

The Statue of Liberty - Ellis Island Foundation, Inc.

Financial Report
March 31, 2019

Contents

Independent auditor's report	1-2
Financial statements	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7-18

Independent Auditor's Report

To the Board of Directors
The Statue of Liberty - Ellis Island Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Statue of Liberty - Ellis Island Foundation, Inc., which comprise the statement of financial position as of March 31, 2019, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Statue of Liberty - Ellis Island Foundation, Inc. as of March 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Statue of Liberty - Ellis Island Foundation, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 4, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 2, The Statue of Liberty - Ellis Island Foundation, Inc. adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended March 31, 2019. The adoption of the standard resulted in additional disclosures and changes to the classification of net assets and disclosures relating to net assets. The adoption was retrospectively applied to March 31, 2018; the earliest year presented. Our opinion is not modified with respect to this matter.

RSM US LLP

New York, New York
February 7, 2020

The Statue of Liberty - Ellis Island Foundation, Inc.

Statement of Financial Position

March 31, 2019

(With Summarized Comparative Information as of March 31, 2018)

	2019	2018
Assets		
Cash	\$ 2,274,030	\$ 36,903,331
Investments	47,241,114	57,649,795
Contributions and bequest receivable – net	12,101,734	16,178,550
Other assets	919,587	735,625
Property and equipment – net	1,454,437	303,440
Total assets	\$ 63,990,902	\$ 111,770,741
Liabilities and Net Assets		
Liabilities:		
Accounts payable, accrued expenses and other	\$ 4,415,822	\$ 5,102,188
Loan payable	-	25,000,000
Total liabilities	4,415,822	30,102,188
Commitments and contingency		
Net assets:		
Without donor restrictions:		
Undesignated	2,139,841	73,555
Peopling of America maintenance and operations fund	1,943,447	2,107,371
Audio tour	2,022,445	-
Board-designated endowment fund	38,653,322	41,049,906
Total net assets without donor restrictions	44,759,055	43,230,832
With donor restrictions:		
National Park Service – Distance Learning Center	-	51,162
Statue of Liberty Safety Improvements	-	640,114
The Statue of Liberty Museum	14,816,025	37,746,445
Total net assets with donor restrictions	14,816,025	38,437,721
Total net assets	59,575,080	81,668,553
Total liabilities and net assets	\$ 63,990,902	\$ 111,770,741

See notes to financial statements.

The Statue of Liberty - Ellis Island Foundation, Inc.

Statement of Activities

Year Ended March 31, 2019

(With Summarized Comparative Information for the Year Ended March 31, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Summarized Comparative Information
Operating revenue, gain and other support:				
Contributions	\$ 2,428,739	\$ 13,989,081	\$ 16,417,820	\$ 16,777,294
Bequests	272,050	-	272,050	15,252
American Family Immigration History Center sales				
Including product sales	993,206	-	993,206	981,902
Audio tours	14,644,016	-	14,644,016	14,760,148
Miscellaneous income	14,696	-	14,696	1,921
Net assets released due to satisfaction of purpose and/or time restrictions	37,610,777	(37,610,777)	-	-
Net assets appropriated to operations from board-designated endowment fund	1,852,826	-	1,852,826	1,900,000
Total operating revenue, gain and other support	57,816,310	(23,621,696)	34,194,614	34,436,517
Expenses:				
Program services:				
American Family Immigration History Center	524,207	-	524,207	2,076,802
Audio tour	6,894,849	-	6,894,849	7,135,695
Public awareness and education	133,983	-	133,983	378,631
The Peopling of America Center Project	140,194	-	140,194	184,164
Becoming American	180,000	-	180,000	-
The Statue of Liberty Museum	41,169,701	-	41,169,701	28,783,562
Total program services	49,042,934	-	49,042,934	38,558,854
Supporting services:				
Management and general	1,659,895	-	1,659,895	960,809
Fundraising	3,353,805	-	3,353,805	1,693,875
Total supporting services	5,013,700	-	5,013,700	2,654,684
Total operating expenses	54,056,634	-	54,056,634	41,213,538
Results of operations	3,759,676	(23,621,696)	(19,862,020)	(6,777,021)
Nonoperating activities:				
Net investment (loss) return	(378,627)	-	(378,627)	4,428,928
Net assets appropriated to operations from board-designated endowment fund	(1,852,826)	-	(1,852,826)	(1,900,000)
Total nonoperating activities	(2,231,453)	-	(2,231,453)	2,528,928
Change in net assets	1,528,223	(23,621,696)	(22,093,473)	(4,248,093)
Net assets:				
Beginning	43,230,832	38,437,721	81,668,553	85,916,646
Ending	\$ 44,759,055	\$ 14,816,025	\$ 59,575,080	\$ 81,668,553

