FRIENDS OF THE NEUBERGER MUSEUM OF ART, INC.

Financial Statements as of
June 30, 2019 and 2018
Together with
Independent Auditor’s Report

Bonadio & Co., LLP
Certified Public Accountants
INDEPENDENT AUDITOR’S REPORT

September 11, 2019

To the Board of Directors of
Friends of the Neuberger Museum of Art, Inc.:

Report on the Financial Statements
We have audited the accompanying financial statements of Friends of the Neuberger Museum of Art, Inc. (a New York not-for-profit corporation) which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, the statement of functional expense for the year ended June 30, 2019 and the related notes to the financial statements.

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

Auditors’ Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)
INDEPENDENT AUDITOR’S REPORT
(Continued)

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of the Neuberger Museum of Art, Inc. as of June 30, 2019 and 2018, and the 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.

Change in Accounting Principle
As described in Note 2 to the financial statements Friends of the Neuberger Museum of Art, Inc. implemented Accounting Standards Update 2016-14, and the effects have been included in these financial statements. Our opinion is not modified with respect to this matter.

Report on Supplemental Information
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Schedules I and II are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Bonadio & Co., LLP
<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ 1,332,495</td>
<td>$ 1,098,829</td>
</tr>
<tr>
<td>Due from Purchase College Foundation</td>
<td>90,513</td>
<td>73,484</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>2,500</td>
<td>2,146</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>5,770</td>
<td>17,938</td>
</tr>
<tr>
<td>Investments</td>
<td>9,138,650</td>
<td>9,207,642</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>-</td>
<td>4,987</td>
</tr>
<tr>
<td>Collections (See Note 2)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$ 10,569,928</strong></td>
<td><strong>$ 10,405,026</strong></td>
</tr>
<tr>
<td><strong>LIABILITIES AND NET ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to Purchase College</td>
<td>$ 111,037</td>
<td>$ 105,105</td>
</tr>
<tr>
<td>Due to Purchase College Foundation</td>
<td>32,788</td>
<td>118,680</td>
</tr>
<tr>
<td>Accrued expenses and other liabilities</td>
<td>11,832</td>
<td>30,764</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>16,309</td>
<td>16,309</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>171,966</strong></td>
<td><strong>270,858</strong></td>
</tr>
<tr>
<td><strong>NET ASSETS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Without donor restrictions</td>
<td>536,481</td>
<td>502,627</td>
</tr>
<tr>
<td>With donor restrictions</td>
<td>9,861,481</td>
<td>9,631,541</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>$ 10,569,928</strong></td>
<td><strong>$ 10,405,026</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these statements.
**FRIENDS OF NEUBERGER MUSEUM OF ART, INC.**

