

The Studio Museum in Harlem and Subsidiary

Consolidated Financial Statements

June 30, 2025 and 2024

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, 2025 and 2024, 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, 2025 and 2024, and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Studio Museum in Harlem and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt abouts The Studio Museum in Harlem and Subsidiary's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary schedules on pages 34-37 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

PKF O'Connor Davies, LLP

December 16, 2025

The Studio Museum in Harlem and Subsidiary

Consolidated Statements of Financial Position

	June 30	
	2025	2024
ASSETS		
Cash	\$ 9,368,945	\$ 8,343,910
Contributions receivable, net	41,037,504	26,775,465
Leverage loan interest receivable	18,498	18,498
Leverage loan receivable	6,702,733	6,702,733
Investments, at fair value	62,679,654	59,608,457
Museum store inventory	91,749	99,409
Prepaid expenses, security deposits and other	1,910,475	4,077,026
Property, equipment and leasehold improvements, at cost, net	186,236,143	164,796,020
Restricted cash	262,435	8,129,647
Right-of-use assets - operating leases	20,404,383	22,635,405
	<u>328,712,519</u>	<u>301,186,570</u>
Total Assets	<u>\$ 328,712,519</u>	<u>\$ 301,186,570</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 1,300,711	\$ 9,619,460
Contracts payable	2,677,575	6,472,662
Debt payable	9,372,300	15,600,975
Lease liabilities - operating leases	21,784,701	23,587,389
Deferred revenue	91,670	35,000
Pension withdrawal liability	4,303,890	-
Total Liabilities	<u>39,530,847</u>	<u>55,315,486</u>
NET ASSETS		
Without Donor Restrictions		
Undesignated	72,600,189	60,121,674
Board designated endowment	2,215,399	2,215,399
Total Without Donor Restrictions	<u>74,815,588</u>	<u>62,337,073</u>
With Donor Restrictions		
Purpose and time	163,118,774	142,522,954
Endowment	51,247,310	41,011,057
Total With Donor Restrictions	<u>214,366,084</u>	<u>183,534,011</u>
Total Net Assets	<u>289,181,672</u>	<u>245,871,084</u>
Total Liabilities and Net Assets	<u>\$ 328,712,519</u>	<u>\$ 301,186,570</u>

See notes to consolidated financial statements

The Studio Museum in Harlem and Subsidiary

Consolidated Statement of Activities Year Ended June 30, 2025

	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Campaign	Total Without Donor Restrictions		
SUPPORT AND REVENUE					
Support					
Government	\$ 1,066,191	\$ 18,404,095	\$ 19,470,286	\$ -	\$ 19,470,286
Contributions	5,763,403	-	5,763,403	30,987,372	36,750,775
Total Support	6,829,594	18,404,095	25,233,689	30,987,372	56,221,061
Revenue					
Special events, net of direct benefits to donors of \$1,132,202	2,951,916	-	2,951,916	-	2,951,916
Membership fees	452,665	-	452,665	-	452,665
Museum sales	49,480	-	49,480	-	49,480
Investment return	795,659	418,252	1,213,911	4,848,573	6,062,484
Other	67,994	-	67,994	-	67,994
Total Revenue	4,317,714	418,252	4,735,966	4,848,573	9,584,539
Total Support and Revenue Before Net Assets Released from Restrictions	11,147,308	18,822,347	29,969,655	35,835,945	65,805,600
Net assets released from restrictions	4,931,642	72,230	5,003,872	(5,003,872)	-
Total Support and Revenue	16,078,950	18,894,577	34,973,527	30,832,073	65,805,600
EXPENSES					
Program Services					
Curatorial	2,140,593	342,719	2,483,312	-	2,483,312
Collection Management	2,074,645	88,109	2,162,754	-	2,162,754
Learning and Engagement	2,017,879	89	2,017,968	-	2,017,968
Retail and Visitor Services	1,436,739	-	1,436,739	-	1,436,739
Communications	1,502,361	229,400	1,731,761	-	1,731,761
Building and operations	1,296,335	5,981	1,302,316	-	1,302,316
Capital campaign	-	510,147	510,147	-	510,147
Total Program Services	10,468,552	1,176,445	11,644,997	-	11,644,997
Supporting Services					
Management and general	3,653,805	63,041	3,716,846	-	3,716,846
Development	1,931,728	897,551	2,829,279	-	2,829,279
Total Supporting Services	5,585,533	960,592	6,546,125	-	6,546,125
Total Expenses	16,054,085	2,137,037	18,191,122	-	18,191,122
Change in Net Assets Before Other Changes	24,865	16,757,540	16,782,405	30,832,073	47,614,478
OTHER CHANGES					
Pension withdrawal liability adjustment	4,303,890	-	4,303,890	-	4,303,890
Change in Net Assets	(4,279,025)	16,757,540	12,478,515	30,832,073	43,310,588
NET ASSETS					
Beginning of year	17,482,709	44,854,364	62,337,073	183,534,011	245,871,084
End of year	\$ 13,203,684	\$ 61,611,904	\$ 74,815,588	\$ 214,366,084	\$ 289,181,672

