

The Studio Museum in Harlem and Subsidiary

Consolidated Financial Statements

June 30, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022, 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.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, The Studio Museum in Harlem and Subsidiary adopted Financial Accounting Standards Board ("FASB") Topic 842, Leases, which resulted in the recognition of a right of use asset and related lease liability, effective July 1, 2022. Our opinion is not modified with respect to that matter.

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 taken as a whole. The supplementary schedules on pages 35 and 38 are presented for purposes of additional analysis and are 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

February 1, 2024

The Studio Museum in Harlem and Subsidiary

Consolidated Statements of Financial Position

	June 30,	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 12,505,067	\$ 12,211,059
Current portion of contributions receivable	23,095,819	19,222,859
Leverage loan interest receivable	18,498	18,498
Investments, at fair value	53,718,759	42,691,694
Museum store inventory	89,501	58,526
Prepaid insurance, security deposits and other	622,521	540,793
Total Current Assets	90,050,165	74,743,429
Leverage loan receivable	6,702,733	6,702,733
Contributions receivable, net	4,202,035	6,346,722
Assets Designated for Capital Project		
Cash and cash equivalents	5,385,869	10,422,071
Restricted cash	9,995,050	8,598,211
Investments, at fair value	10,701,779	15,193,433
Contributions receivable, net	1,426,209	4,370,882
Total Assets Designated for Capital Project	27,508,907	38,584,597
Property, equipment and leasehold improvements, at cost, net	118,387,459	79,620,130
Right-of-use assets - operating leases	8,397,585	-
	\$ 255,248,884	\$ 205,997,611
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,069,921	\$ 643,355
Contracts payable	10,798,140	7,707,212
Lease liabilities - operating leases, current portion	1,841,717	-
Total Current Liabilities	13,709,778	8,350,567
Long-term debt, net	18,436,453	14,713,495
Lease liabilities - operating leases, long term portion	6,845,803	-
Total Liabilities	38,992,034	23,064,062
NET ASSETS		
Without Donor Restrictions		
Undesignated	128,035,167	86,578,760
Board designated endowment	11,092,179	10,465,037
Total Without Donor Restrictions	139,127,346	97,043,797
With Donor Restrictions		
Purpose and time	40,468,447	49,362,978
Endowment	36,661,057	36,526,774
Total With Donor Restrictions	77,129,504	85,889,752
Total Net Assets	216,256,850	182,933,549
	\$ 255,248,884	\$ 205,997,611

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	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Support			
Government	\$ 22,575,137	\$ -	\$ 22,575,137
Contributions	4,191,414	14,576,286	18,767,700
Total Support	26,766,551	14,576,286	41,342,837
Revenue			
Special events, net of direct benefits to donors of \$561,470	3,587,483	-	3,587,483
Membership fees	228,477	-	228,477
Museum sales	192,316	-	192,316
Investment return	1,745,517	1,957,907	3,703,424
Other	214,858	-	214,858
Total Revenue	5,968,651	1,957,907	7,926,558
Total Support and Revenue Before Net Assets Released from Restrictions	32,735,202	16,534,193	49,269,395
Net assets released from restrictions	25,294,441	(25,294,441)	-
Total Support and Revenue	58,029,643	(8,760,248)	49,269,395
EXPENSES			
Program Services			
Curatorial	3,585,714	-	3,585,714
Exhibitions	428,293	-	428,293
Learning and Engagement	1,130,014	-	1,130,014
Retail and Visitor Services	388,621	-	388,621
Communications	793,471	-	793,471
Building and operations	1,099,449	-	1,099,449
Capital campaign	1,270,599	-	1,270,599
Total Program Services	8,696,161	-	8,696,161
Supporting Services			
Management and general	4,776,594	-	4,776,594
Development	2,473,339	-	2,473,339
Total Supporting Services	7,249,933	-	7,249,933
Total Expenses	15,946,094	-	15,946,094
Change in Net Assets	42,083,549	(8,760,248)	33,323,301
NET ASSETS			
Beginning of year	97,043,797	85,889,752	182,933,549
End of year	\$ 139,127,346	\$ 77,129,504	\$ 216,256,850