**STATEMENTS OF ACTIVITIES**
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended June 30, 2019</th>
<th></th>
<th>For the Year Ended June 30, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Without Donor Restrictions</td>
<td>With Donor Restrictions</td>
<td>Total</td>
</tr>
<tr>
<td><strong>REVENUE AND SUPPORT:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special events</td>
<td>$240,449</td>
<td>$</td>
<td>$240,449</td>
</tr>
<tr>
<td>Cost of direct benefits to donors</td>
<td>(40,831)</td>
<td>-</td>
<td>(40,831)</td>
</tr>
<tr>
<td>Membership dues</td>
<td>130,839</td>
<td>-</td>
<td>130,839</td>
</tr>
<tr>
<td>Contributed services and facilities</td>
<td>154,055</td>
<td>-</td>
<td>154,055</td>
</tr>
<tr>
<td>Contributions, gifts and grants</td>
<td>149,732</td>
<td>332,954</td>
<td>482,686</td>
</tr>
<tr>
<td>Admission and subscriptions</td>
<td>(121)</td>
<td>-</td>
<td>(121)</td>
</tr>
<tr>
<td>Other sources</td>
<td>17,526</td>
<td>-</td>
<td>17,526</td>
</tr>
<tr>
<td>Investment income</td>
<td>2,113</td>
<td>449,520</td>
<td>451,633</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>552,534</td>
<td>(552,534)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>1,206,296</td>
<td>229,940</td>
<td>1,436,236</td>
</tr>
<tr>
<td><strong>EXPENSES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educational</td>
<td>105,420</td>
<td>-</td>
<td>105,420</td>
</tr>
<tr>
<td>Membership</td>
<td>212,653</td>
<td>-</td>
<td>212,653</td>
</tr>
<tr>
<td>Exhibitions</td>
<td>414,471</td>
<td>-</td>
<td>414,471</td>
</tr>
<tr>
<td>Communications</td>
<td>43,834</td>
<td>-</td>
<td>43,834</td>
</tr>
<tr>
<td><strong>Total program services</strong></td>
<td>776,378</td>
<td>-</td>
<td>776,378</td>
</tr>
<tr>
<td>Supporting services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and general</td>
<td>321,673</td>
<td>-</td>
<td>321,673</td>
</tr>
<tr>
<td>Fundraising</td>
<td>74,391</td>
<td>-</td>
<td>74,391</td>
</tr>
<tr>
<td><strong>Total supporting services</strong></td>
<td>396,064</td>
<td>-</td>
<td>396,064</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>1,172,442</td>
<td>-</td>
<td>1,172,442</td>
</tr>
<tr>
<td><strong>CHANGE IN NET ASSETS BEFORE ENDOWMENT TRANSFER</strong></td>
<td>33,854</td>
<td>229,940</td>
<td>263,794</td>
</tr>
<tr>
<td>Endowment transfer to Purchase College Foundation</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>CHANGE IN NET ASSETS</strong></td>
<td>33,854</td>
<td>229,940</td>
<td>263,794</td>
</tr>
<tr>
<td><strong>NET ASSETS - beginning of year</strong></td>
<td>502,627</td>
<td>9,631,541</td>
<td>10,134,168</td>
</tr>
<tr>
<td><strong>NET ASSETS - end of year</strong></td>
<td>$536,481</td>
<td>$9,861,481</td>
<td>$10,397,962</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these statements.
FRIENDS OF NEUBERGER MUSEUM OF ART, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

<table>
<thead>
<tr>
<th>Expenses:</th>
<th>Program Services</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Depreciation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>$ 364,288</td>
<td>$ 151,521</td>
<td></td>
<td>$ -</td>
<td>$ 515,809</td>
</tr>
<tr>
<td>Supplies and materials</td>
<td>39,049</td>
<td>2,952</td>
<td></td>
<td>$ -</td>
<td>42,001</td>
</tr>
<tr>
<td>Printing and postage</td>
<td>14,451</td>
<td>450</td>
<td></td>
<td>$ -</td>
<td>14,901</td>
</tr>
<tr>
<td>Travel and lodging</td>
<td>12,678</td>
<td></td>
<td></td>
<td>$ -</td>
<td>12,678</td>
</tr>
<tr>
<td>Rentals and equipment</td>
<td>-</td>
<td>5,190</td>
<td></td>
<td>$ -</td>
<td>5,190</td>
</tr>
<tr>
<td>Insurance</td>
<td>16,499</td>
<td>13,535</td>
<td></td>
<td>$ -</td>
<td>30,034</td>
</tr>
<tr>
<td>Professional fees</td>
<td>227,694</td>
<td>138,357</td>
<td></td>
<td>$ -</td>
<td>366,051</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>-</td>
<td></td>
<td></td>
<td>4,987</td>
<td>4,987</td>
</tr>
<tr>
<td>Other expenses</td>
<td>101,719</td>
<td>4,681</td>
<td>74,391</td>
<td></td>
<td>180,791</td>
</tr>
<tr>
<td>Expenses before depreciation allocation</td>
<td>776,378</td>
<td>316,686</td>
<td>74,391</td>
<td>4,987</td>
<td>1,172,442</td>
</tr>
<tr>
<td>Depreciation Allocation</td>
<td>-</td>
<td>4,987</td>
<td></td>
<td>(4,987)</td>
<td></td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$ 776,378</td>
<td>$ 321,673</td>
<td>$ 74,391</td>
<td>$ -</td>
<td>$ 1,172,442</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these statements.
FRIENDS OF NEUBERGER MUSEUM OF ART, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOW FROM OPERATING ACTIVITIES:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$263,794</td>
<td>$190,941</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash flow from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>4,987</td>
<td>5,626</td>
</tr>
<tr>
<td>Net gain on investments</td>
<td>(304,167)</td>
<td>(664,870)</td>
</tr>
<tr>
<td>Changes in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to/from Purchase College Foundation</td>
<td>(102,921)</td>
<td>169,575</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>(354)</td>
<td>3,316</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>12,168</td>
<td>4,849</td>
</tr>
<tr>
<td>Due to Purchase College</td>
<td>5,932</td>
<td>18,599</td>
</tr>
<tr>
<td>Accrued expenses and other liabilities</td>
<td>(18,932)</td>
<td>(24,574)</td>
</tr>
<tr>
<td>Net cash flow from operating activities</td>
<td>(139,493)</td>
<td>(296,538)</td>
</tr>
</tbody>
</table>