See notes to consolidated financial statements

The Studio Museum in Harlem and Subsidiary

Consolidated Statement of Activities Year Ended June 30, 2024

	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Campaign	Total Without Donor Restrictions		
SUPPORT AND REVENUE					
Support					
Government	\$ 1,066,879	\$ 16,514,657	\$ 17,581,536	\$ -	\$ 17,581,536
Contributions	5,476,903	-	5,476,903	13,730,637	19,207,540
Total Support	<u>6,543,782</u>	<u>16,514,657</u>	<u>23,058,439</u>	<u>13,730,637</u>	<u>36,789,076</u>
Revenue					
Special events, net of direct benefits to donors of \$1,052,166	3,066,944	-	3,066,944	-	3,066,944
Membership fees	378,480	-	378,480	-	378,480
Museum sales	63,672	-	63,672	-	63,672
Investment return	1,733,734	823,275	2,557,009	3,396,907	5,953,916
Other	166,597	-	166,597	-	166,597
Total Revenue	<u>5,409,427</u>	<u>823,275</u>	<u>6,232,702</u>	<u>3,396,907</u>	<u>9,629,609</u>
Total Support and Revenue Before Net Assets Released from Restrictions	11,953,209	17,337,932	29,291,141	17,127,544	46,418,685
Net assets released from restrictions	<u>4,768,760</u>	<u>146,796</u>	<u>4,915,556</u>	<u>(4,915,556)</u>	<u>-</u>
Total Support and Revenue	<u>16,721,969</u>	<u>17,484,728</u>	<u>34,206,697</u>	<u>12,211,988</u>	<u>46,418,685</u>
EXPENSES					
Program Services					
Curatorial	1,908,630	151,330	2,059,960	-	2,059,960
Collection Management	1,715,777	831	1,716,608	-	1,716,608
Learning and Engagement	1,782,715	-	1,782,715	-	1,782,715
Retail and Visitor Services	675,719	-	675,719	-	675,719
Communications	1,591,654	285,147	1,876,801	-	1,876,801
Building and operations	1,768,745	-	1,768,745	-	1,768,745
Capital campaign	-	237,856	237,856	-	237,856
Total Program Services	<u>9,443,240</u>	<u>675,164</u>	<u>10,118,404</u>	<u>-</u>	<u>10,118,404</u>
Supporting Services					
Management and general	3,888,364	174,645	4,063,009	-	4,063,009
Development	2,365,426	257,612	2,623,038	-	2,623,038
Total Supporting Services	<u>6,253,790</u>	<u>432,257</u>	<u>6,686,047</u>	<u>-</u>	<u>6,686,047</u>
Total Expenses	<u>15,697,030</u>	<u>1,107,421</u>	<u>16,804,451</u>	<u>-</u>	<u>16,804,451</u>
Change in Net Assets	1,024,939	16,377,307	17,402,246	12,211,988	29,614,234
NET ASSETS					
Beginning of year	<u>16,457,770</u>	<u>28,477,057</u>	<u>44,934,827</u>	<u>171,322,023</u>	<u>216,256,850</u>
End of year	<u>\$ 17,482,709</u>	<u>\$ 44,854,364</u>	<u>\$ 62,337,073</u>	<u>\$ 183,534,011</u>	<u>\$ 245,871,084</u>

See notes to consolidated financial statements

The Studio Museum in Harlem and Subsidiary

Consolidated Statement of Functional Expenses Year Ended June 30, 2025

	Program Services								Supporting Services			Total
	Curatorial	Collection Management	Learning and Engagement	Retail and Visitor Services	Marketing and Communications	Building and Operations	Capital Campaign	Total Program Services	Management and General	Development	Total Supporting Services	
Personnel Expenses												
Salaries and wages	\$ 726,342	\$ 511,637	\$ 943,208	\$ 726,073	\$ 643,253	\$ 661,612	\$ 62,308	\$ 4,274,433	\$ 1,558,109	\$ 1,077,650	\$ 2,635,759	\$ 6,910,192
Payroll taxes and fringe benefits	221,423	146,439	271,215	238,350	188,166	186,441	17,458	1,269,492	451,809	353,587	805,396	2,074,888
Total Personnel Expenses	947,765	658,076	1,214,423	964,423	831,419	848,053	79,766	5,543,925	2,009,918	1,431,237	3,441,155	8,985,080
Professional and Consultant Fees	179,226	36,302	5,953	128,594	428,017	-	11,029	789,121	234,993	221,432	456,425	1,245,546
Exhibition and Program Costs	639,566	352,647	8,681	-	-	541	-	1,001,435	136	50	186	1,001,621
Collection and Conservation Costs	111,890	164,619	2,827	-	151	-	-	279,487	2,750	1	2,751	282,238
Stipends and Honorariums	147,983	2,961	81,800	-	750	-	-	233,494	-	51,000	51,000	284,494
Travel and Entertainment	57,644	7,470	70,635	1,527	17,253	12,317	721	167,567	97,621	381,398	479,019	646,586
Conferences, Meetings and Staff Development	1,255	-	610	2,023	675	-	-	4,563	35,496	2,295	37,791	42,354
Special Events	-	-	-	-	-	-	-	-	-	1,132,202	1,132,202	1,132,202
Printing Costs	44,537	-	22	-	46,677	-	-	91,236	2,450	57,774	60,224	151,460
Supplies	784	9,715	33,212	3,237	2,987	24,538	997	75,470	21,459	29,982	51,441	126,911
Postage and Shipping	2,857	10,837	938	-	173	4,387	554	19,746	2,221	65,796	68,017	87,763
Advertising and Promotion	-	-	-	1,111	100,271	-	-	101,382	22,697	807	23,504	124,886
Equipment Repairs and Maintenance	7,006	7,459	456	488	5,925	41,906	-	63,240	500,802	127,290	628,092	691,332
Occupancy and Utility Costs	247,336	848,800	475,645	294,144	204,993	333,468	53,161	2,457,547	438,945	303,037	741,982	3,199,529
Technology and Communication Services	2,360	-	-	1,392	21,582	1,980	-	27,314	94,263	-	94,263	121,577
Insurance	26,821	12,713	46,936	13,410	26,821	13,410	276,022	416,133	50,289	37,303	87,592	503,725
Interest, Bank Fees, Payroll and Other Fees	22,961	189	18	4,729	746	55	77,067	105,765	103,379	60,310	163,689	269,454
Depreciation and Amortization	43,321	50,966	75,812	21,661	43,321	21,661	10,830	267,572	99,427	59,567	158,994	426,566
Total Expenses	2,483,312	2,162,754	2,017,968	1,436,739	1,731,761	1,302,316	510,147	11,644,997	3,716,846	3,961,481	7,678,327	19,323,324
Less: cost of direct expenses of special events	-	-	-	-	-	-	-	-	-	(1,132,202)	(1,132,202)	(1,132,202)
Total Expenses Reported by Function on Statement of Activities	\$ 2,483,312	\$ 2,162,754	\$ 2,017,968	\$ 1,436,739	\$ 1,731,761	\$ 1,302,316	\$ 510,147	\$ 11,644,997	\$ 3,716,846	\$ 2,829,279	\$ 6,546,125	\$ 18,191,122