See notes to consolidated financial statements

The Studio Museum in Harlem and Subsidiary

Consolidated Statement of Activities Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Support			
Government	\$ 11,848,528	\$ -	\$ 11,848,528
SBA PPP loan forgiveness	960,590	-	960,590
Contributions	<u>5,956,928</u>	<u>35,723,893</u>	<u>41,680,821</u>
Total Support	<u>18,766,046</u>	<u>35,723,893</u>	<u>54,489,939</u>
Revenue			
Special events, net of direct benefits to donors of \$157,326	3,314,557	-	3,314,557
Membership fees	243,353	-	243,353
Museum sales	188,567	-	188,567
Investment return	(1,718,164)	(4,395,228)	(6,113,392)
Other	<u>179,151</u>	<u>-</u>	<u>179,151</u>
Total Revenue	<u>2,207,464</u>	<u>(4,395,228)</u>	<u>(2,187,764)</u>
Total Support and Revenue Before Net Assets Released from Restrictions	20,973,510	31,328,665	52,302,175
Net assets released from restrictions	<u>23,868,961</u>	<u>(23,868,961)</u>	<u>-</u>
Total Support and Revenue	<u>44,842,471</u>	<u>7,459,704</u>	<u>52,302,175</u>
EXPENSES			
Program Services			
Curatorial	2,215,829	-	2,215,829
Exhibitions	570,151	-	570,151
Learning and Engagement	1,237,175	-	1,237,175
Retail and Visitor Services	393,807	-	393,807
Communications	657,596	-	657,596
Building and operations	315,002	-	315,002
Capital campaign	<u>2,712,072</u>	<u>-</u>	<u>2,712,072</u>
Total Program Services	<u>8,101,632</u>	<u>-</u>	<u>8,101,632</u>
Supporting Services			
Management and general	3,823,394	-	3,823,394
Development	<u>2,510,664</u>	<u>-</u>	<u>2,510,664</u>
Total Supporting Services	<u>6,334,058</u>	<u>-</u>	<u>6,334,058</u>
Total Expenses	<u>14,435,690</u>	<u>-</u>	<u>14,435,690</u>
Change in Net Assets	30,406,781	7,459,704	37,866,485
NET ASSETS			
Beginning of year	<u>66,637,016</u>	<u>78,430,048</u>	<u>145,067,064</u>
End of year	<u>\$ 97,043,797</u>	<u>\$ 85,889,752</u>	<u>\$ 182,933,549</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
Exhibition tour fees	-	-	-	-	-	-	-	-	-	20,500	20,500	20,500
Administrative services	14,825	10,306	13,465	4,725	10,146	-	427,815	481,282	3,278	201,367	204,645	685,927
Advertising	-	-	-	304	28,305	-	-	28,609	23,831	2,248	26,079	54,688
AIIR stipends	-	77,000	-	-	-	-	-	77,000	-	-	-	77,000
Art costs and storage	1,541,317	747	-	-	-	-	150,530	1,692,594	605	-	605	1,693,199
Art storage Lease	1,249,450	-	-	-	-	-	-	1,249,450	-	-	-	1,249,450
Bad debt expense	-	-	-	-	-	-	-	-	56,390	-	56,390	56,390
Communication costs	4	19	-	10	6,837	-	-	6,870	108,736	-	108,736	115,606
Development consultant	-	-	-	-	-	-	222,000	222,000	-	128,011	128,011	350,011
Equipment repairs and maintenance	49,385	-	-	-	-	28,251	-	77,636	131,302	-	131,302	208,938
Special events and entertainment	-	-	250	-	-	-	-	250	21,927	40,090	62,017	62,267
Insurance	9,460	-	-	-	-	-	-	9,460	85,661	-	85,661	95,121
Interest, bank fees, payroll and other fees	873	280	426	20,541	175	-	50	22,345	99,889	45,765	145,654	167,999
Conferences, meetings and staff development	2,406	-	3,026	-	7,746	-	2,790	15,968	32,217	799	33,016	48,984
Occupancy and utility costs	7,247	-	300	-	-	46,494	-	54,041	100,441	-	100,441	154,482
Lease expense	-	-	-	-	-	-	-	-	836,968	-	836,968	836,968
Postage and shipping	2,548	1,018	587	20,158	3,229	-	-	27,540	2,588	183,547	186,135	213,675
Printing and duplication	240	50,935	3,273	1,284	32,509	-	-	88,241	1,322	54,230	55,552	143,793
Professional fees	12,135	29,125	12,712	-	187,592	-	130,332	371,896	617,865	121,183	739,048	1,110,944
Special events - catering, gala/video venue and other	-	-	-	-	-	-	-	-	-	561,470	561,470	561,470
Supplies	14,233	3,546	30,435	2,470	5,414	12,787	1,851	70,736	44,951	238,420	283,371	354,107
Technology services	7,567	7,650	859	2,890	1,362	-	202,697	223,025	145,983	36,599	182,582	405,607
Temporary employment agency	-	-	-	-	-	98,159	-	98,159	7,479	-	7,479	105,638
Travel	16,838	15,773	14,851	143	8,358	2,631	7,149	65,743	64,640	16,466	81,106	146,849
Prizes and scholarships	-	-	24,000	-	-	-	-	24,000	100,000	-	100,000	124,000
Program consultant fees	750	8,123	52,375	-	500	-	-	61,748	-	-	-	61,748
Cost of sales	-	-	-	73,528	-	-	-	73,528	-	-	-	73,528
Depreciation and amortization	-	-	-	-	-	-	-	-	92,345	-	92,345	92,345
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 Statement of Functional Expenses Year Ended June 30, 2022

	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	\$ 322,084	\$ 207,632	\$ 838,740	\$ 183,546	\$ 364,155	\$ 205,667	\$ 159,936	\$ 2,281,760	\$ 1,667,568	\$ 999,179	\$ 2,666,747	\$ 4,948,507
Payroll taxes and fringe benefits	83,900	53,536	248,543	57,008	98,772	59,641	34,123	635,523	598,399	352,969	951,368	1,586,891
Total Personnel Expenses	405,984	261,168	1,087,283	240,554	462,927	265,308	194,059	2,917,283	2,265,967	1,352,148	3,618,115	6,535,398
Administrative services	111	21,481	11,768	-	149,025	-	257,122	439,507	608	99,312	99,920	539,427
Advertising	-	8,000	-	-	6,396	-	5,000	19,396	17,451	-	17,451	36,847
AIR stipends	-	73,269	32,250	-	-	-	-	105,519	-	-	-	105,519
Art costs and storage	1,714,998	136,470	750	-	-	-	7,700	1,859,918	170	796	966	1,860,884
Bad debt expense	-	-	-	-	-	-	510,000	510,000	75,000	-	75,000	585,000
Communication costs	-	-	-	-	6,357	-	-	6,357	76,611	-	76,611	82,968
Development consultant	-	-	-	-	-	-	264,000	264,000	-	130,102	130,102	394,102
Equipment repairs and maintenance	33,660	-	-	-	-	15,436	-	49,096	185,227	-	185,227	234,323
Special events and entertainment	-	-	-	-	-	-	196	196	33,617	53,092	86,709	86,905
Insurance	9,361	-	-	-	-	-	-	9,361	74,906	-	74,906	84,267
Interest, bank fees, payroll and other fees	4,056	250	105	23,055	10	419	243,890	271,785	163,079	48,342	211,421	483,206
Conferences, meetings and staff development	1,374	123	2,384	180	445	-	7,107	11,613	52,865	2,786	55,651	67,264
Occupancy and utility costs	15,204	-	-	11,000	-	26,249	886,807	939,260	4,343	111,863	116,206	1,055,466
Postage and shipping	213	607	1,978	22,237	3,320	-	254	28,609	11,794	108,860	120,654	149,263
Printing and duplication	13,142	8,075	2,831	332	25,204	-	1,788	51,372	3,720	133,569	137,289	188,661
Professional fees	98	22,049	-	-	-	-	108,476	130,623	394,779	-	394,779	525,402
Special events - catering, gala/video venue and other	-	-	-	-	-	-	179,822	179,822	1,728	155,598	157,326	337,148
Supplies	8,097	11,733	42,535	802	1,571	6,104	15,991	86,833	64,084	325,241	389,325	476,158
Technology services	-	8,990	1,193	1,581	1,536	-	25,060	38,360	242,404	37,130	279,534	317,894
Temporary employment agency	-	-	-	-	-	-	-	-	32,462	-	32,462	32,462
Travel	1,338	5,546	6,323	-	805	1,456	-	15,468	44,060	106,923	150,983	166,451
Prizes and scholarships	-	-	16,000	-	-	-	-	16,000	-	-	-	16,000
Program consultant fees	-	12,390	31,775	-	-	-	-	44,165	-	500	500	44,665
Construction costs	8,193	-	-	-	-	30	4,800	13,023	-	-	-	13,023
Cost of sales	-	-	-	94,066	-	-	-	94,066	-	-	-	94,066
Depreciation and amortization	-	-	-	-	-	-	-	-	80,247	-	80,247	80,247
Total Expenses	2,215,829	570,151	1,237,175	393,807	657,596	315,002	2,712,072	8,101,632	3,825,122	2,666,262	6,491,384	14,593,016
Less: cost of direct expenses of special events	-	-	-	-	-	-	-	-	(1,728)	(155,598)	(157,326)	(157,326)
Total Expenses Reported by Function on Statement of Activities	\$ 2,215,829	\$ 570,151	\$ 1,237,175	\$ 393,807	\$ 657,596	\$ 315,002	\$ 2,712,072	\$ 8,101,632	\$ 3,823,394	\$ 2,510,664	\$ 6,334,058	\$ 14,435,690