See notes to financial statements.

The Statue of Liberty - Ellis Island Foundation, Inc.

Statement of Functional Expenses

Year Ended March 31, 2019

(With Summarized Comparative Information for the Year Ended March 31, 2018)

	2019											2018 Summarized Comparative Information Total
	Program Services							Supporting Services				
	American Family Immigration History Center	Audio Tour	Public Awareness and Education	The Peopling of America Center Project	Becoming American	The Statue of Liberty Museum	Total Program Services	Management and General	Fundraising	Total Supporting Services	2019 Total	
Personnel costs	\$ 358,512	\$ -	\$ 29,081	\$ 75,357	\$ -	\$ 739,176	\$ 1,202,126	\$ 351,229	\$ 1,479,561	\$ 1,830,790	\$ 3,032,916	\$ 2,833,121
Design and construction costs	-	-	-	-	180,000	39,287,767	39,467,767	-	-	-	39,467,767	27,442,660
Professional fees	95	-	41,258	-	-	207,437	248,790	505,855	1,261,079	1,766,934	2,015,724	1,204,942
Audio tour contractors	-	6,893,701	-	-	-	-	6,893,701	-	-	-	6,893,701	7,133,147
Communications	61,518	-	3,144	1,564	-	15,877	82,103	19,983	483,201	503,184	585,287	385,987
Occupancy	-	-	36,134	18,067	-	18,067	72,268	234,874	72,269	307,143	379,411	439,531
Supplies	14,294	-	13,720	1,462	-	1,462	30,938	19,011	18,658	37,669	68,607	47,491
Equipment	137	-	-	35,309	-	348,406	383,852	63,238	-	63,238	447,090	81,935
Travel and subsistence	2,884	-	55	-	-	4,775	7,714	18,129	14,024	32,153	39,867	38,423
Depreciation	86,457	1,148	10,591	8,435	-	5,296	111,927	68,844	21,183	90,027	201,954	223,213
Cost of goods sold	-	-	-	-	-	-	-	142,534	-	142,534	142,534	176,672
Other	310	-	-	-	-	541,438	541,748	236,198	3,830	240,028	781,776	1,206,416
Total 2019 expenses	\$ 524,207	\$ 6,894,849	\$ 133,983	\$ 140,194	\$ 180,000	\$ 41,169,701	\$ 49,042,934	\$ 1,659,895	\$ 3,353,805	\$ 5,013,700	\$ 54,056,634	
Total 2018 expenses	\$ 2,076,802	\$ 7,135,695	\$ 378,631	\$ 184,164	\$ -	\$ 28,783,562	\$ 38,558,854	\$ 1,044,374	\$ 1,693,875	\$ 2,738,249		\$ 41,213,538

See notes to financial statements.

The Statue of Liberty - Ellis Island Foundation, Inc.