See notes to consolidated financial statements

The Studio Museum in Harlem and Subsidiary

Consolidated Statement of Functional Expenses Year Ended June 30, 2024

	Program Services								Supporting Services			
	Curatorial	Collection Management	Learning and Engagement	Retail and Visitor Services	Marketing and Communications	Building and Operations	Capital Campaign	Total Program Services	Management and General	Development	Total Supporting Services	Total
Personnel Expenses												
Salaries and wages	\$ 498,864	\$ 577,961	\$ 912,547	\$ 232,906	\$ 661,837	\$ 995,140	\$ 73,003	\$ 3,952,258	\$ 1,452,300	\$ 1,153,240	\$ 2,605,540	\$ 6,557,798
Payroll taxes and fringe benefits	135,579	183,536	247,240	106,348	209,519	328,556	17,502	1,228,280	429,706	371,260	800,966	2,029,246
Total Personnel Expenses	634,443	761,497	1,159,787	339,254	871,356	1,323,696	90,505	5,180,538	1,882,006	1,524,500	3,406,506	8,587,044
Professional and Consultant Fees	25,726	240,110	12,586	9,050	546,375	158,115	-	991,962	749,388	284,408	1,033,796	2,025,758
Exhibition and Program Costs	165,127	547,757	46,602	26	31,829	4,738	-	796,079	20,990	11,442	32,432	828,511
Collection and Conservation Costs	41,068	27,094	1,226	-	80	-	-	69,468	755	-	755	70,223
Stipends and Honorariums	-	113,536	178,630	-	-	-	-	292,166	50,000	-	50,000	342,166
Travel and Entertainment	1,204	11,254	39,705	-	12,323	761	765	66,012	140,835	176,576	317,411	383,423
Conferences, Meetings and Staff Development	146	450	395	60	871	420	490	2,832	20,618	44	20,662	23,494
Special Events	-	-	-	-	-	-	-	-	-	1,052,166	1,052,166	1,052,166
Printing Costs	-	12,051	24	1,506	60,401	-	-	73,982	3,035	28,349	31,384	105,366
Supplies	2,354	1,155	8,467	387	103,158	11,471	-	126,992	10,328	18,265	28,593	155,585
Postage and Shipping	87	21	146	2,350	564	122	144	3,434	1,674	111,509	113,183	116,617
Advertising and Promotion	-	-	-	1,676	76,812	-	-	78,488	15,454	183	15,637	94,125
Equipment Repairs and Maintenance	26,276	920	84	120	138	19,961	-	47,499	271,723	736	272,459	319,958
Occupancy and Utility Costs	1,091,599	-	318,156	295,189	133,304	222,067	134,617	2,194,932	481,717	287,779	769,496	2,964,428
Technology and Communication Services	25,909	525	8,541	9,644	25,020	13,461	5,182	88,282	159,586	84,221	243,807	332,089
Insurance	37,124	-	8,329	8,329	13,882	13,882	5,553	87,099	41,646	27,764	69,410	156,509
Interest, Bank Fees, Payroll and Other Fees	106	55	37	5,081	650	51	600	6,580	112,355	66,967	179,322	185,902
Depreciation and Amortization	-	-	-	-	-	-	-	-	93,469	-	93,469	93,469
Miscellaneous	8,791	183	-	3,047	38	-	-	12,059	7,430	295	7,725	19,784
Total Expenses	2,059,960	1,716,608	1,782,715	675,719	1,876,801	1,768,745	237,856	10,118,404	4,063,009	3,675,204	7,738,213	17,856,617
Less: cost of direct expenses of special events	-	-	-	-	-	-	-	-	-	(1,052,166)	(1,052,166)	(1,052,166)
Total Expenses Reported by Function on Statement of Activities	\$ 2,059,960	\$ 1,716,608	\$ 1,782,715	\$ 675,719	\$ 1,876,801	\$ 1,768,745	\$ 237,856	\$ 10,118,404	\$ 4,063,009	\$ 2,623,038	\$ 6,686,047	\$ 16,804,451

See notes to consolidated financial statements

The Studio Museum in Harlem and Subsidiary

Consolidated Statements of Cash Flows

	Years Ended June 30	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 43,310,588	\$ 29,614,234
Adjustments to reconcile change in net assets to net cash from operating activities		
Bad debt expense	-	116,617
Depreciation	408,366	75,269
Amortization of closing costs	18,200	18,200
Net realized and unrealized gain on investments	(4,457,761)	(4,015,386)
Donated stock	2,691,952	-
Change in present value discount of pledges receivable	(100,574)	(214,940)
Cash received for capital campaign	(35,892,655)	(21,242,409)
Permanently restricted contributions	(10,139,693)	(4,400,000)
Amortization of right-of-use assets - operating leases	2,231,022	2,241,832
Changes in operating assets and liabilities		
Contributions receivable	(14,161,465)	2,163,538
Accounts receivable	-	(116,617)
Museum store inventory	7,660	(9,908)
Prepaid expenses, security deposits and other	2,166,551	(3,401,272)
Accounts payable and accrued expenses	(8,318,749)	8,549,539
Lease liabilities - operating leases	(1,802,688)	(1,579,783)
Deferred revenue	56,670	35,000
Pension withdrawal liability	4,303,890	-
Net Cash from Operating Activities	<u>(19,678,686)</u>	<u>7,833,914</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	9,004,688	92,813,465
Purchases of investments	(10,310,076)	(83,985,998)
Additions to property and equipment	(21,848,489)	(46,483,830)
Change in contracts payable	(3,795,087)	(4,325,478)
Net Cash from Investing Activities	<u>(26,948,964)</u>	<u>(41,981,841)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from building loan	-	14,266,167
Repayment of building loan	(6,246,875)	(17,119,845)
Cash contributions restricted for capital campaign	35,892,655	21,242,409
Permanently restricted contributions	10,139,693	4,400,000
Net Cash from Financing Activities	<u>39,785,473</u>	<u>22,788,731</u>
Net Change in Cash and Restricted Cash	(6,842,177)	(11,359,196)
CASH AND RESTRICTED CASH		
Beginning of year	<u>16,473,557</u>	<u>27,832,753</u>
End of year	<u>\$ 9,631,380</u>	<u>\$ 16,473,557</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid in cash	\$ 74,081	\$ 555,710

See notes to consolidated financial statements

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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 Artist-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 Organization obtained a temporary certificate of occupancy for its new museum facility in October 2024. That same month, it was announced that the building would open to the public in the Fall of 2025.

