

The Statue of Liberty - Ellis Island Foundation, Inc.

Financial Report
March 31, 2020

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RSM US LLP

Independent Auditor's Report

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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 7, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

New York, New York
January 15, 2021

The Statue of Liberty - Ellis Island Foundation, Inc.

Statement of Financial Position

March 31, 2020

(With Comparative Information as of March 31, 2019)

	2020	2019
Assets		
Cash	\$ 2,898,473	\$ 2,274,030
Investments	46,163,285	47,241,114
Contributions and bequest receivable – net	5,101,671	12,101,734
Other assets	621,320	919,587
Property and equipment – net	1,140,252	1,454,437
	<u>55,925,001</u>	<u>63,990,902</u>
Total assets	\$ 55,925,001	\$ 63,990,902
Liabilities and Net Assets		
Liabilities:		
Accounts payable, accrued expenses and other	\$ 2,074,723	\$ 4,415,822
Total liabilities	<u>2,074,723</u>	<u>4,415,822</u>
Commitments and contingency		
Net assets:		
Without donor restrictions:		
Undesignated	1,756,972	2,139,841
Peopling of America maintenance and operations fund	1,474,874	1,943,447
Audio tour	8,510,833	2,022,445
Board-designated endowment fund	33,357,989	38,653,322
Total net assets without donor restrictions	<u>45,100,668</u>	<u>44,759,055</u>
With donor restrictions:		
The Statue of Liberty Museum	7,228,232	14,816,025
Liberty Museum Fund	1,521,378	-
Total net assets with donor restrictions	<u>8,749,610</u>	<u>14,816,025</u>
Total net assets	<u>53,850,278</u>	<u>59,575,080</u>
Total liabilities and net assets	<u>\$ 55,925,001</u>	<u>\$ 63,990,902</u>

See notes to financial statements.

The Statue of Liberty - Ellis Island Foundation, Inc.

Statement of Activities

Year Ended March 31, 2020

(With Summarized Comparative Information for the Year Ended March 31, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Summarized Comparative Information
Operating revenue, gain and other support:				
Contributions	\$ 2,202,718	\$ 3,699,710	\$ 5,902,428	\$ 16,417,820
Bequests	99,758	-	99,758	272,050
American Family Immigration History Center sales including product sales, net	966,892	-	966,892	993,206
Audio tours, net	13,761,995	-	13,761,995	14,644,016
Miscellaneous income	411	-	411	14,696
Net assets released due to satisfaction of purpose and/or time restrictions	8,787,503	(8,787,503)	-	-
Net assets appropriated to operations from board-designated endowment fund	1,000,000	-	1,000,000	1,852,826
Total operating revenue, gain and other support	26,819,277	(5,087,793)	21,731,484	34,194,614
Expenses:				
Program services:				
American Family Immigration History Center	512,815	-	512,815	524,207
Audio tour	6,527,268	-	6,527,268	6,894,849
Public awareness and education	188,458	-	188,458	133,983
The Peopling of America Center Project	252,648	-	252,648	140,194
Ellis Island Reimagined	566,339	-	566,339	180,000
The Statue of Liberty Museum	6,464,238	-	6,464,238	41,169,701
Total program services	14,511,766	-	14,511,766	49,042,934
Supporting services:				
Management and general	3,125,850	-	3,125,850	1,659,895
Fundraising	3,484,409	-	3,484,409	3,353,805
Total supporting services	6,610,259	-	6,610,259	5,013,700
Total operating expenses	21,122,025	-	21,122,025	54,056,634
Results of operations	5,697,252	(5,087,793)	609,459	(19,862,020)
Nonoperating activities:				
Net investment loss	(4,355,639)	(978,622)	(5,334,261)	(378,627)
Net assets appropriated to operations from board-designated endowment fund	(1,000,000)	-	(1,000,000)	(1,852,826)
Total nonoperating activities	(5,355,639)	(978,622)	(6,334,261)	(2,231,453)
Change in net assets	341,613	(6,066,415)	(5,724,802)	(22,093,473)
Net assets:				
Beginning	44,759,055	14,816,025	59,575,080	81,668,553
Ending	\$ 45,100,668	\$ 8,749,610	\$ 53,850,278	\$ 59,575,080

See notes to financial statements.

The Statue of Liberty - Ellis Island Foundation, Inc.