Statement of Cash Flows

Year Ended March 31, 2019

(With Summarized Comparative Information for the Year Ended March 31, 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (22,093,473)	\$ (4,248,093)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized loss (gain) on investments	1,640,457	(3,065,389)
Depreciation	201,954	223,213
Changes in operating assets and liabilities:		
Decrease in contributions and bequest receivable	4,076,816	958,056
Increase in other assets	(183,962)	(23,529)
(Decrease) increase in accounts payable, accrued expenses and other	(686,366)	2,540,556
Net cash used in operating activities	(17,044,574)	(3,615,186)
Cash flows from investing activities:		
Purchase of property and equipment	(1,352,951)	(16,619)
Proceeds from sales of investments	25,888,517	14,193,956
Purchases of investments	(17,120,293)	(20,766,870)
Net cash provided by (used in) investing activities	7,415,273	(6,589,533)
Cash flows from financing activities:		
Loan payments	(25,000,000)	-
Net cash used in financing activities	(25,000,000)	-
Net change in cash	(34,629,301)	(10,204,719)
Cash:		
Beginning	36,903,331	47,108,050
Ending	\$ 2,274,030	\$ 36,903,331
Supplemental disclosure of cash flow information:		
Cash paid for interest expense	\$ 484,066	\$ 930,243

See notes to financial statements.

The Statue of Liberty - Ellis Island Foundation, Inc.

Notes to Financial Statements

Note 1. Organization

The Statue of Liberty - Ellis Island Foundation, Inc. (the Foundation) is a not-for-profit organization incorporated under the laws of the State of Delaware.

The Foundation was established in 1982 to raise all the funds for, and oversee the historic restorations of, the Statue of Liberty and Ellis Island, working in cooperation with its public partner, the National Park Service, U.S. Department of the Interior. The National Park Service operates both the Statue of Liberty and Ellis Island. For the Statue of Liberty's centennial in 1986, the Foundation staged Liberty Weekend July 3-July 6. Six million people attended in New York and 2.5 billion people saw some of all of the celebration in 51 countries around the world. The same year, the Foundation then funded and managed the largest historic restoration in U.S. history at Ellis Island with the development of the Ellis Island Immigration Museum, which opened in September 1990 and has received over 60 million visitors. To date, the Foundation has saved and restored a total of five major buildings on Ellis Island.

The Foundation opened the American Family Immigration History Center® (the AFIHC) and its website at www.libertyellisfoundation.org in April 2001. The AFIHC and the website provides free access to the arrival information on the 51 million people who entered through the Port of New York between 1810-1957, and offers reproductions of over 3.5 million ship passengers' manifest pages as well as images of over 900 ships of passage.

In 2015, the Foundation completed the Peopling of America® Center (the Center) in the Ellis Island Immigration Museum. The Center expands upon the story of the Ellis Island Years (1892-1954) by including the story of those who arrived before Ellis Island and those who have come since 1954, becoming citizens and altering the demographic landscape of America. The Center follows the arc of the American experience: from immigration, to assimilation, to citizenship, played out in every generation, past, present and future. With the completion of the Center, the Ellis Island Immigration Museum was renamed Ellis Island: The National Museum of Immigration, becoming the country's official museum chronicling all immigration from the colonial era to today.

The Foundation operates a self-guided audio tour program for the Statue of Liberty and Ellis Island available in twelve languages which includes accessibility tours. Audio tour revenues are dedicated to be used for new Statue of Liberty Museum (the Museum) and other projects authorized by the National Park Service and the Foundation's board of directors.

The National Park Service asked the Foundation to undertake the building of a new, LEED certified, freestanding museum on Liberty Island. The construction of the Museum began in 2016 and allows for universal access, giving all visitors a more meaningful experience and deeper understanding of Lady Liberty's history and what she stands for. Before the opening of the Museum, fewer than 20% of visitors could access the monument due to life-safety precautions and upgrades. Upon the completion of the Museum, all visitors are able to explore the Museum at will – without the need for additional advanced reservations or tickets. In addition, it created a beautiful and new destination on Liberty Island, by providing an additional venue which greatly enhanced the overall visitor experience. The Museum opened on May 16, 2019.

Note 2. Summary of Significant Accounting Policies

Basis of accounting and financial statement presentation: The accompanying financial statements have been prepared on the accrual basis of accounting. The Foundation reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

The Statue of Liberty - Ellis Island Foundation, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Investments: Investments are reported at fair value. Investment returns include realized and unrealized gains and losses resulting from the change in the market value of investments, and interest and dividend income. Purchases and sales of securities are recorded on a trade-date basis.

Fair value measurements: Assets and liabilities reported at fair value are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Level inputs are defined as follows:

Level 1: Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange or Nasdaq Global Market.

Level 2: Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.

