### Notes to Consolidated Financial Statements June 30, 2024 and 2023

#### 19. Endowment (continued)

The following is a reconciliation of the activity in the endowment funds for fiscal 2024 and 2023:

	Without Donor Restrictions	With Donor Restrictions		Total
	Board Designated Endowment Funds	Unappropriated Endowment Earnings	Donor-Restricted Endowment Funds	
Balance, June 30, 2023	\$ 11,092,179	\$ 1,664,880	\$ 36,661,057	\$ 49,418,116
Contributions	-	-	4,400,000	4,400,000
Investment income	275,540	833,303	-	1,108,843
Capital appreciation	847,680	2,563,604	-	3,411,284
Appropriations for operations	(10,000,000)	(1,197,975)	(50,000)	(11,247,975)
Balance, June 30, 2024	<u>\$ 2,215,399</u>	<u>\$ 3,863,812</u>	<u>\$ 41,011,057</u>	<u>\$ 47,090,268</u>

	Without Donor Restrictions	With Donor Restrictions		Total
	Board Designated Endowment Funds	Unappropriated Endowment Earnings	Donor-Restricted Endowment Funds	
Balance, June 30, 2022	\$ 10,465,037	\$ (274,818)	\$ 36,526,774	\$ 46,716,993
Contributions	-	-	184,283	184,283
Investment income	324,011	1,002,139	-	1,326,150
Capital appreciation	303,131	937,559	-	1,240,690
Appropriations for operations	-	-	(50,000)	(50,000)
Balance, June 30, 2023	<u>\$ 11,092,179</u>	<u>\$ 1,664,880</u>	<u>\$ 36,661,057</u>	<u>\$ 49,418,116</u>

#### **Funds with Deficiencies**

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Museum has interpreted NYPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. Should the value of the endowment fall below the corpus of the gift, the shortfall will be offset with available funds until such time that the value exceeds the corpus. At June 30, 2024 and 2023, one and five of the twenty endowments were underwater by a total of \$1,051 and \$636,087.

Net assets with donor restrictions that are perpetual in nature are endowments to be held in perpetuity in accordance with donor intentions. Income from these net assets is to be used to support with and without donor restricted purposes.

## The Studio Museum in Harlem and Subsidiary

### Notes to Consolidated Financial Statements June 30, 2024 and 2023

#### 20. Net Assets with Donor Restrictions

Net assets with donor restrictions activity for the year ended June 30, 2024:

	Balance at June 30, 2023	Contributions	Investment Return	Net Assets Released From Restrictions Appropriated for Expenditure	Balance at June 30, 2024
Subject to expenditure for a specified purpose:					
Access for All	\$ -	\$ 822,154	\$ -	\$ -	\$ 822,154
AIR program	49,650	196,000	-	(49,650)	196,000
AIR/Exhibitions/L&E	-	74,596	-	-	74,596
Archives	282,008	-	-	(140,374)	141,634
Bloomberg connects	154,591	100,000	-	(154,591)	100,000
Collection management	2,838,736	-	-	(822,515)	2,016,221
Curatorial	57,844	-	-	(4,474)	53,370
Digital programing	13,698	-	-	(13,698)	-
Education	54,065	64,687	-	(54,065)	64,687
Expending the walls	-	-	-	-	-
Permanent collection	23,781	-	-	(23,781)	-
Program and event sponsorship	900,000	-	-	(100,000)	800,000
SMH history book	856,687	-	-	(140,011)	716,676
Studio Museum institute	-	754,530	-	-	754,530
Studio Museum Institute Internship Program	205,937	5,670	-	(159,292)	52,315
Capital Project	124,817,422	6,288,000	-	(146,797)	130,958,625
Unappropriated endowment earnings	1,664,880	-	3,396,907	(1,197,975)	3,863,812
	<u>131,919,299</u>	<u>8,305,637</u>	<u>3,396,907</u>	<u>(3,007,223)</u>	<u>140,614,620</u>
Subject to the passage of time:					
For the period after June 30	2,741,667	1,025,000	-	(1,858,333)	1,908,334
Held as endowment in perpetuity:					
Donor restricted endowment	<u>36,661,057</u>	<u>4,400,000</u>	<u>-</u>	<u>(50,000)</u>	<u>41,011,057</u>
Total Net Assets with Donor Restrictions	<u>\$ 171,322,023</u>	<u>\$ 13,730,637</u>	<u>\$ 3,396,907</u>	<u>\$ (4,915,556)</u>	<u>\$ 183,534,011</u>