Statement of Functional Expenses

Year Ended March 31, 2020

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

	2020											2019 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	Ellis Island Reimagined	The Statue of Liberty Museum	Total Program Services	Management and General	Fundraising	Total Supporting Services	2020 Total	
Personnel costs	\$ 368,448	\$ -	\$ 81,279	\$ 53,379	\$ 268,833	\$ 445,484	\$ 1,217,423	\$ 1,705,070	\$ 522,511	\$ 2,227,581	\$ 3,445,004	\$ 3,032,916
Design and construction costs	-	-	-	105,000	297,506	5,872,350	6,274,856	-	-	-	6,274,856	39,467,767
Professional fees	190	44,000	16,867	-	-	47,682	108,739	472,019	2,385,521	2,857,540	2,966,279	2,015,724
Audio tour contractors	-	6,483,268	-	-	-	-	6,483,268	-	-	-	6,483,268	6,893,701
Communications	3,477	-	-	38,682	-	14,366	56,525	73,140	394,716	467,856	524,381	585,287
Occupancy	-	-	35,794	17,897	-	35,794	89,485	214,765	71,588	286,353	375,838	379,411
Supplies	4,134	-	11,308	-	-	368	15,810	63,674	7,135	70,809	86,619	68,607
Equipment	-	-	-	7,315	-	4,789	12,104	63,975	-	63,975	76,079	447,090
Travel and subsistence	2,864	-	2,370	-	-	2,334	7,568	23,182	15,502	38,684	46,252	39,867
Depreciation	49,387	-	40,648	30,375	-	40,759	161,169	243,884	81,295	325,179	486,348	201,954
Cost of goods sold	84,006	-	-	-	-	-	84,006	102,024	-	102,024	186,030	142,534
Other	309	-	192	-	-	312	813	164,117	6,141	170,258	171,071	781,776
Total 2020 expenses	\$ 512,815	\$ 6,527,268	\$ 188,458	\$ 252,648	\$ 566,339	\$ 6,464,238	\$ 14,511,766	\$ 3,125,850	\$ 3,484,409	\$ 6,610,259	\$ 21,122,025	
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

See notes to financial statements.

The Statue of Liberty - Ellis Island Foundation, Inc.

Statement of Cash Flows

Year Ended March 31, 2020

(With Summarized Comparative Information for the Year Ended March 31, 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (5,724,802)	\$ (22,093,473)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized loss on investments	5,479,348	1,640,457
Depreciation	486,348	201,954
Changes in operating assets and liabilities:		
Decrease in contributions and bequest receivable	7,000,063	4,076,816
Decrease (increase) in other assets	298,267	(183,962)
Decrease in accounts payable, accrued expenses and other	(2,341,099)	(686,366)
Net cash provided by (used in) operating activities	5,198,125	(17,044,574)
Cash flows from investing activities:		
Purchase of property and equipment	(172,163)	(1,352,951)
Proceeds from sales of investments	12,768,516	25,888,517
Purchases of investments	(17,170,035)	(17,120,293)
Net cash (used in) provided by investing activities	(4,573,682)	7,415,273
Cash flows from financing activities:		
Loan payments	-	(25,000,000)
Net cash used in financing activities	-	(25,000,000)
Net change in cash	624,443	(34,629,301)
Cash:		
Beginning	2,274,030	36,903,331
Ending	\$ 2,898,473	\$ 2,274,030
Supplemental disclosure of cash flow information:		
Cash paid for interest expense	\$ -	\$ 484,066

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. 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. 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.statueofliberty.org in April 2001. The AFIHC and the website provides free access to arrival records of people who entered through the Port of New York between 1820-1957, and offers reproductions of the ship passengers' manifest pages as well as images of 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 the Ellis Island 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 enhances 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)

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 2020 and 2019.

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, 2020, 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.

The Statue of Liberty - Ellis Island Foundation, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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.

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 two major donors in the year ended March 31, 2020, which amounted to approximately 34% of total contributions revenue for the year. The receivables from two donors accounted for 44% of total contributions and bequest receivable as of March 31, 2020. 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 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.

The Statue of Liberty - Ellis Island Foundation, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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.

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 24% and 49% of total accounts payable, accrued expenses and other as of March 31, 2020 and 2019, 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, 2019, from which the summarized information was derived.

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, 2020 and 2019, UBIT expenses were approximately \$1,300 and \$21,000, 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 pronouncements: In January 2016, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Update (ASU) 2016-01: *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Finance Assets and Financial Liabilities*. This ASU includes a number of amendments that address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. One of the amendments eliminates the requirements to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. The Foundation adopted ASU 2016-01 in the current fiscal year with no impact on the financial statements.

The Statue of Liberty - Ellis Island Foundation, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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. This ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The adoption of this ASU had no impact on the Foundation's financial position, activities, net assets, or cash flows as of the adoption date or for the years ended March 31, 2020 and 2019.