See notes to consolidated financial statements

The Studio Museum in Harlem and Subsidiary

Consolidated Statements of Cash Flows

	Years Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 33,323,301	\$ 37,866,485
Adjustments to reconcile change in net assets to net cash from operating activities		
Forgiveness in SBA PPP loan	-	(960,590)
Bad debt expense	208,938	585,000
Depreciation	92,345	80,247
Amortization of closing costs	18,200	262,087
Net realized and unrealized (gain) loss on investments	(1,468,947)	8,105,491
Change in present value discount of pledges receivable	192,534	68,182
Cash received for capital campaign	(30,117,241)	(24,634,460)
Permanently restricted contributions	(2,655,784)	(6,415,579)
Amortization of right-of-use assets - operating leases	2,086,418	-
Changes in operating assets and liabilities		
Contributions receivable	814,928	(14,173,203)
Museum store inventory	(30,975)	19,357
Prepaid insurance, security deposits and other	(81,728)	(250,486)
Accounts payable and accrued expenses	426,566	(155,286)
Lease liabilities - operating leases	(1,796,483)	-
Net Cash from Operating Activities	1,012,072	397,245
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	10,973,397	27,044,395
Purchases of investments	(16,039,861)	(36,789,770)
Additions to property and equipment	(38,859,674)	(28,279,271)
Change in contracts payable	3,090,928	2,132,355
Net Cash from Investing Activities	(40,835,210)	(35,892,291)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from building loan	17,237,111	9,873,524
Repayment of building loan	(13,532,353)	(6,008,507)
Cash contributions restricted for capital campaign	30,117,241	24,634,460
Permanently restricted contributions	2,655,784	6,415,579
Net Cash from Financing Activities	36,477,783	34,915,056
Net Change in Cash and Cash Equivalents and Restricted Cash and Cash Equivalents	(3,345,355)	(579,990)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS		
Beginning of year	31,231,341	31,811,331
End of year	\$ 27,885,986	\$ 31,231,341
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
CASH FLOW INFORMATION		
Interest paid in cash (all was capitalized as CIP)	\$ 446,675	\$ 103,193

See notes to consolidated financial statements

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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 125th 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 125th 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 125th 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, 2023 and 2022

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, 2023 and 2022

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.

Change in Accounting Policy

Leases

The Organization adopted Financial Accounting Standards Board (“FASB”) Topic 842, Leases, using the effective date method, with July 1, 2022 as the date of initial adoption, with certain practical expedients available.

The Organization elected the available practical expedients to account for existing operating leases as operating leases, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital (now finance) leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, on July 1, 2022, the Organization recognized a lease liability of \$10,397,553, that represents the present value of the remaining operating lease payments of \$11,557,854, discounted using the normalized risk-free rate of 2.89% and a right-of-use asset of \$10,210,534. As part of the adoption of Topic 842, the prior year deferred rent balance of \$187,019 is captured within the right-of-use asset balance at the adoption date.

Adoption of the standard had a material impact on the Organization’s consolidated statement of financial position but did not have an impact on the consolidated statements of activities and cash flows. The most significant impact was the recognition of the right-of-use asset and lease liability for operating leases.

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.

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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

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.

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, Cash Equivalents and Restricted Cash

Cash and cash equivalents include all cash balances held in bank accounts and other highly liquid investments purchased with a maturity of three months or less at the time of purchase that can be used for operating purposes. Restricted cash includes those balances designated as reserves or restricted as to use until the substantial completion of the Museum's Capital Project.

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

	2023	2022
Cash and cash equivalents - Undesignated	\$ 12,505,067	\$ 12,211,059
Cash and cash equivalents - Capital Project	5,385,869	10,422,071
Restricted cash	9,995,050	8,598,211
	<u>\$ 27,885,986</u>	<u>\$ 31,231,341</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, 2023 and 2022

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.

Investments

The Museum carries investments in marketable securities at their fair values based on quoted prices in active markets (all Level 1 measurements) in the consolidated statements of financial position. All interest, dividends, realized and unrealized gains and losses are included in change in net assets in the consolidated statements of activities.

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

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.

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.

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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

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.

Leases

As of July 1, 2022, 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 2020.