| CASH FLOW FROM INVESTING ACTIVITIES: |            |            |
| Proceeds from sale of investments  | 1,927,111  | 8,453,587  |
| Purchase of investments            | (1,553,952)| (7,450,445)|
| Net cash flow from investing activities | 373,159    | 1,003,142  |

| CHANGE IN CASH                     | 233,666    | 706,604    |
| CASH - beginning of year           | 1,098,829  | 392,225    |
| CASH - end of year                 | $1,332,495 | $1,098,829 |

The accompanying notes are an integral part of these statements.
1. **THE ORGANIZATION**

The Friends of the Neuberger Museum of Art, Inc. (the Friends) is a not-for-profit organization whose members promote and support, through fostering of interest, the Neuberger Museum of Art, Purchase College, State University of New York.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation and Use of Estimates**
The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Change in Accounting Principle**
In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the purpose of improving financial reporting by not-for-profit (NFP) entities. ASU 2016-14 changes the presentation and accounting for non-profit organization’s financial statements including:

- Reducing the number of classes of net assets from three to two (net assets with donor restriction and net assets without donor restriction);
- Requiring the presentation of expenses in both natural and functional classifications;
- Eliminating the requirement to disclose the components of investment return as well as reporting investment return net of external and direct internal investment expenses;
- Requiring qualitative and quantitative disclosure regarding an entity’s liquidity and availability of resources; and
- Accounting for underwater endowment funds.

ASU 2016-14 is effective for the Friends' fiscal year ending June 30, 2019 and was applied retrospectively with the exception of the presentation of expenses in both natural and functional classifications and the disclosures regarding liquidity and availability of resources. The effects of this ASU have been included in these financial statements.

**Financial Reporting**
The Friends reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions include operating net assets, which are not subject to donor-imposed stipulations, and are generally available for support of the Friends’ operations.

Net assets with donor restrictions include resources resulting from contributions of assets whose use by the Friends is limited by donor-imposed restrictions that either expire by passage of time or will be fulfilled by future actions of the Friends. They also include resources that must be maintained intact permanently but which permit the Friends to up or expend all of the income derived from the donated assets for operating purposes.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash
The Friends has cash that consist of bank deposits and checking accounts. The Friends considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. The balances in these bank accounts may, at times, exceed federally insured limits.

Contributions and Pledges Receivable
Support is recognized when a donor makes an unconditional promise to give to the Friends. All contributions are considered available for unrestricted use, unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is received. Pledges receivable are collectible over future periods and have been recorded at their net present value.

Allowance for Uncollectible Receivables
An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. At June 30, 2019 and 2018, management concluded that an allowance was not required.

Investments
Investments in publicly traded debt securities, equity securities, money market funds and US agency obligations are stated at fair value. Money market accounts are stated at cost. Purchases and sales of equity securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are reported directly in the accompanying statement of activities and are included in the determination of the change in net assets.

Fair Value of Financial Instruments
U.S. GAAP established a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Friends. Unobservable inputs are inputs that reflect the Friend’s assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Friends have the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

  The Friends’ equity securities and money market funds are primarily valued utilizing Level 1 inputs.

- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

  The Friends’ corporate bonds and United States agency obligations are valued utilizing Level 2 inputs.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Friends has no investments valued using level 3 inputs.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Friends in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Property and Equipment

Purchased property and equipment are stated at cost. Donations of property and equipment are recorded as support at their estimated fair value. Purchased and donated property and equipment with values of less than $300 are expensed in the period acquired. Maintenance costs are expensed when incurred. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the related assets as follows:

- Computer equipment: 5 years
- Furniture and fixtures: 7 years

Collections

The Friends' collection of art is comprised of over 1,400 works of varying types, including painting, sculptures and photographs. The collection is predominantly comprised of American art from the early 1900s to the present day. It also contains significant bodies of constructivist and European modernist works and African art. The collections, maintained for public exhibitions and education rather than for financial gain, are protected, unencumbered and preserved, and are subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

In conformity with U.S. GAAP followed by art museums, the value of the Friends' collections has been excluded from the statement of financial position and gifts of art objects are excluded from revenue in the statement of activities. Purchases of art objects by the Friends are recorded as decreases in net assets in the statement of activities. Proceeds from the sale of art are recorded as increases in net assets with donor restrictions.

Income Taxes

The Friends is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as other than a private foundation. Therefore, no provision for income taxes has been made in these financial statements.

Advertising Costs

The Friends expenses advertising costs as incurred which approximated $48,900 and $73,600 for the years ended June 30, 2019 and 2018, respectively.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exhibition Costs
All costs directly related to the development and installation of ongoing and future exhibitions are presented as other assets in the accompanying statement of financial position when the Friends believes that there is a future economic benefit associated with these costs. The costs are expensed over their useful lives, which, for exhibitions, are generally the period over which the exhibition is held, except that when there is insufficient evidence that the costs are not recoverable, they are expensed immediately.

Allocation of Expenses
The costs of providing various programs and supporting services have been summarized on a functional basis in the combining statement of activities. Accordingly, certain costs have been allocated amongst the programs and supporting services benefited. The expenses with the most significant allocations include certain salaries, fringe benefits, and contributed services. All attempts are made to direct charge expenses before allocations are made.

Indirect salary allocations and contributed services are recorded based on estimates of time spent by employees working on program or administrative tasks. Fringe benefit costs are allocated based on total salaries.

3. LIQUIDITY
The Friends is substantially supported by contributions received from donors and investment earnings. The following reflects the Friends’ financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

<table>
<thead>
<tr>
<th>2019</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets:</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ 1,332,495</td>
</tr>
<tr>
<td>Due from Purchase College Foundation</td>
<td>90,513</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>2,500</td>
</tr>
<tr>
<td>Investments</td>
<td>9,138,650</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>10,564,158</td>
</tr>
<tr>
<td>Less: those unavailable for general expenditures within one year due to:</td>
<td></td>
</tr>
<tr>
<td>Net assets with donor restrictions</td>
<td>(9,876,122)</td>
</tr>
<tr>
<td>Total financial assets available to meet cash needs for general expenditures in one year</td>
<td>$ 688,036</td>
</tr>
</tbody>
</table>

As part of the Friends liquidity management, it has a policy to structure its financial assets to be available as its general expenditures and other obligations come due. The Friends’ ability to meet its cash needs is, in part, dependent on contributions as well as its investment returns. There is a mid-year review of the contributions received and, if the funds received are lower than budgeted, expenses are reduced to align with the revised revenue projections. Should there be a shortage in liquidity, the Friends maintains unrestricted reserves equivalent to 5.5 months of expenditures and it could manage vendor relationships to extend payment terms where possible. They have engaged in fundraising efforts over the years to supplement operating cash flow and build up investment reserves. Should any of the affiliated entities be struggling from a cash flow perspective, they could also request support from Purchase College or another entity to meet the cash needs.
4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table summarizes investments as of June 30:

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>$252,158</td>
<td>$268,214</td>
</tr>
<tr>
<td>United States agency obligations</td>
<td>176,640</td>
<td>100,695</td>
</tr>
<tr>
<td>Common stock</td>
<td>877,652</td>
<td>466,388</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>6,723,051</td>
<td>6,834,048</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>1,109,149</td>
<td>1,538,297</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$9,138,650</strong></td>
<td><strong>$9,207,642</strong></td>
</tr>
</tbody>
</table>

The following are measured at fair value on a recurring basis at June 30:

<table>
<thead>
<tr>
<th>Description</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>$252,158</td>
<td>$</td>
<td>$</td>
<td>$252,158</td>
</tr>
<tr>
<td>United States agency obligations</td>
<td>-</td>
<td>176,640</td>
<td>-</td>
<td>176,640</td>
</tr>
<tr>
<td>Common stock</td>
<td>877,652</td>
<td>-</td>
<td>-</td>
<td>877,652</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>6,723,051</td>
<td>-</td>
<td>-</td>
<td>6,723,051</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-</td>
<td>1,109,149</td>
<td>-</td>
<td>1,109,149</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td><strong>$7,852,861</strong></td>
<td><strong>$1,285,789</strong></td>
<td>$</td>
<td><strong>$9,138,650</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>$268,214</td>
<td>$</td>
<td>$</td>
<td>$268,214</td>
</tr>
<tr>
<td>United States agency obligations</td>
<td>-</td>
<td>100,695</td>
<td>-</td>
<td>100,695</td>
</tr>
<tr>
<td>Common stock</td>
<td>466,388</td>
<td>-</td>
<td>-</td>
<td>466,388</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>6,834,048</td>
<td>-</td>
<td>-</td>
<td>6,834,048</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-</td>
<td>1,538,297</td>
<td>-</td>
<td>1,538,297</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td><strong>$7,568,650</strong></td>
<td><strong>$1,638,992</strong></td>
<td>$</td>
<td><strong>$9,207,642</strong></td>
</tr>
</tbody>
</table>

The Friends recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. There were no transfers between levels during 2019 or 2018. Fair value of the United States agency obligations and corporate bonds are derived using the market approach and relevant market-driven data, which includes using market price quotes corroborated by recently executed transactions observable in the market. In addition, the valuation of bonds is calculated at the present value of the bond’s future interest payments and the bond’s value upon maturity. There were no changes in valuation techniques during 2019 or 2018.
5. **PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of June 30:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and equipment</td>
<td>$103,948</td>
<td>$103,948</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>(103,948)</td>
<td>(98,961)</td>
</tr>
<tr>
<td></td>
<td>$0</td>
<td>$4,987</td>
</tr>
</tbody>
</table>

6. **IN-KIND CONTRIBUTIONS**

The Friends occupies, without charge, certain facilities and has certain accounting and administrative functions performed by employees of entities affiliated with the State University of New York ("SUNY"). The estimated fair value of the services and facilities provided for the years ended June 30, 2019 and 2018 was $154,055 and $277,763, respectively. Related expenses are included in management and general expenses on the statement of activities.

7. **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes at June 30:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational and public programs</td>
<td>$2,474,345</td>
<td>$2,414,379</td>
</tr>
<tr>
<td>Exhibitions/Acquisitions</td>
<td>3,965,761</td>
<td>3,821,769</td>
</tr>
<tr>
<td>General operations</td>
<td>3,421,375</td>
<td>3,395,393</td>
</tr>
<tr>
<td></td>
<td>$9,861,481</td>
<td>$9,631,541</td>
</tr>
</tbody>
</table>

Net assets released from restriction were as follows for the years ended June 30:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational</td>
<td>$143,378</td>
<td>$152,436</td>
</tr>
<tr>
<td>General operations</td>
<td>104,058</td>
<td>118,496</td>
</tr>
<tr>
<td>Exhibitions/Acquisitions</td>
<td>305,098</td>
<td>520,578</td>
</tr>
<tr>
<td></td>
<td>$552,534</td>
<td>$791,510</td>
</tr>
</tbody>
</table>

During the year ended June 30, 2018, endowment funds totaling $240,733 (Writing Through the Arts) were transferred to Purchase College Foundation. This transfer was approved by the original donor as well as the Board of Directors in order to spend these funds according to the donor’s original intent in future years.
8. ROY R. NEUBERGER BEQUEST

In 2010, per the Last Will and Testament of Mr. Roy R. Neuberger and the Roy R. Neuberger 2008 Revocable Trust agreement, the Friends received contributions of $2,000,000 and Mr. Neuberger's collection of art, which is composed of American art of significance including works by Milton Avery, Marsden Hartley, Arthur Dove and Alexander Calder.