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, Jean-Michel Basquiat, 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, 2025 and 2024

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, 2025 and 2024

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

Basis of Presentation and Use of Estimates

The consolidated financial statements have been prepared in conformity with accounting principles general accepted in the United States of America ("U.S. GAAP") which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses reported during that period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the June 30, 2024 financial statements have been reclassified to conform to the June 30, 2025 presentation.

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.

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements June 30, 2025 and 2024

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

Cash and Restricted Cash

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

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

	<u>2025</u>	<u>2024</u>
Cash - undesignated	\$ 2,334,805	\$ 7,114,099
Cash - campaign and capital project	7,034,140	1,229,811
Restricted cash - capital project reserves	-	7,629,647
Restricted cash - lease security provision	<u>262,435</u>	<u>500,000</u>
	<u>\$ 9,631,380</u>	<u>\$ 16,473,557</u>

Advertising

Advertising expense is recognized as the expense is incurred.

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.

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Contributions (continued)

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 and Investment Income Recognition

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

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

Fair Value Measurements

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

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

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

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.

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.

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

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

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 2022.

Measure of Operations

The consolidated statements of activities separately report changes in net assets from operating and non-operating activities. Operating activities consist primarily of revenues and expenses related to ongoing activities. Non-operating activities consist of pension withdrawal liability adjustments.

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements June 30, 2025 and 2024

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 December 16, 2025.

3. Concentrations of Credit Risk

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

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

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

The loan receivable is due from Studio Museum in Harlem NMTC Investment Fund, LLC (the "Investment Fund") created in connection with a new market tax credit program agreement. Investments are exposed to various risks such as interest rate, market volatility, liquidity and credit. Due to the uncertainty related to the foregoing risks, it is reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the consolidated statement of financial position at June 30, 2025.

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

4. Contributions Receivable

Unconditional promises to give are included in the consolidated financial statements as contributions and pledges receivable, net of a present value discount ranging from 0.28% to 4.43% of the future cash flows. Contributions and pledges receivable consist of the following at June 30:

	2025	2024
Up to one year	\$ 33,951,635	\$ 20,879,143
Two to five years	7,418,095	6,127,974
More than five years	100,000	100,000
Sub-total	41,469,730	27,107,117
Less: present value discount	(432,226)	(331,652)
	<u>\$ 41,037,504</u>	<u>\$ 26,775,465</u>

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements June 30, 2025 and 2024

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>	
2026	\$ 74,355
2027	301,616
2028	304,963
2029	308,346
2030	311,767
2031 and thereafter	<u>5,401,686</u>
	<u>\$ 6,702,733</u>

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements June 30, 2025 and 2024

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:

	2025		2024	
	Level	Fair Value	Level	Fair Value
Money market funds	(1)	\$ 9,965,455	(1)	\$ 15,362,717
Government obligations	(1)	2,319,268	(1)	1,414,153
Corporate obligations	(2)	2,324,755	(2)	1,711,189
Mortgage backed	(2)	1,149,983	(2)	979,574
Equities	(1)	1,296,241	(1)	1,090,108
Mutual Funds				
Equities	(1)	11,268,481	(1)	9,458,925
Fixed income	(1)	8,943,354	(1)	7,711,069
Alternative investments	*	25,412,117	*	21,880,722
Total		<u>\$ 62,679,654</u>		<u>\$ 59,608,457</u>

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

During 2025 and 2024, there were no transfers between levels 1, 2 or 3 of the fair value hierarchy.

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

		2025			
		Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investment trust	(a)	\$ 18,261,645	\$ -	Monthly	5 days
Investment trust	(b)	6,704,349	-	Monthly	5 days
Private equity	(c)	446,123	827,399	N/A	N/A
		<u>\$ 25,412,117</u>	<u>\$ 827,399</u>		

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements June 30, 2025 and 2024

6. Investments *(continued)*

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

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

7. Property, Equipment and Leasehold Improvements

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

	2025	2024
Building and leasehold improvements	\$ 3,068,239	\$ 559,484
Furniture, fixtures and equipment	2,023,962	1,552,987
Construction in progress (Support Corp.)	9,589,000	9,491,000
Construction in progress ("CIP")	<u>172,056,593</u>	<u>154,707,899</u>
	186,737,794	166,311,370
Less: accumulated depreciation and amortization	<u>(501,651)</u>	<u>(1,515,350)</u>
	<u>\$ 186,236,143</u>	<u>\$ 164,796,020</u>

Depreciation expense for the years ended June 30, 2025 and 2024 was \$408,366 and \$75,269. During the years ended June 30, 2025 and 2024 interest of \$24,500 and \$555,710 was capitalized as CIP to the Organization's property, equipment and leasehold improvements.

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements June 30, 2025 and 2024

8. Debt Payable

Building Loan

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

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 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 bore interest at the Secured Overnight Financing Rate plus 300 basis points or at the bank's prime rate. The Building Loan had 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 required certain reserve balances totaling \$7,629,647 as of June 30, 2024, 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 Building Loan was fully repaid during the year ended June 30, 2025.

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. At June 30, 2025 and 2024 the loan amount outstanding totaled \$6,411,897 and \$6,399,521.

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements June 30, 2025 and 2024

8. Debt Payable (*continued*)

Note Payable 2

On December 27, 2018, the Support Corp. obtained a 30-year \$3,097,267 note ("Note 2") maturing December 27, 2048. The proceeds of Note 2 are being used to fund the Capital Project. Note 2 requires quarterly interest payments at the rate of 1% per annum through December 27, 2025. On April 1, 2026, the Support Corp. is required to make a one-time payment in the amount of \$37,728 of principal and interest accrued on Note 2 for the period beginning December 28, 2025 and ending March 31, 2026. Commencing on June 1, 2026, quarterly installments of principal and interest shall be payable each quarter such that the combined amount of interest and principal payable for each such quarter shall be equal to \$37,728 until the entire unpaid principal balance is fully paid. At June 30, 2025 and 2024 the loan amount outstanding totaled \$2,960,403 and \$2,954,579.