## The Studio Museum in Harlem and Subsidiary

### Notes to Consolidated Financial Statements June 30, 2024 and 2023

#### 20. Net Assets with Donor Restrictions *(continued)*

Net assets with donor restrictions activity for the year ended June 30, 2023:

	Balance at June 30, 2022	Contributions	Investment Return	Net Assets Released From Restrictions Appropriated for Expenditure	Balance at June 30, 2023
Subject to expenditure for a specified purpose:					
AIR program	\$ 248,000	\$ 114,000	\$ -	\$ (312,350)	\$ 49,650
Archives	355,000	-	-	(72,992)	282,008
Bloomberg connects	230,063	-	-	(75,472)	154,591
Collection management	3,500,000	-	-	(661,264)	2,838,736
Curatorial	80,190	10,080	-	(32,426)	57,844
Digital programing	70,035	-	-	(56,337)	13,698
Education	104,065	147,000	-	(197,000)	54,065
Expending the walls	32,500	-	-	(32,500)	-
Permanent collection	5,572	-	18,209	-	23,781
Program and event sponsorship	900,000	100,000	-	(100,000)	900,000
SMH history book	973,500	-	-	(116,813)	856,687
Studio Museum institute	125,000	-	-	(125,000)	-
Studio Museum institute internship program	-	250,000	-	(44,063)	205,937
Capital Project	111,682,472	13,915,923	-	(780,973)	124,817,422
Unappropriated endowment earnings	(274,818)	-	1,939,698	-	1,664,880
	<u>118,031,579</u>	<u>14,537,003</u>	<u>1,957,907</u>	<u>(2,607,190)</u>	<u>131,919,299</u>
Subject to the passage of time:					
For the period after June 30	4,833,334	496,667	-	(2,588,334)	2,741,667
Held as endowment in perpetuity:					
Donor restricted endowment	<u>36,526,774</u>	<u>184,283</u>	<u>-</u>	<u>(50,000)</u>	<u>36,661,057</u>
Total Net Assets with Donor Restrictions	<u>\$ 159,391,687</u>	<u>\$ 15,217,953</u>	<u>\$ 1,957,907</u>	<u>\$ (5,245,524)</u>	<u>\$ 171,322,023</u>

#### 21. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the consolidated statement of financial position date, is comprised of the following at June 30:

	<u>2024</u>	<u>2023</u>
Financial Assets		
Cash and cash equivalents	\$ 8,343,910	\$ 17,837,703
Contributions receivable	26,775,465	28,724,063
Investments, at fair value	<u>59,608,457</u>	<u>64,420,538</u>
Total Financial Assets	94,727,832	110,982,304
Less:		
Board designated net assets	2,215,399	11,092,179
Unappropriated endowment earnings	3,863,812	1,664,880
Restricted cash	8,129,647	9,995,050
Purpose and time restrictions	20,838,879	40,008,776
Donor restricted endowment	<u>41,011,057</u>	<u>36,661,057</u>
Financial Assets Available for General Expenditures	<u>\$ 18,669,038</u>	<u>\$ 11,560,362</u>

## The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### 21. Liquidity and Availability of Financial Assets *(continued)*

As part of the Organization's strategy, management structures its financial assets, consisting of cash, contributions receivable and investments to be available as its general expenditures and liabilities come due within one year.