Level 3: Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The Foundation assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with its accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. There were no significant transfers among Levels 1, 2 and 3 during fiscal years 2019 and 2018.

Concentration of credit and market risks: The Foundation's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash. The Foundation maintains cash in bank accounts with creditworthy, high-quality financial institutions. The balances in these accounts at times may exceed federally insured limits. At March 31, 2019, all of the Foundation's cash in bank accounts is held by one financial institution. The Foundation has not experienced any losses in such accounts.

Market risk represents the potential loss that can be caused by a change in the market value of the financial instrument. The Foundation's exposure to market risk is determined by a number of factors, including interest rates and market volatility. The Foundation attempts to minimize exposure to such risks by diversifying its portfolio and engaging an investment consultant to perform due diligence services and ongoing evaluation of investment and fund managers. In addition, the Foundation has an investment committee of the board of directors that oversees its investment portfolio.

The Statue of Liberty - Ellis Island Foundation, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Contributions and bequest receivable: Unconditional promises to give are recorded as contributions receivable when the promise is made and documented. Contributions receivable due within one year are recorded at their net realizable value. Contributions receivable due in more than one year are recorded at the present value of their net realizable value, using applicable risk-adjusted interest rates at the time the promise is received.

Contributions of assets other than cash are recorded at their estimated fair value on the date of donation.

Contributions and unconditional promises to give are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. There is no time restriction on contributions received for the construction of the Museum and other projects if donors intend the funds to support activities related to these projects.

The Foundation received contributions from seven major donors in 2019, which amounted to approximately 61% of total contributions revenue for the year. The receivables from eight donors accounted for 80% of total contributions and bequest receivable as of March 31, 2019. The Foundation received contributions from five major donors in 2018, which amounted to approximately 59% of total contributions revenue for the year. The receivables from six donors accounted for 58% of total contributions and bequest receivable as of March 31, 2018.

The Foundation is a beneficiary under various wills and trust agreements. The Foundation's share of such bequests is recorded when the probate courts declare the testamentary instrument valid and the proceeds are measurable.

Unpaid volunteers have made contributions of their time to assist with the AFIHC and other Foundation programs. The value of this contributed time is not reflected in these financial statements since the services provided neither require specialized skills nor would have been typically purchased.

Revenue from AFIHC sales including product sales: Revenue generated from the admission fees and sale of immigration documents and related memorabilia is recognized at the time of sale and is reflected in the statement of activities net of related discounts. Cost of goods sold is included in AFIHC program service expenses.

Revenue from audio tours: The Foundation has sub-contract agreements for the operation of the audio tours. Revenue generated from audio tours is recognized at the time of sale and is reflected in the statement of activities, net of related discounts and refunds. Expenses associated with audio tours are reported as program service expenses in the statement of activities.

Peopling of America Center maintenance and operations fund: Under an agreement with the National Park Service for the building of the Center, the Foundation had agreed to set aside funds of \$2,000,000 during the year ended March 31, 2016, to support its maintenance and operation. These funds are invested together with the board-designated endowment fund and are allocated a proportional share of income, gains and losses. Expenses associated with the Center's maintenance and operations are reported as program service expenses in the statement of activities.

The Statue of Liberty - Ellis Island Foundation, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Office property and equipment: Property and equipment acquired in excess of \$5,000 with an estimated useful life of more than one year is capitalized and recorded at cost at the date of acquisition or fair value at the date of donation. Depreciation of property and equipment is provided for by the straight-line method over the estimated useful lives of the related assets. Amortization of leasehold improvements is provided for by the straight-line method over the remaining term of the lease.

The restrictions on contributed property and equipment that are absent of donor stipulations specifying how long such donated assets must be used, are deemed expired when the assets are placed in service.

Liberty and Ellis Islands are owned by the U.S. government. Accordingly, all costs incurred by the Foundation for the restoration, preservation and expansion of these properties in furtherance of its exempt function are recognized as expenses in the period incurred. The accounts payable to one contractor of the Museum project accounted for 49% and 66% of total accounts payable, accrued expenses and other as of March 31, 2019 and 2018, respectively.