The following is a summary of the required minimum annual principal payments on the notes as of June 30, 2025:

Fiscal Year	Note 1	Note 2	Total
2026	\$ 129,940	\$ 60,044	\$ 189,984
2027	259,556	119,940	379,496
2028	259,556	119,940	379,496
2029	259,556	119,940	379,496
2030 and thereafter	<u>5,794,125</u>	<u>2,677,403</u>	<u>8,471,528</u>
	6,702,733	3,097,267	9,800,000
Less: unamortized loan closing costs	<u>(290,836)</u>	<u>(136,864)</u>	<u>(427,700)</u>
Net Debt Payable	<u>\$ 6,411,897</u>	<u>\$ 2,960,403</u>	<u>\$ 9,372,300</u>

9. Pension and Retirement Plans

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

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements June 30, 2025 and 2024

9. Pension and Retirement Plans *(continued)*

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

	2025	2024
Paid by the City of New York	\$ 111,649	\$ 94,092
Paid by the Museum	<u>671,951</u>	<u>581,779</u>
	<u>\$ 783,600</u>	<u>\$ 675,871</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 Museum's participation in the CIRS Plan for the years ended June 30, 2025 and 2024 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, 2025, 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, 2025 and 2024.

Pension Fund	EIN	Plan Number	Protection Act Zone Status		Total Pension Cost to the Plan		Expiration Date of Collective Bargaining Agreement
			2025	2024	2025	2024	
The Cultural Institution's Pension Plan	11-2001170	001	Green	Green	\$ 783,600	\$ 675,871	6/30/2025

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

9. Pension and Retirement Plans *(continued)*

During the year ended June 30, 2025, the Company entered into a Withdrawal Liability Settlement Agreement with CIRS pursuant to its complete withdrawal from the Cultural Institutions Pension Plan effective June 19, 2025. Under the agreement, CIRS assessed a full withdrawal liability of \$4,090,957, which the Company is obligated to satisfy through 18 monthly settlement payments of \$239,105 beginning July 1, 2025 and ending December 1, 2026, in full settlement of all withdrawal-related claims. Monthly payments bear interest at 7.5% per annum if not remitted by the due date, and failure to cure a late payment within 15 business days may accelerate the remaining outstanding balance.

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). The permit commenced on December 1, 2016 and expired November 30, 2019. The permit required annual minimum rent of \$76,260. From December 2019 through June 2020, the permit fee for state-owned property was on a month-to-month basis. During July 2020, the permit for use of state-owned property was extended to July 2023 at an annual fee of \$94,054. During September 2023, the permit was extended through September 2026 at an annual fee of \$91,512.

During October 2017, the Museum entered into a lease for office space at 429 West 127th Street (NYC). The lease commenced on January 1, 2018 and expired on December 31, 2020, requiring an annual base rent of \$158,850 in year 1 of the lease increasing to \$175,132 in year 3, as defined in the lease documents. During February 2020, the Museum extended the term of the lease through June 30, 2023. The extended lease required an annual base rent of \$210,159 in year 1 of the extension increasing to \$231,700 in year 3. In March 2023, the Museum signed a second amendment to the lease, beginning July 1, 2023, which expired on June 30, 2025. The amendment required an annual base rent of \$243,576 for each of the two years. The Museum is also required to pay additional rent, certain operational costs, as outlined in the lease.

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

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements June 30, 2025 and 2024

10. Lease Agreements (*continued*)

Office Space Leases (*continued*)

During November 2023, the Museum entered into another lease for office space at 119 W 125th Street (NYC), beginning on February 1, 2024 through January 31, 2034. The lease requires annual base rent of \$1,425,393 for the first five years of the lease and \$1,556,163 for the last five years of the lease. The Museum has an option to renew for an additional 5-year period, which it expects to exercise. In conjunction with this lease, the Museum has posted a letter of credit with JP Morgan Chase bank in the amount of \$500,000 to be held and used under the security provisions of the lease. The letter of credit was reduced to \$262,435 during May 2025. The letter of credit is included in the Museum's cash in the consolidated statement of financial position. Additionally, the lease provides a tenant improvement allowance of \$1,961,550, of which the landlord will reimburse the Museum for the work cost. The improvement allowance amount has been spent during the fiscal year ended June 30, 2024 and is included in prepaid expenses, security deposits, and other in the consolidated statement of financial position.

The total office space expense for the fiscal years ended June 30, 2025 and 2024 was \$1,823,296 and \$1,458,973 and is recorded in the consolidated statement of functional expenses as occupancy and utilities.

Storage Spaces Leases

During April 2015, the Museum entered into a storage lease agreement (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 July 2021, the Museum entered into a 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 ROU assets and corresponding lease liabilities associated with the future lease payments on the above noted lease are shown below as of June 30:

	<u>2025</u>	<u>2024</u>
Right-of-use assets - operating leases	\$ 20,404,383	\$ 22,635,405
Lease liabilities - operating leases	21,784,701	23,587,389

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements June 30, 2025 and 2024

10. Lease Agreements *(continued)*

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

	<u>2025</u>	<u>2024</u>
Weighted Average:		
Discount rate	3.75%	3.71%
Remaining lease term in years	11.67	12.20

Future minimum lease payments were as follows:

<u>Year Ended June 30:</u>	
2026	\$ 2,619,325
2027	2,285,071
2028	2,283,109
2029	2,359,041
2030	2,457,299
Thereafter	<u>15,244,991</u>
Total Future Minimum Lease Payments	27,248,836
Less Imputed Interest	<u>(5,464,135)</u>
Total Operating Lease Liability	<u><u>\$ 21,784,701</u></u>

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

	<u>2025</u>	<u>2024</u>
Operating leases, included in operating expenses	\$ 3,068,497	\$ 2,699,925
Short-term leases, included in operating expenses	9,100	37,289
Variable lease payments, included in operating expenses	<u>121,932</u>	<u>227,214</u>
Total	<u><u>\$ 3,199,529</u></u>	<u><u>\$ 2,964,428</u></u>

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

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 2,640,163	\$ 2,037,876
ROU assets recognized during the year	\$ -	\$ 16,479,652

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements June 30, 2025 and 2024

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 Sublease is subject and subordinate to that 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 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, 2025 and 2024, totaled \$181,645,593 and \$164,198,899 (including \$9,589,000 and \$9,491,000 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, 2025 and 2024, work completed under the various contracts but remaining to be paid was approximately \$2,677,575 and \$6,473,000, and is recorded as contract payable on the consolidated statements of financial position.