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. In June 2020, the FASB issued ASU 2020-05, which defers the effective date of ASU 2014-09, making it effective for annual reporting periods beginning after December 15, 2019. The Foundation is evaluating the impact of this ASU on the 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. In June 2020, the FASB issued ASU 2020-05, which defers the effective of ASU 2016-02, making it effective for annual reporting periods beginning after December 15, 2021. The Foundation is evaluating the impact of this ASU 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.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Update clarifies the presentation and disclosure of contributed nonfinancial assets, including fixed assets and other items. The Update does not change existing recognition and measurement requirements for contributed nonfinancial assets. The update is effective for 2022 with early adoption 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, 2020 and 2019 to meet general expenditures over the next 12 months:

	2020	2019
Financial assets at March 31:		
Cash	\$ 2,898,473	\$ 2,274,030
Investments	46,163,285	47,241,114
Contributions and bequest receivable, net	5,101,671	12,101,734
Total financial assets at March 31	<u>54,163,429</u>	<u>61,616,878</u>
Less those unavailable for general expenditures within one year:		
Funds restricted by donors for specific projects	8,749,610	14,816,025
Investments held for long-term purpose	32,999,471	37,802,768
Total financial assets unavailable within one year	<u>41,749,081</u>	<u>52,618,793</u>
Financial assets available to meet cash needs for general expenditures within one year at March 31	<u>\$ 12,414,348</u>	<u>\$ 8,998,085</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 a committed line of credit in the amount of \$10,000,000 with JPMorgan Chase bank that expires on September 3, 2021, which it could draw upon; however, it has not been used. Additionally, the Foundation has a board-designated endowment portfolio of approximately \$33,300,000 and \$38,600,000 as of March 31, 2020 and 2019, respectively. The Foundation also maintains the fund held for Peopling of America maintenance and operations of approximately \$1,500,000 and \$1,900,000 as of March 31, 2020 and 2019, respectively. 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.

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 rates for fiscal years 2020 and 2019 were 3% and 5%, respectively.

The Statue of Liberty - Ellis Island Foundation, Inc.

Notes to Financial Statements

Note 4. Board-Designated Endowment Fund (Continued)

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 activity of the board-designated endowment fund for the years ended March 31, 2020 and 2019, are as follows:

	2020	2019
Balance, beginning	\$ 38,653,322	\$ 41,049,906
Net investment return	(4,295,333)	(543,758)
Appropriated to operations from board-designated endowment fund	(1,000,000)	(1,852,826)
Net change	(5,295,333)	(2,396,584)
Balance, ending	<u>\$ 33,357,989</u>	<u>\$ 38,653,322</u>

Note 5. Investments and Fair Value Measurements

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

	2020	2019
Cash and money market funds	\$ 9,842,454	\$ 7,249,000
Mutual funds:		
Equity	5,943,736	4,755,119
Fixed income	10,855,833	6,090,000
International equities	2,812,738	3,888,433
Emerging markets	1,829,373	2,490,155
Total investments in fair value hierarchy	<u>31,284,134</u>	<u>24,472,707</u>
Investments measured at net asset value	<u>14,879,151</u>	<u>22,768,407</u>
Total investments	<u>\$ 46,163,285</u>	<u>\$ 47,241,114</u>

Investment balance as of March 31, 2020 and 2019 is held for the following purposes:

	2020	2019
Board-designated endowment fund *	\$ 33,357,989	\$ 38,557,668
Liberty Museum fund	1,521,378	-
Peopling of America maintenance and operations fund	1,441,482	1,434,446
Audio tour fund and the Statue of Liberty Museum	9,842,436	7,249,000
Total investments	<u>\$ 46,163,285</u>	<u>\$ 47,241,114</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.

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Notes to Financial Statements

Note 5. Investments and Fair Value Measurements (Continued)

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.

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, 2020 and 2019. The Foundation has no unfunded commitments in these commingled investment funds as of March 31, 2020.

Investment Objective	Fair Value		Redemption Frequency (if Currently Eligible)	Redemption Notice Period
	2020	2019		
Domestic equities	\$ 3,726,994	\$ 4,692,749	Monthly	30 days
International equities	3,337,759	7,360,360	Monthly	5 days
Fixed income	2,479,652	4,632,984	Monthly	10 days
Long/short equities	2,787,600	3,038,270	Annually	75-95 days
Emerging markets	711,266	1,002,187	Monthly	10 days
Multi-strategy ^(a)	1,835,880	2,041,857	Annually	95 days
	<u>\$ 14,879,151</u>	<u>\$ 22,768,407</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.