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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

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 February 1, 2024.

3. Concentrations of Credit Risk

The Organization's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments, contributions receivable and a loan receivable. The Organization places its cash and cash equivalents 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, 2023.

The Organization believes no significant risk of loss exists with respect to its cash, cash equivalents, 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 0.16% to 2.85% of the future cash flows. Contributions and pledges receivable consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Up to one year	\$ 23,095,819	\$ 19,222,859
Two to five years	5,394,956	10,426,850
More than five years	<u>350,000</u>	<u>600,000</u>
Sub-total	28,840,775	30,249,709
Less: present value discount	<u>(116,712)</u>	<u>(309,246)</u>
	<u>\$ 28,724,063</u>	<u>\$ 29,940,463</u>

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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>	
2024	\$ -
2025	-
2026	74,355
2027	301,616
2028	301,616
2029 and thereafter	<u>6,025,146</u>
	<u>\$ 6,702,733</u>

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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:

	2023		2022	
	Level	Fair Value	Level	Fair Value
Money market funds	(1)	\$ 13,302,506	(1)	\$20,059,482
Government obligations	(1)	10,826,075	(1)	8,321,441
Corporate obligations	(2)	9,586,117	(2)	7,913,875
Mortgage backed	(2)	1,019,653	(2)	1,329,136
Equities	(1)	6,627,398	(1)	5,612,558
Mutual Funds				
Equities	(1)	17,382,150	(1)	9,289,458
Fixed income	(1)	3,272,764	(1)	2,664,149
Real assets funds	(1)	2,403,875	(1)	2,695,028
Total		\$ 64,420,538		\$ 57,885,127
Investments consist of:				
Operations		\$ 53,718,759		\$ 42,691,694
Designated for				
Capital project		10,701,779		15,193,433
Total		\$ 64,420,538		\$ 57,885,127

7. Property, Equipment and Leasehold Improvements

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

	2023	2022
Building and leasehold improvements	\$ 559,484	\$ 326,889
Furniture, fixtures and equipment	1,366,497	1,311,264
Construction in progress (Support Corp.)	9,392,999	9,295,000
Construction in progress ("CIP")	108,508,560	70,034,713
	119,827,540	80,967,866
Less: accumulated depreciation and amortization	(1,440,081)	(1,347,736)
	\$ 118,387,459	\$ 79,620,130

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

7. Property, Equipment and Leasehold Improvements (*continued*)

Depreciation expense for the years ended June 30, 2023 and 2022 was \$92,345 and \$80,247. During the years ended June 30, 2023 and 2022 interest of \$446,675 and \$103,193 was capitalized as CIP to the Organization's property, equipment and leasehold improvements.

8. Long-Term Debt

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.

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 \$9,995,050 and \$8,598,211 as of June 30, 2023 and 2022, 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.

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

8. Long-Term Debt *(continued)*

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.

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, 2023:

Fiscal Year	Building Loan	Note 1	Note 2	Total
2024	\$ -	\$ -	\$ -	\$ -
2025	9,100,553	-	-	9,100,553
2026	-	129,940	60,044	189,984
2027	-	259,556	119,940	379,496
2028 and thereafter	-	6,313,237	2,917,283	9,230,520
	9,100,553	6,702,733	3,097,267	18,900,553
Less: current portion	-	-	-	-
Long-term portion	9,100,553	6,702,733	3,097,267	18,900,553
Less: unamortized loan closing costs	-	(315,588)	(148,512)	(464,100)
Net Long-Term Portion	<u>\$ 9,100,553</u>	<u>\$ 6,387,145</u>	<u>\$ 2,948,755</u>	<u>\$ 18,436,453</u>

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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.

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

	<u>2023</u>	<u>2022</u>
Paid by the City of New York	\$ 98,194	\$ 96,115
Paid by the Museum	<u>465,890</u>	<u>489,448</u>
	<u>\$ 564,084</u>	<u>\$ 585,563</u>

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 Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

9. Pension and Retirement Plans *(continued)*

The Museum's participation in the CIRS Plan for the years ended June 30, 2023 and 2022 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, 2023, 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, 2023 and 2022.

Pension Fund	EIN	Plan Number	Protection Act Zone Status		Total Pension Cost to the Plan		Expiration Date of Collective Bargaining Agreement
			2023	2022	2023	2022	
The Cultural Institution's Pension Plan	11-2001170	001	Green	Green	\$ 564,084	\$ 585,563	6/30/2025

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 125th Street (NYC), beginning on December 1, 2016 through November 30, 2019. The lease required an annual permit fee of \$76,260 payable in monthly installments of \$6,355. From December 2019 through June 2020, the permit fee for state-owned property was on a month-to-month basis under the latest terms. During July 2020, the permit for use of state-owned property was extended to July 2023 at an annual fee of \$94,054, payable in monthly installments of \$7,838.

During October 2017, the Museum entered into a lease for office space at 429 West 127th Street (NYC), beginning on January 1, 2018 through December 31, 2020. The lease required monthly base rent of \$13,238 increasing to \$14,594 in the third year of the lease. During February 2020, the Museum extended the term of the lease to June 30, 2023. The extended lease requires monthly base rent of \$17,513 increasing to \$19,308. The Museum is also required to pay as additional rent, certain operational costs, as outlined in the lease. The Museum has a \$13,238 security deposit with the landlord. This deposit is recorded within prepaid insurance, security deposits and other on the consolidated statements of financial position.

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

10. Lease Agreements *(continued)*

Office Space Leases *(continued)*

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 had the option to renew the lease for a two-year period. The Museum is also required to pay as additional rent, certain operational costs, as outlined in the lease. The Museum has paid \$200,000 as a security deposit in connection with this lease. This deposit is recorded within prepaid insurance, security deposits and other on the consolidated statements of financial position. The total office space expense for the fiscal year ended June 30, 2023 was \$883,351 and is recorded as occupancy and utilities in the consolidated statement of functional expenses.