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements June 30, 2025 and 2024

12. Commitments *(continued)*

Capital Project *(continued)*

Funding

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

Fiscal Year	Balance at Beginning of Fiscal Year	Reclassifications *	Contributions	Net Assets Used in Capital Project	Balance at End of Fiscal Year
2012	\$ -	\$ -	\$ 100,000	\$ -	\$ 100,000
2013	100,000	-	2,071,865	(100,000)	2,071,865
2014	2,071,865	-	4,148,911	(310,646)	5,910,130
2015	5,910,130	-	1,308,678	(2,431,012)	4,787,796
2016	4,787,796	(1,000,000)	11,108,958	(5,343,900)	9,552,854
2017	9,552,854	-	22,979,267	(4,028,355)	28,503,766
2018	28,503,766	-	40,515,576	(7,210,149)	61,809,193
2019	61,809,193	-	11,302,779	(8,438,735)	64,673,237
2020	64,673,237	-	5,513,902	(12,198,018)	57,989,121
2021	57,989,121	(2,060,509)	3,947,159	(12,918,478)	46,957,293
2022	46,957,293	-	11,745,886	(20,522,642)	38,180,537
2023	38,180,537	-	13,915,923	(19,485,375)	32,611,085
2024	32,611,085	-	6,288,000	(24,832,953)	14,066,132
2025	14,066,132	-	18,042,374	(6,231,177)	25,877,329
Total		<u>\$ (3,060,509)</u>	<u>\$ 152,989,278</u>	<u>\$ (124,051,440)</u>	

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

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

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

13. City Transfers (*continued*)

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 financing transaction described in Note 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 being built at the Museum's current site as part of the Capital Project. The NMTC financing was arranged on behalf of the Support Corp. The Support Corp. serves and qualifies as the active low income community business (QALICB) for the NMTC financing.

15. Related Party Transactions

For the fiscal years ended June 30, 2025 and 2024 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 2025 and 2024, the total legal services provided to the Museum by this law firm were approximately \$78,300 and \$115,000. In connection with the Capital Project, the Museum capitalized approximately \$43,700 and \$90,000 of legal expenses from this law firm during fiscal 2025 and 2024. There were no contributed services or other gifts in-kind that were restricted by donors during fiscal years 2025 and 2024.

16. 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.

17. 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.

18. Endowment

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

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements June 30, 2025 and 2024

18. Endowment (*continued*)

Interpretation of Relevant Law

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

Investment Objectives

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

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

Spending Policy

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

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements June 30, 2025 and 2024

18. Endowment (*continued*)

The following is a reconciliation of the activity in the endowment funds for fiscal 2025 and 2024:

	Without Donor Restrictions	With Donor Restrictions		
	Board Designated Endowment Funds	Unappropriated Endowment Earnings	Donor-Restricted Endowment Funds	Total
Balance, June 30, 2024	\$ 2,215,399	\$ 3,863,812	\$ 41,011,057	\$ 47,090,268
Contributions	-	-	10,139,693	10,139,693
Investment income	-	1,118,570	142,289	1,260,859
Capital appreciation	-	3,587,714	-	3,587,714
Appropriations for operations	-	(1,251,421)	(45,729)	(1,297,150)
Balance, June 30, 2025	<u>\$ 2,215,399</u>	<u>\$ 7,318,675</u>	<u>\$ 51,247,310</u>	<u>\$ 60,781,384</u>

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

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, 2025, none of the endowment balances were underwater and at June 30, 2024, one of the twenty endowments were underwater by a total of \$1,051.

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

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements June 30, 2025 and 2024

19. Net Assets with Donor Restrictions

Net assets with donor restrictions activity for the year ended June 30, 2025:

	Balance at June 30, 2024	Contributions	Investment Return	Net Assets Released From Restrictions Appropriated for Expenditure	Balance at June 30, 2025
Subject to expenditure for a specified purpose:					
Access for All	\$ 822,154	\$ -	\$ -	\$ (302,499)	\$ 519,655
Acquisition	-	70,973	-	-	70,973
AIR program	196,000	-	-	(98,000)	98,000
AIR/Exhibitions/L&E	74,596	-	-	(74,596)	-
Archives	141,634	-	-	(123,724)	17,910
Bloomberg connects	100,000	-	-	(98,652)	1,348
Collection management	2,016,221	-	-	(1,028,205)	988,016
Curatorial	53,370	-	-	(53,370)	-
Education	64,687	48,000	-	(14,687)	98,000
Mavis Pusey	-	25,000	-	-	25,000
Program and event sponsorship	800,000	-	-	(200,000)	600,000
SMH history book	716,676	-	-	(103,850)	612,826
Studio Museum institute	754,530	2,000,000	-	(509,594)	2,244,936
Studio Museum Institute Internship Program	52,315	-	-	(52,315)	-
Tom Lloyd	-	296,209	-	-	296,209
Capital Project	130,958,625	18,042,374	-	(72,230)	148,928,769
Unappropriated endowment earnings	<u>3,863,812</u>	<u>-</u>	<u>4,706,284</u>	<u>(1,251,421)</u>	<u>7,318,675</u>
	140,614,620	20,482,556	4,706,284	(3,983,143)	161,820,317
Subject to the passage of time:					
For the period after June 30	1,908,334	365,123	-	(975,000)	1,298,457
Held as endowment in perpetuity:					
Donor restricted endowment	<u>41,011,057</u>	<u>10,139,693</u>	<u>142,289</u>	<u>(45,729)</u>	<u>51,247,310</u>
Total Net Assets with Donor Restrictions	<u>\$ 183,534,011</u>	<u>\$ 30,987,372</u>	<u>\$ 4,848,573</u>	<u>\$ (5,003,872)</u>	<u>\$ 214,366,084</u>

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

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

The Studio Museum in Harlem and Subsidiary

Notes to Consolidated Financial Statements June 30, 2025 and 2024

20. 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:

	2025	2024
Financial Assets		
Cash	\$ 9,368,945	\$ 8,343,910
Contributions receivable	41,037,504	26,775,465
Investments, at fair value	62,679,654	59,608,457
Restricted cash	<u>262,435</u>	<u>8,129,647</u>
Total Financial Assets	113,348,538	102,857,479
Less:		
Board designated net assets	2,215,399	2,215,399
Unappropriated endowment earnings	7,318,675	3,863,812
Restricted cash	262,435	8,129,647
Purpose and time restrictions	31,748,659	20,383,879
Donor restricted endowment	<u>51,247,310</u>	<u>41,011,057</u>
Financial Assets Available for General Expenditures	<u>\$ 20,556,060</u>	<u>\$ 27,253,685</u>

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

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

21. Subsequent Events

On November 15, 2025, the museum facility reopened to the public and the Organization placed the building, furniture, and equipment into service on that date. As of June 30, 2025, the facility was still under construction and therefore not available for its intended use. Accordingly, no amounts related to depreciation or placed-in-service recognition are reflected in the accompanying financial statements for the year ended June 30, 2025. Management determined that disclosure is appropriate to inform users of the financial statements of the completion and commencement of operations of the facility after year end.

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The Studio Museum in Harlem and Subsidiary

Supplementary Information

June 30, 2025 and 2024

The Studio Museum in Harlem and Subsidiary

Consolidating Schedule of Financial Position June 30, 2025

	The Studio Museum in Harlem	SMH Support Corp.	Eliminations	Consolidated Total
ASSETS				
Cash	\$ 9,237,121	\$ 131,824	\$ -	\$ 9,368,945
Contributions receivable	41,037,504	-	-	41,037,504
Accounts receivable	24,500	13,000	(37,500)	-
Leverage loan interest receivable	18,498	-	-	18,498
Leverage loan receivable	6,702,733	-	-	6,702,733
Investments, at fair value	62,679,654	-	-	62,679,654
Museum store inventory	91,749	-	-	91,749
Prepaid expenses, security deposits and other	1,910,475	-	-	1,910,475
Property, equipment and leasehold improvements, at cost, net	176,647,143	9,589,000	-	186,236,143
Restricted cash	262,435	-	-	262,435
Right of use assets - operating leases	29,087,785	-	(8,683,402)	20,404,383
Total Assets	\$ 327,699,597	\$ 9,733,824	\$ (8,720,902)	\$ 328,712,519
LIABILITIES AND NET ASSETS				
Accounts payable and accrued expenses	\$ 1,292,211	\$ 21,500	\$ (13,000)	\$ 1,300,711
Contracts payable	2,677,575	-	-	2,677,575
Debt payable	-	9,372,300	-	9,372,300
Lease liabilities	31,765,975	-	(9,981,274)	21,784,701
Deferred revenue	91,670	-	-	91,670
Due to related party	-	24,500	(24,500)	-
Pension withdrawal liability	4,303,890	-	-	4,303,890
Total Liabilities	40,131,321	9,418,300	(10,018,774)	39,530,847
Net Assets				
Without Donor Restrictions				
Undesignated	70,986,793	315,524	1,297,872	72,600,189
Board designated endowment	2,215,399	-	-	2,215,399
Total Without Donor Restrictions	73,202,192	315,524	1,297,872	74,815,588
With Donor Restrictions				
Purpose and time	163,118,774	-	-	163,118,774
Endowment	51,247,310	-	-	51,247,310
Total With Donor Restrictions	214,366,084	-	-	214,366,084
Total Net Assets	287,568,276	315,524	1,297,872	289,181,672
	\$ 327,699,597	\$ 9,733,824	\$ (8,720,902)	\$ 328,712,519

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The Studio Museum in Harlem and Subsidiary

Consolidating Schedule of Financial Position June 30, 2024

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

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The Studio Museum in Harlem and Subsidiary

Consolidating Schedule of Activities Year Ended June 30, 2025

	The Studio Museum in Harlem					SMH Support Corp.		Consolidated		
	Without Donor Restrictions		Total Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Eliminating Entry	Without Donor Restrictions	With Donor Restrictions	Total
	Operating	Campaign								
SUPPORT AND REVENUE										
Support										
Government	\$ 1,066,191	\$ 18,404,095	\$ 19,470,286	\$ -	\$ 19,470,286	\$ -	\$ -	\$ 19,470,286	\$ -	\$ 19,470,286
Contributions	5,763,403	-	5,763,403	30,987,372	36,750,775	-	-	5,763,403	30,987,372	36,750,775
Total Support	6,829,594	18,404,095	25,233,689	30,987,372	56,221,061	-	-	25,233,689	30,987,372	56,221,061
Revenue										
Special events, net of direct benefits to donors of \$1,132,202	2,951,916	-	2,951,916	-	2,951,916	-	-	2,951,916	-	2,951,916
Membership fees	452,665	-	452,665	-	452,665	-	-	452,665	-	452,665
Museum sales	49,480	-	49,480	-	49,480	-	-	49,480	-	49,480
Investment return	795,657	418,252	1,213,909	4,848,573	6,062,482	2	-	1,213,911	4,848,573	6,062,484
Other	67,994	-	67,994	-	67,994	117,000	(117,000)	67,994	-	67,994
Total Revenue	4,317,712	418,252	4,735,964	4,848,573	9,584,537	117,002	(117,000)	4,735,966	4,848,573	9,584,539
Total Support and Revenue Before Net Assets Released from Restrictions	11,147,306	18,822,347	29,969,653	35,835,945	65,805,598	117,002	(117,000)	29,969,655	35,835,945	65,805,600
Net assets released from restrictions	4,931,642	72,230	5,003,872	(5,003,872)	-	-	-	5,003,872	(5,003,872)	-
Total Support and Revenue	16,078,948	18,894,577	34,973,525	30,832,073	65,805,598	117,002	(117,000)	34,973,527	30,832,073	65,805,600
EXPENSES										
Program Services										
Curatorial	2,140,593	342,719	2,483,312	-	2,483,312	-	-	2,483,312	-	2,483,312
Collection Management	2,074,645	88,109	2,162,754	-	2,162,754	-	-	2,162,754	-	2,162,754
Learning and Engagement	2,017,879	89	2,017,968	-	2,017,968	-	-	2,017,968	-	2,017,968
Retail and Visitor Services	1,436,739	-	1,436,739	-	1,436,739	-	-	1,436,739	-	1,436,739
Communications	1,502,361	229,400	1,731,761	-	1,731,761	-	-	1,731,761	-	1,731,761
Building operations	1,296,335	5,981	1,302,316	-	1,302,316	-	-	1,302,316	-	1,302,316
Capital campaign	-	1,051,104	1,051,104	-	1,051,104	-	(540,957)	510,147	-	510,147
Total Program Services	10,468,552	1,717,402	12,185,954	-	12,185,954	-	(540,957)	11,644,997	-	11,644,997
Supporting Services										
Management and general	3,635,575	63,041	3,698,616	-	3,698,616	18,230	-	3,716,846	-	3,716,846
Development	1,931,728	897,551	2,829,279	-	2,829,279	-	-	2,829,279	-	2,829,279
Total Supporting Services	5,567,303	960,592	6,527,895	-	6,527,895	18,230	-	6,546,125	-	6,546,125
Total Expenses	16,035,855	2,677,994	18,713,849	-	18,713,849	18,230	(540,957)	18,191,122	-	18,191,122
Change in Net Assets Before Other Changes	43,093	16,216,583	16,259,676	30,832,073	47,091,749	98,772	423,957	16,782,405	30,832,073	47,614,478
OTHER CHANGES										
Pension withdrawal liability adjustment	4,303,890	-	4,303,890	-	4,303,890	-	-	4,303,890	-	4,303,890
Change in Net Assets	(4,260,797)	16,216,583	11,955,786	30,832,073	42,787,859	98,772	423,957	12,478,515	30,832,073	43,310,588
NET ASSETS										
Beginning of year	17,473,957	43,772,449	61,246,406	183,534,011	244,780,417	216,752	873,915	62,337,073	183,534,011	245,871,084
End of year	\$ 13,213,160	\$ 59,989,032	\$ 73,202,192	\$ 214,366,084	\$ 287,568,276	\$ 315,524	\$ 1,297,872	\$ 74,815,588	\$ 214,366,084	\$ 289,181,672