As a condition of a building loan agreement, the Museum has a reserve totaling \$7,629,647 and \$9,995,050 as of June 30, 2024 and 2023 to be used for the payment of interest, mortgage recording tax and/or other purposes as determined by the lender and defined in the loan documents.

Board designated amounts can be accessed by a vote of the Board of Trustees.

\* \* \* \* \*

# **The Studio Museum in Harlem and Subsidiary**

Supplementary Information

June 30, 2024 and 2023

## The Studio Museum in Harlem and Subsidiary

### Consolidating Schedule of Financial Position June 30, 2024

	The Studio Museum in Harlem	SMH Support Corp.	Eliminations	Consolidated Total
<b>ASSETS</b>				
Cash	\$ 8,290,058	\$ 53,852	\$ -	\$ 8,343,910
Contributions receivable	26,775,465	-	-	26,775,465
Accounts receivable	-	26,000	(26,000)	-
Leverage loan interest receivable	18,498	-	-	18,498
Leverage loan receivable	6,702,733	-	-	6,702,733
Investments, at fair value	59,608,457	-	-	59,608,457
Museum store inventory	99,409	-	-	99,409
Prepaid expenses, security deposits and other	4,077,026	-	-	4,077,026
Property, equipment and leasehold improvements, at cost, net	155,305,020	9,491,000	-	164,796,020
Restricted cash	8,129,647	-	-	8,129,647
Right of use assets - operating leases	31,535,625	-	(8,900,220)	22,635,405
<b>Total Assets</b>	<b>\$ 300,541,938</b>	<b>\$ 9,570,852</b>	<b>\$ (8,926,220)</b>	<b>\$ 301,186,570</b>
<b>LIABILITIES AND NET ASSETS</b>				
Accounts payable and accrued expenses	\$ 9,645,460	\$ -	\$ (26,000)	\$ 9,619,460
Contracts payable	6,472,662	-	-	6,472,662
Debt payable	6,246,875	9,354,100	-	15,600,975
Lease liabilities	33,361,524	-	(9,774,135)	23,587,389
Deferred revenue	35,000	-	-	35,000
<b>Total Liabilities</b>	<b>55,761,521</b>	<b>9,354,100</b>	<b>(9,800,135)</b>	<b>55,315,486</b>
<b>Net Assets</b>				
Without Donor Restrictions				
Undesignated	59,031,007	216,752	873,915	60,121,674
Board designated endowment	2,215,399	-	-	2,215,399
<b>Total Without Donor Restrictions</b>	<b>61,246,406</b>	<b>216,752</b>	<b>873,915</b>	<b>62,337,073</b>
With Donor Restrictions				
Purpose and time	142,522,954	-	-	142,522,954
Endowment	41,011,057	-	-	41,011,057
<b>Total With Donor Restrictions</b>	<b>183,534,011</b>	<b>-</b>	<b>-</b>	<b>183,534,011</b>
<b>Total Net Assets</b>	<b>244,780,417</b>	<b>216,752</b>	<b>873,915</b>	<b>245,871,084</b>
	<b>\$ 300,541,938</b>	<b>\$ 9,570,852</b>	<b>\$ (8,926,220)</b>	<b>\$ 301,186,570</b>

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## The Studio Museum in Harlem and Subsidiary