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 10th 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 May 2015, the Museum entered into a second storage lease agreement (Newark, NJ) that will expire May 2025. Thereafter, it will continue on a month-to-month basis unless terminated by either party. The lease requires an annual minimum rent of \$19,501.

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 10th 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 total art storage space expense for the fiscal year ended June 30, 2023 was \$1,291,993 and is recorded in art costs and storage in the consolidated statement of functional expenses.

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

10. Lease Agreements (continued)

The ROU assets and corresponding lease liabilities associated with the future lease payments on the above noted lease as of June 30, 2023 are shown below:

Right-of-use assets - operating leases	\$ 8,397,585
Lease liabilities - operating leases, current portion	1,841,717
Lease liabilities - operating leases, long term portion	6,845,803

Information associated with the measurement of the Museum's operating lease obligations as of June 30, 2023 is as follows:

Weighted Average:	
Discount rate	2.89%
Remaining lease term in years	6.67

Future minimum lease payments were as follows:

Year Ended June 30:	
2024	\$ 2,064,316
2025	1,584,338
2026	1,193,932
2027	859,678
2028	857,716
Thereafter	<u>3,014,372</u>
Total Future Minimum Lease Payments	9,574,352
Less Imputed Interest	<u>(886,832)</u>
Total Operating Lease Liability	<u>\$ 8,687,520</u>

Supplemental cash flow information related to leases was as follows for the year ended June 30, 2023 and includes the following:

Cash paid for amounts included in the measurement of operating lease liabilities	\$ 1,983,502
ROU assets recognized upon adoption of new lease guidance	\$ 10,210,534

Office and art storage space expense under FASB Topic 840, Leases, (pre-adoption of the new standards) for operating leases totaled \$1,985,767 for the year ended June 30, 2022. Office and art storage space expense was recognized on the straight-line method over the life of the leases.

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022

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, 2023 and 2022, totaled \$117,901,559 and \$79,329,713 (including approximately \$9,392,999 and \$9,295,000 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, 2023 and 2022, work completed under the various contracts but remaining to be paid was approximately \$10,798,000 and \$7,707,000, 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 Released From Restrictions	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
Total		<u>\$ (3,060,509)</u>	<u>\$ 128,658,904</u>	<u>\$ (92,987,310)</u>	

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

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

12. Commitments (continued)

Capital Project (continued)

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. During December 2021, such agreement was extended through June 30, 2024. Through June 30, 2023 and 2022, \$34,883,508 and \$14,548,468 of appropriated funds have been used by the Museum.

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.

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

15. Related Party Transactions

For the fiscal years ended June 30, 2023 and 2022 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 2023 and 2022, the total legal services provided to the Museum were approximately \$70,000 and \$127,000. In connection with the Capital Project, the Museum did not capitalize any legal expenses during fiscal 2023 and capitalized approximately \$72,000 of legal expenses during fiscal 2022. There were no contributed services or other gifts in-kind that were restricted by donors during fiscal years 2023 and 2022.

16. Paycheck Protection Program Loans

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted to, amongst other provisions, to provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. Organizations affected by the coronavirus pandemic were allowed to apply for CARES Act loans under the Paycheck Protection Program Loan (the "PPP loan") from the United States Small Business Administration ("SBA"). The PPP loan has an interest rate of 1.0% per annum. The amounts received are forgivable if the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent and utilities.

During May 2021, the Museum applied for and received a PPP loan under the Consolidated Appropriations Act of 2021 for \$960,590. On February 22, 2022, the Museum received full forgiveness from the SBA of the \$960,590 of loan proceeds received. During the year ended June 30, 2022, the Museum recognized the income from the forgiveness of the PPP loan in accordance with Accounting Standards Codification ("ASC") 470, Debt.

17. 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 2022, in connection therewith, the Museum filed the amended payroll forms for such payroll tax credits. During fiscal 2023 and 2022, the Museum collected and recognized \$946,532 and \$200,867 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.

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

18. 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.

19. 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.

20. 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.

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.

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements June 30, 2023 and 2022

20. Endowment (continued)

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 following is a reconciliation of the activity in the endowment funds for fiscal 2023 and 2022:

	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
Expenditures 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>

	Without Donor Restrictions	With Donor Restrictions		Total
	Board Designated Endowment Funds	Unappropriated Endowment Earnings	Donor-Restricted Endowment Funds	
Balance, June 30, 2021	\$ 12,000,000	\$ 3,685,711	\$ 20,469,767	\$ 36,155,478
Net asset reclassification *	-	-	1,000,000	1,000,000
Net Assets, Beginning of Year Restated	12,000,000	3,685,711	21,469,767	37,155,478
Contributions	-	-	15,057,007	15,057,007
Investment income	442,036	1,140,548	-	1,582,584
Capital depreciation	(1,976,999)	(5,101,077)	-	(7,078,076)
Balance, June 30, 2022	<u>\$ 10,465,037</u>	<u>\$ (274,818)</u>	<u>\$ 36,526,774</u>	<u>\$ 46,716,993</u>

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements June 30, 2023 and 2022

20. Endowment (continued)

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, 2023 and 2022, five of the twenty endowments were underwater by a total of \$636,087 and \$894,885.

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.

21. Net Assets with Donor Restrictions

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	\$ -	\$ (179,500)	\$ 182,500
Archives	355,000	-	-	(72,992)	282,008
Bloomberg connects	230,063	-	-	(74,701)	155,362
Collection management	3,500,000	-	-	(1,433,559)	2,066,441
Curatorial	80,190	10,080	-	(26,820)	63,450
Digital programing	70,035	-	-	(70,035)	-
Education	104,065	97,000	-	(97,000)	104,065
Expending the walls	32,500	-	-	(32,500)	-
Permanent collection	5,572	-	18,209	-	23,781
Program and event sponsorship	900,000	-	-	(900,000)	-
SMH history book	973,500	-	-	(114,313)	859,187
Studio Museum institute	125,000	-	-	(125,000)	-
Studio Museum Institute Internship Program	-	250,000	-	(44,312)	205,688
Capital Project	38,180,537	13,915,923	-	(19,485,375)	32,611,085
Unappropriated endowment earnings	(274,818)	-	1,939,698	-	1,664,880
	<u>44,529,644</u>	<u>14,387,003</u>	<u>1,957,907</u>	<u>(22,656,107)</u>	<u>38,218,447</u>
Subject to the passage of time:					
For the period after June 30	4,833,334	5,000	-	(2,588,334)	2,250,000
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>\$ 85,889,752</u>	<u>\$ 14,576,286</u>	<u>\$ 1,957,907</u>	<u>\$ (25,294,441)</u>	<u>\$ 77,129,504</u>