Per stipulations of the trust, the $2,000,000 must be kept in a separate account and it and all income generated is to be used by the Friends solely for financing acquisitions of works of art and publications, exhibitions and public programs held at the Neuberger Museum. If the Friends changes its purpose or dissolves, all works of art bequeathed to the Friends or acquired using bequeathed monies along with any remaining bequeathed monies shall be turned over to SUNY for the above specified use.

9. RELATED PARTY TRANSACTIONS

Services Provided

Certain members of the board of directors are employed by companies that provide services for the Friends. Services provided for the years ended June 30, 2019 and 2018 are investment management fees of $8,461 and $9,455, respectively.

10. ENDOWMENT FUNDS

The Friends maintains various donor-restricted funds whose purpose is to provide long term support for its programs. In classifying such funds for financial statement purposes as either net assets without donor restrictions or net assets with donor restrictions, the Board of Trustees looks to the explicit directions of the donor where applicable and the provisions of the Uniform Prudent Management of Institutional Funds Act which in New York is called the New York Prudent Management of Institutional Funds Act (NYPMIFA).

The Friends’ current spending policy is to distribute 5% annually of the trailing five-year average (by quarter commencing fiscal year June 30, 2012) of the Endowment’s total fiscal year-end asset value. It is further understood that spending is strictly limited to market appreciation on the original funds contributed to the endowment. In the event that an endowment account's market value is below the value of the original amount contributed to the endowment, spending will cease on that account until such time when the account has recovered its original value through market appreciation.

The objective of the Endowment fund is to seek an average real return of 5%, or CPI plus 5%. It is expected that professional management and sufficient portfolio diversification will smooth volatility and help assure a consistency of return. The portfolio is managed on a total return basis. Total return is taken into consideration when evaluating funds versus benchmark universities and evaluating managers to peer universities.

These results are measured over a one, three, and five year time period. The general asset allocation policy is to diversify investments among both equity and fixed income securities so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category.
10. ENDOWMENT FUNDS (Continued)

Interpretation of Relevant Law
The Board of Trustees of the Friends has interpreted 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. As a result of this interpretation, the Friends classified as restricted net assets the original value of the gifts donated to the endowment and the original value of subsequent gifts to the endowment to be held in perpetuity. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Friends in a manner consistent with the standard of prudence prescribed by NYPMIFA. The following is a reconciliation of the investment activity in the donor restricted endowment funds:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, June 30, 2017</td>
<td>$6,643,287</td>
<td>$6,605,717</td>
</tr>
<tr>
<td>Endowment transfer to PCF</td>
<td>(240,733)</td>
<td></td>
</tr>
<tr>
<td>Appropriations for expenditures</td>
<td>(287,224)</td>
<td>(298,311)</td>
</tr>
<tr>
<td>Investment income, net</td>
<td>490,387</td>
<td>309,475</td>
</tr>
<tr>
<td>Balance, June 30, 2018</td>
<td>$6,616,881</td>
<td></td>
</tr>
</tbody>
</table>

11. SPECIAL EVENTS

Details of fund raising events are as follows for the year ended June 30:

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special event revenue</td>
<td>$240,449</td>
<td>$362,490</td>
</tr>
<tr>
<td>Costs of direct benefits to donors</td>
<td>(40,831)</td>
<td>(56,453)</td>
</tr>
<tr>
<td></td>
<td>$199,618</td>
<td>$306,037</td>
</tr>
</tbody>
</table>

12. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Friends to a concentration of credit risk consist principally of cash deposits which from time to time are in excess of insured limits, and receivables. Receivables are expected to be collected in the normal course of business.