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The Studio Museum in Harlem and Subsidiary

Consolidating Schedule of Activities Year Ended June 30, 2024

	The Studio Museum in Harlem					SMH Support Corp.		Consolidated		
	Without Donor Restrictions		Total Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Eliminating Entry	Without Donor Restrictions	With Donor Restrictions	Total
	Operating	Campaign								
SUPPORT AND REVENUE										
Support										
Government	\$ 1,066,879	\$ 16,514,657	\$ 17,581,536	\$ -	\$ 17,581,536	\$ -	\$ -	\$ 17,581,536	\$ -	\$ 17,581,536
Contributions	5,476,903	-	5,476,903	13,730,637	19,207,540	-	-	5,476,903	13,730,637	19,207,540
Total Support	6,543,782	16,514,657	23,058,439	13,730,637	36,789,076	-	-	23,058,439	13,730,637	36,789,076
Revenue										
Special events, net of direct benefits to donors of \$1,052,166	3,066,944	-	3,066,944	-	3,066,944	-	-	3,066,944	-	3,066,944
Membership fees	378,480	-	378,480	-	378,480	-	-	378,480	-	378,480
Museum sales	63,672	-	63,672	-	63,672	-	-	63,672	-	63,672
Investment return	1,733,731	823,275	2,557,006	3,396,907	5,953,913	3	-	2,557,009	3,396,907	5,953,916
Other	166,597	-	166,597	-	166,597	104,000	(104,000)	166,597	-	166,597
Total Revenue	5,409,424	823,275	6,232,699	3,396,907	9,629,606	104,003	(104,000)	6,232,702	3,396,907	9,629,609
Total Support and Revenue Before Net Assets Released from Restrictions	11,953,206	17,337,932	29,291,138	17,127,544	46,418,682	104,003	(104,000)	29,291,141	17,127,544	46,418,685
Net assets released from restrictions	4,768,760	146,796	4,915,556	(4,915,556)	-	-	-	4,915,556	(4,915,556)	-
Total Support and Revenue	16,721,966	17,484,728	34,206,694	12,211,988	46,418,682	104,003	(104,000)	34,206,697	12,211,988	46,418,685
EXPENSES										
Program Services										
Curatorial	1,908,630	151,330	2,059,960	-	2,059,960	-	-	2,059,960	-	2,059,960
Collection Management	1,715,777	831	1,716,608	-	1,716,608	-	-	1,716,608	-	1,716,608
Learning and Engagement	1,782,715	-	1,782,715	-	1,782,715	-	-	1,782,715	-	1,782,715
Retail and Visitor Services	675,719	-	675,719	-	675,719	-	-	675,719	-	675,719
Communications	1,591,654	285,147	1,876,801	-	1,876,801	-	-	1,876,801	-	1,876,801
Building operations	1,768,745	-	1,768,745	-	1,768,745	-	-	1,768,745	-	1,768,745
Capital campaign	-	778,814	778,814	-	778,814	-	(540,958)	237,856	-	237,856
Total Program Services	9,443,240	1,216,122	10,659,362	-	10,659,362	-	(540,958)	10,118,404	-	10,118,404
Supporting Services										
Management and general	3,870,164	174,645	4,044,809	-	4,044,809	18,200	-	4,063,009	-	4,063,009
Development	2,365,426	257,612	2,623,038	-	2,623,038	-	-	2,623,038	-	2,623,038
Total Supporting Services	6,235,590	432,257	6,667,847	-	6,667,847	18,200	-	6,686,047	-	6,686,047
Total Expenses	15,678,830	1,648,379	17,327,209	-	17,327,209	18,200	(540,958)	16,804,451	-	16,804,451
Change in Net Assets	1,043,136	15,836,349	16,879,485	12,211,988	29,091,473	85,803	436,958	17,402,246	12,211,988	29,614,234
NET ASSETS										
Beginning of year, as restated	16,430,821	27,936,100	44,366,921	171,322,023	215,688,944	130,949	436,957	44,934,827	171,322,023	216,256,850
End of year	\$ 17,473,957	\$ 43,772,449	\$ 61,246,406	\$ 183,534,011	\$ 244,780,417	\$ 216,752	\$ 873,915	\$ 62,337,073	\$ 183,534,011	\$ 245,871,084

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