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements June 30, 2023 and 2022

21. Net Assets with Donor Restrictions *(continued)*

Net assets with donor restrictions activity for the year ended June 30, 2022:

	Balance at June 30, 2021	Contributions	Investment Return	Net Assets Released From Restrictions Appropriated for Expenditure	Balance at June 30, 2022
Subject to expenditure for a specified purpose:					
AIR program	\$ 215,000	\$ 66,000	\$ -	\$ (33,000)	\$ 248,000
Archives	-	355,000	-	-	355,000
Bloomberg connects	-	250,000	-	(19,937)	230,063
Collection management	-	3,500,000	-	-	3,500,000
Curatorial	327,137	-	-	(246,947)	80,190
Digital programming	175,000	-	-	(104,965)	70,035
Education	200,000	-	(95,935)	-	104,065
Expending the walls	65,000	-	-	(32,500)	32,500
Permanent collection	50,140	-	(44,568)	-	5,572
Program and event sponsorship	-	1,000,000	-	(100,000)	900,000
SMH history book	-	1,000,000	-	(26,500)	973,500
Studio Museum institute	125,000	250,000	-	(250,000)	125,000
Capital Project	46,957,293	11,745,886	(294,196)	(20,228,446)	38,180,537
Unappropriated endowment earnings	3,685,711	-	(3,960,529)	-	(274,818)
	<u>51,800,281</u>	<u>18,166,886</u>	<u>(4,395,228)</u>	<u>(21,042,295)</u>	<u>44,529,644</u>
Subject to the passage of time:					
For the period after June 30	5,160,000	2,500,000	-	(2,826,666)	4,833,334
Held as endowment in perpetuity:					
Donor restricted endowment	<u>21,469,767</u>	<u>15,057,007</u>	<u>-</u>	<u>-</u>	<u>36,526,774</u>
Total Net Assets with Donor Restrictions	<u>\$ 78,430,048</u>	<u>\$ 35,723,893</u>	<u>\$ (4,395,228)</u>	<u>\$ (23,868,961)</u>	<u>\$ 85,889,752</u>

22. 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,

	2023	2022
Financial Assets		
Cash and cash equivalents	\$ 27,885,986	\$ 31,231,341
Contributions receivable	28,724,063	29,940,463
Investments, at fair value	<u>64,420,538</u>	<u>57,885,127</u>
Total Financial Assets	121,030,587	119,056,931
Less:		
Board designated net assets	11,092,179	10,465,037
Unappropriated endowment earnings	1,664,880	274,818
Restricted cash	9,995,050	8,598,211
Purpose and time restrictions	38,803,567	49,362,978
Donor restricted endowment	<u>36,661,057</u>	<u>36,526,774</u>
Financial Assets Available for General Expenditures	<u>\$ 22,813,854</u>	<u>\$ 14,378,749</u>

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

22. Liquidity and Availability of Financial Assets (*continued*)

As part of the Organization's strategy, management structures its financial assets, consisting of cash and cash equivalents, 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 \$9,995,050 and \$8,598,211 as of June 30, 2023 and 2022 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, 2023 and 2022

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
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 12,431,217	\$ 73,850	\$ -	\$ 12,505,067
Current portion of contributions receivable	23,095,819	-	-	23,095,819
Leverage loan interest receivable	18,498	-	-	18,498
Investments, at fair value	53,718,759	-	-	53,718,759
Museum store inventory	89,501	-	-	89,501
Prepaid insurance, security deposits and other	622,521	-	-	622,521
Total Current Assets	<u>89,976,315</u>	<u>73,850</u>	<u>-</u>	<u>90,050,165</u>
Leverage loan receivable	<u>6,702,733</u>	<u>-</u>	<u>-</u>	<u>6,702,733</u>
Contributions receivable, net	<u>4,202,035</u>	<u>-</u>	<u>-</u>	<u>4,202,035</u>
Assets Designated for Capital Project				
Cash and cash equivalents	5,385,869	-	-	5,385,869
Restricted cash	9,995,050	-	-	9,995,050
Investments, at fair value	10,701,779	-	-	10,701,779
Contributions receivable, net	1,426,209	-	-	1,426,209
Total Assets Designated for Capital Project	<u>27,508,907</u>	<u>-</u>	<u>-</u>	<u>27,508,907</u>
Property, equipment and leasehold improvements, at cost, net	<u>108,994,460</u>	<u>9,392,999</u>	<u>-</u>	<u>118,387,459</u>
Right-of-use assets - operating leases	<u>17,521,582</u>	<u>-</u>	<u>(9,123,997)</u>	<u>8,397,585</u>
	<u>\$ 254,906,032</u>	<u>\$ 9,466,849</u>	<u>\$ (9,123,997)</u>	<u>\$ 255,248,884</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued expenses	\$ 1,069,921	\$ -	\$ -	\$ 1,069,921
Contracts payable	10,798,140	-	-	10,798,140
Lease liabilities - operating leases, current portion	1,841,717	-	-	1,841,717
Total Current Liabilities	<u>13,709,778</u>	<u>-</u>	<u>-</u>	<u>13,709,778</u>
Long-term debt, net	9,100,553	9,335,900	-	18,436,453
Lease liabilities - operating leases, long term portion	16,406,757	-	(9,560,954)	6,845,803
Total Liabilities	<u>39,217,088</u>	<u>9,335,900</u>	<u>(9,560,954)</u>	<u>38,992,034</u>
Net Assets				
Without Donor Restrictions				
Undesignated	127,467,261	130,949	436,957	128,035,167
Board designated endowment	11,092,179	-	-	11,092,179
Total Without Donor Restrictions	<u>138,559,440</u>	<u>130,949</u>	<u>436,957</u>	<u>139,127,346</u>
With Donor Restrictions				
Purpose and time	40,468,447	-	-	40,468,447
Endowment	36,661,057	-	-	36,661,057
Total With Donor Restrictions	<u>77,129,504</u>	<u>-</u>	<u>-</u>	<u>77,129,504</u>
Total Net Assets	<u>215,688,944</u>	<u>130,949</u>	<u>436,957</u>	<u>216,256,850</u>
	<u>\$ 254,906,032</u>	<u>\$ 9,466,849</u>	<u>\$ (9,123,997)</u>	<u>\$ 255,248,884</u>