### Consolidating Schedule of Financial Position June 30, 2023

	The Studio Museum in Harlem	SMH Support Corp.	Eliminations	Consolidated Total
<b>ASSETS</b>				
Cash	\$ 17,763,853	\$ 73,850	\$ -	\$ 17,837,703
Contributions receivable	28,724,063	-	-	28,724,063
Leverage loan interest receivable	18,498	-	-	18,498
Leverage loan receivable	6,702,733	-	-	6,702,733
Due from related party	-	-	-	-
Investments, at fair value	64,420,538	-	-	64,420,538
Museum store inventory	89,501	-	-	89,501
Prepaid expenses, security deposits and other	675,754	-	-	675,754
Property, equipment and leasehold improvements, at cost, net	108,994,460	9,392,999	-	118,387,459
Restricted cash	9,995,050	-	-	9,995,050
Right of use assets - operating leases	17,521,582	-	(9,123,997)	8,397,585
<b>Total Assets</b>	<b>\$ 254,906,032</b>	<b>\$ 9,466,849</b>	<b>\$ (9,123,997)</b>	<b>\$ 255,248,884</b>
<b>LIABILITIES AND NET ASSETS</b>				
Accounts payable and accrued expenses	\$ 1,069,921	\$ -	\$ -	\$ 1,069,921
Contracts payable	10,798,140	-	-	10,798,140
Debt payable	9,100,553	9,335,900	-	18,436,453
Lease liabilities	18,248,474	-	(9,560,954)	8,687,520
<b>Total Liabilities</b>	<b>39,217,088</b>	<b>9,335,900</b>	<b>(9,560,954)</b>	<b>38,992,034</b>
<b>Net Assets</b>				
<b>Without Donor Restrictions</b>				
Undesignated	33,274,742	130,949	436,957	33,842,648
Board designated endowment	11,092,179	-	-	11,092,179
<b>Total Without Donor Restrictions</b>	<b>44,366,921</b>	<b>130,949</b>	<b>436,957</b>	<b>44,934,827</b>
<b>With Donor Restrictions</b>				
Purpose and time	134,660,966	-	-	134,660,966
Endowment	36,661,057	-	-	36,661,057
<b>Total With Donor Restrictions</b>	<b>171,322,023</b>	<b>-</b>	<b>-</b>	<b>171,322,023</b>
<b>Total Net Assets</b>	<b>215,688,944</b>	<b>130,949</b>	<b>436,957</b>	<b>216,256,850</b>
	<b>\$ 254,906,032</b>	<b>\$ 9,466,849</b>	<b>\$ (9,123,997)</b>	<b>\$ 255,248,884</b>

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## The Studio Museum in Harlem and Subsidiary