Prior-year summarized comparative information: The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended March 31, 2018, from which the summarized information was derived. Certain amounts reported in the prior year financial statements have been reclassified to conform to current year's presentation.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes: The Internal Revenue Service has determined that the Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation is not classified as a private foundation, and is subject to unrelated business income tax (UBIT), if applicable. For the years ended March 31, 2019 and 2018, UBIT expenses were approximately \$21,000 and \$0, respectively.

Management evaluated the tax positions for the Foundation and concluded that the Foundation had taken no uncertain income tax positions that require adjustment or disclosure in the accompanying financial statements.

Recently adopted accounting pronouncement: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Foundation has adopted this ASU in the year ended March 31, 2019. The impact to the financial statements include a change in the net asset classification from unrestricted, temporarily restricted, and permanently restricted to with donor restrictions and without donor restrictions, reporting of investment expenses as net investment return (loss), additional disclosure on liquidity analysis (see Note 3) and an expanded disclosure on the functional expense allocation (see Note 13.)

The Statue of Liberty - Ellis Island Foundation, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Recently issued accounting pronouncements: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU provides a robust framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance, including industry-specific guidance, in current U.S. GAAP. The ASU is effective for fiscal years beginning after December 15, 2018. The Foundation is currently evaluating the impact of the adoption of the new standard on its financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This ASU updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments and applies to all entities that hold financial assets or owe financial liabilities. Among other provisions, it significantly changes the accounting for equity securities and for liabilities accounted for under a fair value option. The ASU is effective for fiscal years beginning after December 15, 2018. The Foundation is currently evaluating the impact of the adoption of the new standard on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Foundation is currently evaluating the impact of the adoption of the new standard on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance presented in Topic 958, Not-for-Profit Entities, of the FASB's Accounting Standards Codification (ASC) for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU is effective for resource recipients in annual periods beginning after June 15, 2019. The Foundation is currently evaluating the impact of adoption of the new standard on the financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU modifies the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, based on the concepts in the Concepts Statement, *Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements (Concepts Statement)*, including the consideration of costs and benefits. The Concepts Statement was finalized by the FASB on August 28, 2018. The ASU is effective for all entities for fiscal years and interim periods within those fiscal years beginning after December 15, 2019. Early adoption is permitted. The Foundation is currently evaluating the impact of the adoption of the new standard on its financial statements.

The Statue of Liberty - Ellis Island Foundation, Inc.

Notes to Financial Statements

Note 3. Liquidity and Availability of Resources

The following represents the Foundation's available financial assets as of March 31, 2019 to meet general expenditures over the next 12 months.

Financial assets at March 31, 2019	
Cash	\$ 2,274,030
Investments	47,241,114
Contributions and bequest receivable, net	12,101,734
Total financial assets at March 31, 2019	<u>61,616,878</u>
Less those unavailable for general expenditures within one year:	
Contributions receivable restricted by donors	12,001,734
Investments held for long-term purpose	38,311,769
Total financial assets unavailable within one year	<u>50,313,503</u>
Financial assets available to meet cash needs	
for general expenditures within one year at March 31, 2019	<u><u>\$ 11,303,375</u></u>

The Foundation has a liquidation policy to structure its financial assets to be available as project expenditures, liabilities, and other obligations come due. The Foundation invests cash in excess of daily requirements in short-term investments such as money market accounts. To help manage unanticipated liquidity needs, the Foundation has committed a line of credit in the amount of \$10,000,000 with JPMorgan Chase bank in May 2019 that expires on May 3, 2020, which it could draw upon, however it has not been used. Additionally, the Foundation has a Board-Designated endowment portfolio of approximately \$38,600,000 and the fund held for Peopling of America maintenance and operations of approximately \$1,400,000. The Foundation does not intend to spend from its endowment other than amounts appropriated for general operations as part of its annual budget approval and appropriation process for specific net asset funds. Amounts from its endowment could be made available if necessary. Contributions and unconditional promises to give are considered to be available for unrestricted use unless specifically restricted by the donor per pledge documents or other documentation with the donor.