See independent auditors' report

The Studio Museum in Harlem and Subsidiary

Consolidating Schedule of Financial Position June 30, 2022

	The Studio Museum in Harlem	SMH Support Corp.	Consolidated Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 12,143,033	\$ 68,026	\$ 12,211,059
Current portion of contributions receivable	19,222,859	-	19,222,859
Leverage loan interest receivable	18,498	-	18,498
Investments, at fair value	42,691,694	-	42,691,694
Museum store inventory	58,526	-	58,526
Prepaid insurance, security deposits and other	540,793	-	540,793
Total Current Assets	<u>74,675,403</u>	<u>68,026</u>	<u>74,743,429</u>
Leverage loan receivable	<u>6,702,733</u>	-	<u>6,702,733</u>
Contributions receivable, net	<u>6,346,722</u>	-	<u>6,346,722</u>
Assets Designated for Capital Project			
Cash and cash equivalents	10,422,071	-	10,422,071
Restricted cash	8,598,211	-	8,598,211
Investments, at fair value	15,193,433	-	15,193,433
Contributions receivable, net	4,370,882	-	4,370,882
Total Assets Designated for Capital Project	<u>38,584,597</u>	-	<u>38,584,597</u>
Property, equipment and leasehold improvements, at cost, net	<u>70,325,130</u>	<u>9,295,000</u>	<u>79,620,130</u>
	<u>\$ 196,634,585</u>	<u>\$ 9,363,026</u>	<u>\$ 205,997,611</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued expenses	\$ 643,355	\$ -	\$ 643,355
Contracts payable	<u>7,707,212</u>	-	<u>7,707,212</u>
Total Current Liabilities	8,350,567	-	8,350,567
Long-term debt, net	<u>5,395,795</u>	<u>9,317,700</u>	<u>14,713,495</u>
Total Liabilities	<u>13,746,362</u>	<u>9,317,700</u>	<u>23,064,062</u>
Net Assets			
Without Donor Restrictions			
Undesignated	86,533,434	45,326	86,578,760
Board designated endowment	<u>10,465,037</u>	-	<u>10,465,037</u>
Total Without Donor Restrictions	<u>96,998,471</u>	<u>45,326</u>	<u>97,043,797</u>
With Donor Restrictions			
Purpose and time	49,362,978	-	49,362,978
Endowment	<u>36,526,774</u>	-	<u>36,526,774</u>
Total With Donor Restrictions	<u>85,889,752</u>	-	<u>85,889,752</u>
Total Net Assets	<u>182,888,223</u>	<u>45,326</u>	<u>182,933,549</u>
	<u>\$ 196,634,585</u>	<u>\$ 9,363,026</u>	<u>\$ 205,997,611</u>

See independent auditors' report

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	With Donor Restrictions	Total	Without Donor Restrictions	Eliminating Entry	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE								
Support								
Government	\$ 22,575,137	\$ -	\$ 22,575,137	\$ -	\$ -	\$ 22,575,137	\$ -	\$ 22,575,137
Contributions	4,191,414	14,576,286	18,767,700	-	-	4,191,414	14,576,286	18,767,700
Total Support	<u>26,766,551</u>	<u>14,576,286</u>	<u>41,342,837</u>	<u>-</u>	<u>-</u>	<u>26,766,551</u>	<u>14,576,286</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	-	3,587,483
Membership fees	228,477	-	228,477	-	-	228,477	-	228,477
Museum sales	192,316	-	192,316	-	-	192,316	-	192,316
Investment return	1,745,514	1,957,907	3,703,421	3	-	1,745,517	1,957,907	3,703,424
Other	214,858	-	214,858	104,000	(104,000)	214,858	-	214,858
Total Revenue	<u>5,968,648</u>	<u>1,957,907</u>	<u>7,926,555</u>	<u>104,003</u>	<u>(104,000)</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	32,735,199	16,534,193	49,269,392	104,003	(104,000)	32,735,202	16,534,193	49,269,395
Net assets released from restrictions	<u>25,294,441</u>	<u>(25,294,441)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,294,441</u>	<u>(25,294,441)</u>	<u>-</u>
Total Support and Revenue	<u>58,029,640</u>	<u>(8,760,248)</u>	<u>49,269,392</u>	<u>104,003</u>	<u>(104,000)</u>	<u>58,029,643</u>	<u>(8,760,248)</u>	<u>49,269,395</u>
EXPENSES								
Program Services								
Curatorial	3,585,714	-	3,585,714	-	-	3,585,714	-	3,585,714
Exhibitions	428,293	-	428,293	-	-	428,293	-	428,293
Learning and Engagement	1,130,014	-	1,130,014	-	-	1,130,014	-	1,130,014
Retail and Visitor Services	388,621	-	388,621	-	-	388,621	-	388,621
Communications	793,471	-	793,471	-	-	793,471	-	793,471
Building operations	1,099,449	-	1,099,449	-	-	1,099,449	-	1,099,449
Capital campaign	1,811,556	-	1,811,556	-	(540,957)	1,270,599	-	1,270,599
Total Program Services	<u>9,237,118</u>	<u>-</u>	<u>9,237,118</u>	<u>-</u>	<u>(540,957)</u>	<u>8,696,161</u>	<u>-</u>	<u>8,696,161</u>
Supporting Services								
Management and general	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
Total Supporting Services	<u>7,231,553</u>	<u>-</u>	<u>7,231,553</u>	<u>18,380</u>	<u>-</u>	<u>7,249,933</u>	<u>-</u>	<u>7,249,933</u>
Total Expenses	<u>16,468,671</u>	<u>-</u>	<u>16,468,671</u>	<u>18,380</u>	<u>(540,957)</u>	<u>15,946,094</u>	<u>-</u>	<u>15,946,094</u>
Change in Net Assets	41,560,969	(8,760,248)	32,800,721	85,623	436,957	42,083,549	(8,760,248)	33,323,301
NET ASSETS								
Beginning of year	<u>96,998,471</u>	<u>85,889,752</u>	<u>182,888,223</u>	<u>45,326</u>	<u>-</u>	<u>97,043,797</u>	<u>85,889,752</u>	<u>182,933,549</u>
End of year	<u>\$ 138,559,440</u>	<u>\$ 77,129,504</u>	<u>\$ 215,688,944</u>	<u>\$ 130,949</u>	<u>\$ 436,957</u>	<u>\$ 139,127,346</u>	<u>\$ 77,129,504</u>	<u>\$ 216,256,850</u>