### Consolidating Schedule of Activities Year Ended June 30, 2024

	The Studio Museum in Harlem					SMH Support Corp.	Consolidated			
	Without Donor Restrictions					Without Donor Restrictions	Eliminating Entry	Without Donor Restrictions	With Donor Restrictions	Total
	Operating	Campaign	Total Without Donor Restrictions	With Donor Restrictions	Total					
<b>SUPPORT AND REVENUE</b>										
Support										
Government	\$ 1,066,879	\$ 16,514,657	\$ 17,581,536	\$ -	\$ 17,581,536	\$ -	\$ -	\$ 17,581,536	\$ -	\$ 17,581,536
Contributions	5,476,903	-	5,476,903	13,730,637	19,207,540	-	-	5,476,903	13,730,637	19,207,540
Total Support	<u>6,543,782</u>	<u>16,514,657</u>	<u>23,058,439</u>	<u>13,730,637</u>	<u>36,789,076</u>	<u>-</u>	<u>-</u>	<u>23,058,439</u>	<u>13,730,637</u>	<u>36,789,076</u>
Revenue										
Special events, net of direct benefits to donors of \$1,052,166	3,066,944	-	3,066,944	-	3,066,944	-	-	3,066,944	-	3,066,944
Membership fees	378,480	-	378,480	-	378,480	-	-	378,480	-	378,480
Museum sales	63,672	-	63,672	-	63,672	-	-	63,672	-	63,672
Investment return	1,733,731	823,275	2,557,006	3,396,907	5,953,913	3	-	2,557,009	3,396,907	5,953,916
Other	166,597	-	166,597	-	166,597	104,000	(104,000)	166,597	-	166,597
Total Revenue	<u>5,409,424</u>	<u>823,275</u>	<u>6,232,699</u>	<u>3,396,907</u>	<u>9,629,606</u>	<u>104,003</u>	<u>(104,000)</u>	<u>6,232,702</u>	<u>3,396,907</u>	<u>9,629,609</u>
Total Support and Revenue Before Net Assets Released from Restrictions	11,953,206	17,337,932	29,291,138	17,127,544	46,418,682	104,003	(104,000)	29,291,141	17,127,544	46,418,685
Net assets released from restrictions	4,768,760	146,796	4,915,556	(4,915,556)	-	-	-	4,915,556	(4,915,556)	-
Total Support and Revenue	<u>16,721,966</u>	<u>17,484,728</u>	<u>34,206,694</u>	<u>12,211,988</u>	<u>46,418,682</u>	<u>104,003</u>	<u>(104,000)</u>	<u>34,206,697</u>	<u>12,211,988</u>	<u>46,418,685</u>
<b>EXPENSES</b>										
Program Services										
Curatorial	3,160,983	152,161	3,313,144	-	3,313,144	-	-	3,313,144	-	3,313,144
Exhibitions	463,424	-	463,424	-	463,424	-	-	463,424	-	463,424
Learning and Engagement	1,782,715	-	1,782,715	-	1,782,715	-	-	1,782,715	-	1,782,715
Retail and Visitor Services	675,719	-	675,719	-	675,719	-	-	675,719	-	675,719
Communications	1,591,654	285,147	1,876,801	-	1,876,801	-	-	1,876,801	-	1,876,801
Building operations	1,768,745	-	1,768,745	-	1,768,745	-	-	1,768,745	-	1,768,745
Capital campaign	-	778,814	778,814	-	778,814	-	(540,958)	237,856	-	237,856
Total Program Services	<u>9,443,240</u>	<u>1,216,122</u>	<u>10,659,362</u>	<u>-</u>	<u>10,659,362</u>	<u>-</u>	<u>(540,958)</u>	<u>10,118,404</u>	<u>-</u>	<u>10,118,404</u>
Supporting Services										
Management and general	3,870,164	174,645	4,044,809	-	4,044,809	18,200	-	4,063,009	-	4,063,009
Development	2,365,426	257,612	2,623,038	-	2,623,038	-	-	2,623,038	-	2,623,038
Total Supporting Services	<u>6,235,590</u>	<u>432,257</u>	<u>6,667,847</u>	<u>-</u>	<u>6,667,847</u>	<u>18,200</u>	<u>-</u>	<u>6,686,047</u>	<u>-</u>	<u>6,686,047</u>
Total Expenses	<u>15,678,830</u>	<u>1,648,379</u>	<u>17,327,209</u>	<u>-</u>	<u>17,327,209</u>	<u>18,200</u>	<u>(540,958)</u>	<u>16,804,451</u>	<u>-</u>	<u>16,804,451</u>
Change in Net Assets	1,043,136	15,836,349	16,879,485	12,211,988	29,091,473	85,803	436,958	17,402,246	12,211,988	29,614,234
<b>NET ASSETS</b>										
Beginning of year	16,430,821	27,936,100	44,366,921	171,322,023	215,688,944	130,949	436,957	44,934,827	171,322,023	216,256,850
End of year	<u>\$ 17,473,957</u>	<u>\$ 43,772,449</u>	<u>\$ 61,246,406</u>	<u>\$ 183,534,011</u>	<u>\$ 244,780,417</u>	<u>\$ 216,752</u>	<u>\$ 873,915</u>	<u>\$ 62,337,073</u>	<u>\$ 183,534,011</u>	<u>\$ 245,871,084</u>

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## The Studio Museum in Harlem and Subsidiary