Note 4. Board-Designated Endowment Fund

Pursuant to a resolution of the Foundation's board of directors, an endowment fund was designated in the amount of approximately \$20,000,000 for establishment during the fiscal years ended March 31, 1990 through March 31, 1993, by varying minimum annual allocations of Foundation assets. Earnings of the board-designated endowment fund help provide for the continued upkeep and enhancements of the visitor experience at Liberty and Ellis Islands.

The endowment's objective is to provide an annual earnings cash flow to assist in covering the costs of items related to improving or maintaining the visitors' experience at Liberty and Ellis Islands. The overall philosophy concerning the investment of the endowment's assets is to achieve investment returns sufficient to support a spending rate of 4.0% to 6.5% of the three-year trailing average value of the endowment fund while seeking to preserve principal, both in absolute terms and real terms (adjusted for inflation). Annual maximum distributions of all or some of current and accumulated earnings to the unrestricted general fund are authorized through a board resolution. Actual distributions in any given year may vary based on expenditure levels. The actual spending rate for fiscal years 2019 and 2018 was 5%.

Though the earnings of the endowment are needed to meet short-term spending needs, for which a limited amount of liquidity is maintained, the endowment itself is long-term in nature. As such, the endowment's assets are allocated to a diversified portfolio as disclosed in Note 5.

The Statue of Liberty - Ellis Island Foundation, Inc.

Notes to Financial Statements

Note 4. Board-Designated Endowment Fund (Continued)

The activity of the board-designated endowment fund for the years ended March 31, 2019 and 2018, are as follows:

	2019	2018
Balance, beginning	\$ 41,049,906	\$ 38,929,003
Net investment return	(543,758)	4,020,903
Appropriated to operations from board-designated endowment fund	(1,852,826)	(1,900,000)
Net change	(2,396,584)	2,120,903
Balance, ending	<u>\$ 38,653,322</u>	<u>\$ 41,049,906</u>

Note 5. Investments and Fair Value Measurements

Investments, measured at fair value on a recurring basis, consist of the following at March 31,:

	2019	2018
Cash and money market funds	\$ 7,249,000	\$ 15,082,032
Mutual funds:		
Equity	4,755,119	10,134,863
Fixed income	6,090,000	7,184,952
International equities	3,888,433	4,378,225
Emerging markets	2,490,155	2,734,376
Total investments in fair value hierarchy	<u>24,472,707</u>	<u>39,514,448</u>
Investments measured at net asset value	<u>22,768,407</u>	<u>18,135,347</u>
Total investments	<u>\$ 47,241,114</u>	<u>\$ 57,649,795</u>

Investment balance as of March 31, 2019 and 2018 is held for the following purposes:

	2019	2018
Board-designated endowment fund *	\$ 38,557,668	\$ 41,096,036
Peopling of America maintenance and operations fund	1,434,446	1,472,526
Audio tour fund	-	6,185
The Statue of Liberty Museum	7,249,000	15,075,048
Total investments	<u>47,241,114</u>	<u>57,649,795</u>

* As of March 31, 2019, the remaining balance of the Board-designated endowment fund in Note 4 of \$95,654 was included in the cash balance. As of March 31, 2018, the investment fund held for the Board-designated endowment fund had a temporary excess of the fund in the amount of \$46,130.

Below are the valuation techniques used by the Foundation to measure different financial instruments at fair value and the level within the fair value hierarchy in which the financial instrument is categorized.

The Statue of Liberty - Ellis Island Foundation, Inc.

Notes to Financial Statements

Note 5. Investments and Fair Value Measurements (Continued)

Investments in mutual funds, exchange-traded funds or other securities traded on a national securities exchange are stated at the last reported sales or evaluation price on the day of valuation. These financial instruments are classified as Level 1 in the fair value hierarchy.

Investments in commingled investment funds are valued at fair value based on the applicable percentage ownership of the investment funds' net assets as of the measurement date, as reported to the Foundation by the investment fund. In determining the fair value, the Foundation utilizes, as a practical expedient, the net asset value (NAV) or equivalent provided by the fund managers (NAV of funds). The majority of investment funds value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment funds, which may include private placements and other securities for which prices are not readily available, are determined by the management, general partner or sponsor of the respective investment funds and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of the Foundation's investments in commingled investment funds generally represents the amount the Foundation would expect to receive if it were to liquidate its investment in the commingled investment fund, excluding any redemption charges that may apply.