See independent auditors' report

The Studio Museum in Harlem and Subsidiary

Consolidating Schedule of Activities Year Ended June 30, 2022

	The Studio Museum in Harlem			SMH Support Corp.		Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Eliminating Entry	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE								
Support								
Government	\$ 11,848,528	\$ -	\$ 11,848,528	\$ -	\$ -	\$ 11,848,528	\$ -	\$ 11,848,528
SBA PPP loan forgiveness	960,590	-	960,590	-	-	960,590	-	960,590
Contributions	<u>5,956,928</u>	<u>35,723,893</u>	<u>41,680,821</u>	-	-	<u>5,956,928</u>	<u>35,723,893</u>	<u>41,680,821</u>
Total Support	<u>18,766,046</u>	<u>35,723,893</u>	<u>54,489,939</u>	-	-	<u>18,766,046</u>	<u>35,723,893</u>	<u>54,489,939</u>
Revenue								
Special events, net of direct benefits to donors of \$157,326	3,314,557	-	3,314,557	-	-	3,314,557	-	3,314,557
Membership fees	243,353	-	243,353	-	-	243,353	-	243,353
Museum sales	188,567	-	188,567	-	-	188,567	-	188,567
Investment return	(1,718,179)	(4,395,228)	(6,113,407)	15	-	(1,718,164)	(4,395,228)	(6,113,392)
Other	174,651	-	174,651	108,500	(104,000)	179,151	-	179,151
Total Revenue	<u>2,202,949</u>	<u>(4,395,228)</u>	<u>(2,192,279)</u>	<u>108,515</u>	<u>(104,000)</u>	<u>2,207,464</u>	<u>(4,395,228)</u>	<u>(2,187,764)</u>
Total Support and Revenue Before Net Assets Released from Restrictions	20,968,995	31,328,665	52,297,660	108,515	(104,000)	20,973,510	31,328,665	52,302,175
Net assets released from restrictions	<u>23,868,961</u>	<u>(23,868,961)</u>	<u>-</u>	-	-	<u>23,868,961</u>	<u>(23,868,961)</u>	<u>-</u>
Total Support and Revenue	<u>44,837,956</u>	<u>7,459,704</u>	<u>52,297,660</u>	<u>108,515</u>	<u>(104,000)</u>	<u>44,842,471</u>	<u>7,459,704</u>	<u>52,302,175</u>
EXPENSES								
Program Services								
Curatorial	2,215,829	-	2,215,829	-	-	2,215,829	-	2,215,829
Exhibitions	570,151	-	570,151	-	-	570,151	-	570,151
Learning and Engagement	1,237,175	-	1,237,175	-	-	1,237,175	-	1,237,175
Retail and Visitor Services	393,807	-	393,807	-	-	393,807	-	393,807
Communications	657,596	-	657,596	-	-	657,596	-	657,596
Building operations	315,002	-	315,002	-	-	315,002	-	315,002
Capital campaign	<u>2,816,072</u>	-	<u>2,816,072</u>	-	(104,000)	<u>2,712,072</u>	-	<u>2,712,072</u>
Total Program Services	<u>8,205,632</u>	-	<u>8,205,632</u>	-	(104,000)	<u>8,101,632</u>	-	<u>8,101,632</u>
Supporting Services								
Management and general	3,805,194	-	3,805,194	18,200	-	3,823,394	-	3,823,394
Development	<u>2,510,664</u>	-	<u>2,510,664</u>	-	-	<u>2,510,664</u>	-	<u>2,510,664</u>
Total Supporting Services	<u>6,315,858</u>	-	<u>6,315,858</u>	<u>18,200</u>	-	<u>6,334,058</u>	-	<u>6,334,058</u>
Total Expenses	<u>14,521,490</u>	-	<u>14,521,490</u>	<u>18,200</u>	<u>(104,000)</u>	<u>14,435,690</u>	-	<u>14,435,690</u>
Change in Net Assets	<u>30,316,466</u>	<u>7,459,704</u>	<u>37,776,170</u>	<u>90,315</u>	-	<u>30,406,781</u>	<u>7,459,704</u>	<u>37,866,485</u>
NET ASSETS								
Beginning of year, restated								
	<u>66,682,005</u>	<u>78,430,048</u>	<u>145,112,053</u>	<u>(44,989)</u>	-	<u>66,637,016</u>	<u>78,430,048</u>	<u>145,067,064</u>
End of year	<u>\$ 96,998,471</u>	<u>\$ 85,889,752</u>	<u>\$ 182,888,223</u>	<u>\$ 45,326</u>	\$ -	<u>\$ 97,043,797</u>	<u>\$ 85,889,752</u>	<u>\$ 182,933,549</u>

See independent auditors' report