### Consolidating Schedule of Activities Year Ended June 30, 2023

	The Studio Museum in Harlem					SMH Support Corp.	Consolidated			
	Without Donor Restrictions					Without Donor Restrictions	Eliminating Entry	Without Donor Restrictions	With Donor Restrictions	Total
	Operating	Campaign	Total Without Donor Restrictions	With Donor Restrictions	Total					
<b>SUPPORT AND REVENUE</b>										
Support										
Government	\$ 2,252,337	\$ 20,322,800	\$ 22,575,137	\$ -	\$ 22,575,137	\$ -	\$ -	\$ 22,575,137	\$ -	\$ 22,575,137
Contributions	3,549,747	-	3,549,747	15,217,953	18,767,700	-	-	3,549,747	15,217,953	18,767,700
Total Support	5,802,084	20,322,800	26,124,884	15,217,953	41,342,837	-	-	26,124,884	15,217,953	41,342,837
Revenue										
Special events, net of direct benefits to donors of \$561,470	3,587,483	-	3,587,483	-	3,587,483	-	-	3,587,483	-	3,587,483
Membership fees	228,477	-	228,477	-	228,477	-	-	228,477	-	228,477
Museum sales	192,316	-	192,316	-	192,316	-	-	192,316	-	192,316
Investment return	1,082,691	662,823	1,745,514	1,957,907	3,703,421	3	-	1,745,517	1,957,907	3,703,424
Other	214,858	-	214,858	-	214,858	104,000	(104,000)	214,858	-	214,858
Total Revenue	5,305,825	662,823	5,968,648	1,957,907	7,926,555	104,003	(104,000)	5,968,651	1,957,907	7,926,558
Total Support and Revenue Before Net Assets Released from Restrictions	11,107,909	20,985,623	32,093,532	17,175,860	49,269,392	104,003	(104,000)	32,093,535	17,175,860	49,269,395
Net assets released from restrictions	4,484,549	760,975	5,245,524	(5,245,524)	-	-	-	5,245,524	(5,245,524)	-
Total Support and Revenue	15,592,458	21,746,598	37,339,056	11,930,336	49,269,392	104,003	(104,000)	37,339,059	11,930,336	49,269,395
<b>EXPENSES</b>										
Program Services										
Curatorial	2,804,741	780,973	3,585,714	-	3,585,714	-	-	3,585,714	-	3,585,714
Exhibitions	428,293	-	428,293	-	428,293	-	-	428,293	-	428,293
Learning and Engagement	1,130,014	-	1,130,014	-	1,130,014	-	-	1,130,014	-	1,130,014
Retail and Visitor Services	388,621	-	388,621	-	388,621	-	-	388,621	-	388,621
Communications	793,471	-	793,471	-	793,471	-	-	793,471	-	793,471
Building operations	1,099,449	-	1,099,449	-	1,099,449	-	-	1,099,449	-	1,099,449
Capital campaign	-	1,811,556	1,811,556	-	1,811,556	-	(540,957)	1,270,599	-	1,270,599
Total Program Services	6,644,589	2,592,529	9,237,118	-	9,237,118	-	(540,957)	8,696,161	-	8,696,161
Supporting Services										
Management and general	4,758,214	-	4,758,214	-	4,758,214	18,380	-	4,776,594	-	4,776,594
Development	2,473,339	-	2,473,339	-	2,473,339	-	-	2,473,339	-	2,473,339
Total Supporting Services	7,231,553	-	7,231,553	-	7,231,553	18,380	-	7,249,933	-	7,249,933
Total Expenses	13,876,142	2,592,529	16,468,671	-	16,468,671	18,380	(540,957)	15,946,094	-	15,946,094
Change in Net Assets	1,716,316	19,154,069	20,870,385	11,930,336	32,800,721	85,623	436,957	21,392,965	11,930,336	33,323,301
<b>NET ASSETS</b>										
Beginning of year, as restated	14,714,505	8,782,031	23,496,536	159,391,687	182,888,223	45,326	-	23,541,862	159,391,687	182,933,549
End of year	\$ 16,430,821	\$ 27,936,100	\$ 44,366,921	\$ 171,322,023	\$ 215,688,944	\$ 130,949	\$ 436,957	\$ 44,934,827	\$ 171,322,023	\$ 216,256,850

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