The financial statements of the commingled investment funds are audited annually by independent auditing firms.

The table below summarizes the investment strategy and liquidity positions of commingled investment funds at March 31, 2019 and 2018. The Foundation has no unfunded commitments in these commingled investment funds as of March 31, 2019.

Investment Objective	Fair Value		Redemption Frequency (if Currently Eligible)	Redemption Notice Period
	2019	2018		
Domestic equities	\$ 4,692,749	\$ 5,070,690	Monthly	30 days
International equities	7,360,360	3,259,945	Monthly	5 days
Fixed income	4,632,984	4,755,195	Monthly	10 days
Long/short equities	3,038,270	3,047,251	Annually	75-95 days
Emerging markets	1,002,187	-	Monthly	10 days
Multi-strategy ^(a)	2,041,857	2,002,266	Annually	95 days
	<u>\$ 22,768,407</u>	<u>\$ 18,135,347</u>		

- (a) The fund manager of the Foundation's investments in multi-strategy funds employs a variety of techniques, including investments in long/short equities, distressed equity and fixed income and multi-strategy designed to generate annualized returns equal to or greater than the HFRI Fund of Funds Index.

The Statue of Liberty - Ellis Island Foundation, Inc.

Notes to Financial Statements

Note 6. Contributions and Bequest Receivable

All contributions and bequest receivable have been recorded in these financial statements at their estimated realized value. Those receivables that are payable over more than one year have been discounted to their present value using rates ranging from 1.70% to 3.64%. Unconditional contributions and bequest receivable are due as follows at March 31:

	2019	2018
In less than one year	\$ 7,943,154	\$ 8,467,770
In more than one year and less than five years	4,300,000	7,980,833
	12,243,154	16,448,603
Less unamortized discount on contributions and bequest receivable	(141,420)	(270,053)
	<u>\$ 12,101,734</u>	<u>\$ 16,178,550</u>

In addition to the contributions receivable noted above, certain donors provided conditional contributions or have confirmed their intentions to recommend approximate annual contributions over the next fiscal year in the total amount of \$3,500,000. These anticipated contributions have not been recognized in the accompanying financial statements as they do not meet the criteria for recognition of contributions revenue under FASB ASC 958-605.

Note 7. Property and Equipment

Property and equipment at cost or fair market value at date of donation is comprised of the following at March 31:

	2019	2018	Estimated Useful Life
Office and computer equipment	\$ 613,768	\$ 488,820	5 years
Software and website*	1,929,960	701,960	5 years
Furniture and fixtures	1,192,869	1,192,869	10 years
Leasehold improvements	1,415,003	1,415,000	Remaining term of lease
	5,151,600	3,798,649	
Less accumulated depreciation	3,697,163	3,495,209	
	<u>\$ 1,454,437</u>	<u>\$ 303,440</u>	

*Software and website balance as of March 31, 2019 includes a software application developed for use on iOS-powered iPhone devices costing \$1,228,000. The purpose of this application is to enhance the users and the visitors of the Liberty island's experience and engagement.

Note 8. Pension Plans

The Foundation has a noncontributory defined contribution pension plan covering substantially all employees. Employees generally become eligible to participate in the plan after completion of one year of service. The Foundation contributes annual amounts equal to 6% of each eligible employee's compensation, which vests immediately. Pension expense included in the statement of activities for the years ended March 31, 2019 and 2018, approximated \$118,000 and \$100,000, respectively.

The Statue of Liberty - Ellis Island Foundation, Inc.

Notes to Financial Statements

Note 9. Audio Tour

The net assets and changes in net assets of the audio tour program are summarized below.