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 11, 2019, which is the date the financial statements were available to be issued.
<table>
<thead>
<tr>
<th></th>
<th>Educational</th>
<th>Membership</th>
<th>Exhibitions</th>
<th>Communications</th>
<th>Total Program Services</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Total Supporting Services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration fees and dues</td>
<td>$ 70</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 70</td>
<td>$ 141,426</td>
<td>$ -</td>
<td>$ 141,426</td>
<td>$ 141,496</td>
</tr>
<tr>
<td>Auctions and other events</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>36</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>Catalogue</td>
<td>-</td>
<td>-</td>
<td>10,590</td>
<td>-</td>
<td>10,590</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10,590</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,987</td>
<td>-</td>
<td>4,987</td>
<td>4,987</td>
</tr>
<tr>
<td>Equipment and maintenance</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,656</td>
<td>-</td>
<td>2,656</td>
<td>2,656</td>
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<tr>
<td>Grant</td>
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<td>-</td>
<td>1,200</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,200</td>
</tr>
<tr>
<td>Honoriaums, internships, and</td>
<td>-</td>
<td>-</td>
<td>20,776</td>
<td>-</td>
<td>20,776</td>
<td>-</td>
<td>-</td>
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<td>20,776</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>637</td>
<td>-</td>
<td>637</td>
<td>637</td>
</tr>
<tr>
<td>Installation materials</td>
<td>-</td>
<td>-</td>
<td>63,420</td>
<td>-</td>
<td>63,420</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>63,420</td>
</tr>
<tr>
<td>Insurance</td>
<td>-</td>
<td>-</td>
<td>16,499</td>
<td>-</td>
<td>16,499</td>
<td>13,535</td>
<td>-</td>
<td>13,535</td>
<td>30,034</td>
</tr>
<tr>
<td>Lecture, symposium, and</td>
<td>28,692</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>28,692</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>28,692</td>
</tr>
<tr>
<td>conferences</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>637</td>
<td>637</td>
<td>637</td>
<td>637</td>
</tr>
<tr>
<td>Loan fees, art exhibitions</td>
<td>-</td>
<td>-</td>
<td>48,120</td>
<td>-</td>
<td>48,120</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>48,120</td>
</tr>
<tr>
<td>Marketing</td>
<td>-</td>
<td>-</td>
<td>39,472</td>
<td>-</td>
<td>39,472</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>39,472</td>
</tr>
<tr>
<td>Member benefits</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>637</td>
<td>-</td>
<td>637</td>
<td>637</td>
</tr>
<tr>
<td>Museum tours</td>
<td>14,003</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>14,003</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>14,003</td>
</tr>
<tr>
<td>Newsletter and journals</td>
<td>-</td>
<td>-</td>
<td>1,594</td>
<td>-</td>
<td>1,594</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,594</td>
</tr>
<tr>
<td>Occupancy</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,534</td>
<td>-</td>
<td>2,534</td>
<td>2,534</td>
</tr>
<tr>
<td>Performances, lectures, and</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>603</td>
<td>6,227</td>
<td>6,227</td>
<td>12,258</td>
</tr>
<tr>
<td>family events</td>
<td>4,807</td>
<td>27,738</td>
<td>-</td>
<td>-</td>
<td>32,545</td>
<td>-</td>
<td>67,376</td>
<td>67,376</td>
<td>99,921</td>
</tr>
<tr>
<td>Office supplies and postage</td>
<td>677</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>677</td>
<td>3,402</td>
<td>-</td>
<td>3,402</td>
<td>4,079</td>
</tr>
<tr>
<td>Professional and membership</td>
<td>-</td>
<td>6,031</td>
<td>-</td>
<td>-</td>
<td>6,031</td>
<td>-</td>
<td>6,227</td>
<td>6,227</td>
<td>12,258</td>
</tr>
<tr>
<td>development</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>775</td>
<td>-</td>
<td>775</td>
<td>28,120</td>
</tr>
<tr>
<td>Professional fees</td>
<td>-</td>
<td>-</td>
<td>27,345</td>
<td>-</td>
<td>27,345</td>
<td>-</td>
<td>775</td>
<td>-</td>
<td>28,120</td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>47,440</td>
<td>178,884</td>
<td>125,935</td>
<td>-</td>
<td>352,259</td>
<td>151,521</td>
<td>-</td>
<td>151,521</td>
<td>503,780</td>
</tr>
<tr>
<td>Security</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>837</td>
<td>-</td>
<td>837</td>
<td>-</td>
<td>837</td>
</tr>
<tr>
<td>Shipping and carting</td>
<td>-</td>
<td>-</td>
<td>77,859</td>
<td>-</td>
<td>77,859</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>77,859</td>
</tr>
<tr>
<td>Signage</td>
<td>-</td>
<td>-</td>
<td>8,569</td>
<td>2,768</td>
<td>11,337</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11,337</td>
</tr>
<tr>
<td>Student events</td>
<td>3,963</td>
<td>-</td>
<td>-</td>
<td>3,963</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,963</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>5,768</td>
<td>-</td>
<td>14,158</td>
<td>-</td>
<td>19,926</td>
<td>-</td>
<td>115</td>
<td>115</td>
<td>20,041</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>105,420</strong></td>
<td><strong>212,653</strong></td>
<td><strong>414,471</strong></td>
<td><strong>43,834</strong></td>
<td><strong>776,378</strong></td>
<td><strong>321,673</strong></td>
<td><strong>74,391</strong></td>
<td><strong>396,064</strong></td>
<td><strong>1,172,442</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these schedules.
<table>
<thead>
<tr>
<th>Program Services</th>
<th>Supporting Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational</td>
<td>Management and General</td>
</tr>
<tr>
<td>Membership</td>
<td>Fundraising</td>
</tr>
<tr>
<td>Expositions</td>
<td>Total Supporting Services</td>
</tr>
<tr>
<td>Communications</td>
<td>Total</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Activity</th>
<th>Program Services</th>
<th>Supporting Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration fees and dues</td>
<td>$ - $</td>
<td>$ 148,920 $</td>
</tr>
<tr>
<td>Auctions and other events</td>
<td>-</td>
<td>48,870 $</td>
</tr>
<tr>
<td>Catalogue</td>
<td>-</td>
<td>48,870 $</td>
</tr>
<tr>
<td>Conservation</td>
<td>-</td>
<td>48,870 $</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>48,870 $</td>
</tr>
<tr>
<td>Equipment and maintenance</td>
<td>-</td>
<td>5,626 $</td>
</tr>
<tr>
<td>Grant</td>
<td>-</td>
<td>5,626 $</td>
</tr>
<tr>
<td>Honarirums, internships, and</td>
<td>-</td>
<td>5,626 $</td>
</tr>
<tr>
<td>scholarships</td>
<td>-</td>
<td>5,626 $</td>
</tr>
<tr>
<td>Installation materials</td>
<td>-</td>
<td>5,626 $</td>
</tr>
<tr>
<td>Insurance</td>
<td>-</td>
<td>5,626 $</td>
</tr>
<tr>
<td>Lecture, symposium, and</td>
<td>10,904</td>
<td>5,626 $</td>
</tr>
<tr>
<td>conferences</td>
<td>-</td>
<td>5,626 $</td>
</tr>
<tr>
<td>Loan fees, art exhibitions</td>
<td>-</td>
<td>5,626 $</td>
</tr>
<tr>
<td>Marketing</td>
<td>-</td>
<td>5,626 $</td>
</tr>
<tr>
<td>Member benefits</td>
<td>-</td>
<td>5,626 $</td>
</tr>
<tr>
<td>Museum touring</td>
<td>20,452</td>
<td>5,626 $</td>
</tr>
<tr>
<td>Newsletter and journals</td>
<td>-</td>
<td>5,626 $</td>
</tr>
<tr>
<td>Occupancy</td>
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<tr>
<td>development</td>
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<tr>
<td>Security</td>
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<td>Shipping and carting</td>
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<tr>
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The accompanying notes are an integral part of these schedules.