	2019	2018
Balance, beginning	\$ -	\$ 13,131,694
Operating revenue:		
Revenue	14,644,016	14,760,148
Operating expenses	(6,894,849)	(7,135,694)
Net operating revenue	7,749,167	7,624,454
Program expenses funded from audio tour revenue:		
The Statue of Liberty Museum	(5,726,722)	(20,756,148)
Total program expenses funded from audio tour revenue	(5,726,722)	(20,756,148)
Balance, ending	\$ 2,022,445	\$ -

Note 10. Peopling of America Maintenance and Operations Fund

The net assets and changes in net assets of the Peopling of America maintenance and operations fund are summarized below.

	2019	2018
Balance, beginning	\$ 2,107,371	\$ 2,072,971
Operating expenses	(140,194)	(184,164)
Net investment (loss) gain	(23,730)	218,564
Balance, ending	\$ 1,943,447	\$ 2,107,371

The net assets of Peopling of America maintenance and operations fund includes \$1,434,446 held in the investment balance (see Note 5).

Note 11. Loan Payable

In January 2017, the Foundation entered into a loan agreement to meet the cash flow requirements of the Museum project. The loan agreement called for monthly interest-only payments for the first three years of the loan term and then interest plus principal payments thereafter. The maturity date per the loan agreement was January 18, 2032. The interest rate on the loan was equal to 3.67%, and interest expense for the years ended March 31, 2019 and 2018, was \$484,066 and \$929,063, respectively.

The Foundation paid off the entire principal amount of \$25,000,000 in the year ended March 31, 2019. There was no outstanding loan balance as of March 31, 2019.

The Statue of Liberty - Ellis Island Foundation, Inc.

Notes to Financial Statements

Note 12. Net Assets with Donor Restrictions

Net assets released from donor restrictions as a result of satisfying purpose restrictions or lapse of time restriction as set forth by the donors are as follows for the years ended March 31:

	2019	2018
The Statue of Liberty Museum	\$ 36,919,501	\$ 9,159,259
National Park Service – Distance Learning Center	51,162	-
Statue of Liberty Safety Improvements	640,114	-
	<u>\$ 37,610,777</u>	<u>\$ 9,159,259</u>

Note 13. Functional Allocation of Expenses

Certain expenses are attributable to more than one program or supporting function. The following expenses are allocated consistently based on employees' time and effort. All other expenses are charged directly to either program or supporting function.

- Personnel costs
- Communication
- Occupancy
- Supplies
- Depreciation

Note 14. Commitments and Contingency

The Foundation is obligated under a noncancelable operating lease for its office space in New York City. On February 1, 2019, the Foundation entered into an amended lease agreement with its landlord. The amended lease agreement is scheduled to expire on September 30, 2024. The aggregate minimum annual rental commitments under the lease exclusive of required payments for increases in real estate taxes are as follows:

Years ending March 31:	
2020	\$ 414,000
2021	428,000
2022	439,000
2023	459,000
2024	479,000
Thereafter	243,000
	<u>\$ 2,462,000</u>

Rent expense pertaining to leased office space for the years ended March 31, 2019 and 2018, amounted to approximately \$350,000 and \$434,000, respectively.

Deferred rent is the difference between the cumulative amounts recorded for occupancy - office space expense on a straight-line basis over the term of the lease, as compared to the cumulative required amounts paid under the lease through March 31, 2019 and 2018, respectively. Deferred rent of \$10,131 and \$24,482 as of March 31, 2019 and 2018, respectively, is included in accounts payable, accrued expenses and other in the statement of financial position.

The Statue of Liberty - Ellis Island Foundation, Inc.

Notes to Financial Statements

Note 14. Commitments and Contingency (Continued)

The Foundation has agreements with several contractors for projects pertaining to the Museum, the redesign of its website, and other projects. As of March 31, 2019, the future remaining commitments in connection with these agreements amount to approximately \$3,847,000.

The Foundation has an employment agreement dated March 31, 2017, which was amended on December 7, 2018, with its President through March 31, 2020. The agreement provides for an annual base salary and for post-retirement health and other supplemental retirement benefits. At March 31, 2019 and 2018, approximately \$519,000 and \$684,000, respectively, has been accrued for such medical, severance and retirement benefits in the accompanying financial statements.

Note 15. Subsequent Events

The Foundation evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was February 7, 2020.