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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:

	2020	2019
In less than one year	\$ 3,506,000	\$ 7,943,154
In more than one year and less than five years	1,668,223	4,300,000
	<u>5,174,223</u>	<u>12,243,154</u>
Less unamortized discount on contributions and bequest receivable	(72,552)	(141,420)
	<u>\$ 5,101,671</u>	<u>\$ 12,101,734</u>

As of March 31, 2020 and 2019, the Foundation had outstanding unrecorded conditional contributions receivable of \$0 and \$3,500,000, respectively. Revenue for the conditional contributions was recognized when the related barriers were overcome or when the conditions were substantially met.

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:

	2020	2019	Estimated Useful Life
Office and computer equipment	\$ 632,592	\$ 613,768	5 years
Software and website*	2,080,850	1,929,960	5 years
Furniture and fixtures	1,195,318	1,192,869	10 years
Leasehold improvements	1,415,003	1,415,003	Remaining term of lease
	<u>5,323,763</u>	<u>5,151,600</u>	
Less accumulated depreciation	4,183,511	3,697,163	
	<u>\$ 1,140,252</u>	<u>\$ 1,454,437</u>	

*Software and website balance as of March 31, 2020 and 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 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, 2020 and 2019, approximated \$125,000 and \$118,000, 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.

	2020	2019
Balance, beginning	\$ 2,022,445	\$ -
Operating revenue:		
Revenue	13,761,995	14,644,016
Operating expenses	(6,527,268)	(6,894,849)
Net operating revenue	7,234,727	7,749,167
Program expenses funded from audio tour revenue:		
The Statue of Liberty Museum	-	(5,726,722)
Ellis Island Reimagined	(746,339)	-
Total program expenses funded from audio tour revenue	(746,339)	(5,726,722)
Balance, ending	\$ 8,510,833	\$ 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.

	2020	2019
Balance, beginning	\$ 1,943,447	\$ 2,107,371
Operating expenses	(252,648)	(140,194)
Net investment loss	(215,925)	(23,730)
Balance, ending	\$ 1,474,874	\$ 1,943,447

The net assets of Peopling of America maintenance and operations fund includes \$1,441,482 and \$1,434,446 held in the investment balance as of March 31, 2020 and 2019, respectively (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 Foundation paid off the entire principal amount of \$25,000,000 in the year ended March 31, 2019. The interest rate on the loan was equal to 3.67%, and interest expense for the year ended March 31, 2019 was \$484,066.

The Statue of Liberty - Ellis Island Foundation, Inc.

Notes to Financial Statements

Note 12. Net Assets with Donor Restrictions

The Foundation's net assets with donor restrictions are restricted for the design, construction and endowment of the Museum and the upgrading of Liberty Island. A portion of these restricted net assets was placed in the Liberty Museum Fund. The total value of the Liberty Museum Fund will be determined after the Foundation determines that all expenditures for the Museum have been completed. The goal is that the Liberty Museum Fund will have a historic dollar value of \$6 million. The appropriations from the Liberty Museum Fund will be used to support IT staff and other supporting services in the Museum. The spending target is set at 5.0% of assets, with a range of 4.5% to 6.0% depending on the needs of the Foundation (the assets are valued using a trailing three-year average). Though the corpus of the Liberty Museum Fund is not considered to be a donor restricted endowment fund, and thus not subject to the New York Prudent Management of Institutional Funds Act (NYPMIFA) and the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the Foundation invests these assets in a manner similar to what would have been required by NYPMIFA and UPMIFA. During the year ended March 31, 2020, the Foundation allocated \$2,500,000 from the net assets with donor restrictions to the Liberty Museum Fund. The Liberty Museum Fund is invested alongside the investments held for board designated endowment fund. The investment fund held for the Liberty Museum Fund incurred \$978,622 in investment loss, and there were no appropriations from the Liberty Museum Fund during the year.

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:

	2020	2019
The Statue of Liberty Museum	\$ 8,787,503	\$ 36,919,501
National Park Service - Distance Learning Center	-	51,162
Statue of Liberty Safety Improvements	-	640,114
	<u>\$ 8,787,503</u>	<u>\$ 37,610,777</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

The Statue of Liberty - Ellis Island Foundation, Inc.

Notes to Financial Statements

Note 14. Commitments and Contingency

The Foundation is obligated under a noncancelable operating lease for its office space in New York City. On October 6, 2020, 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:	
2021	\$ 354,000
2022	183,000
2023	188,000
2024	193,000
2025	82,000
	<u>\$ 1,000,000</u>

Rent expense pertaining to leased office space for the years ended March 31, 2020 and 2019, amounted to approximately \$343,000 and \$350,000, 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. Deferred rent credit of \$(60,719) as of March 31, 2020 is included in other assets in the statement of financial position. Deferred rent liability of \$10,131 as of March 31, 2019 is included in payable, accrued expenses and other in the statement of financial position.

The Foundation has an employment agreement with its President dated March 31, 2017, which was subsequently amended on June 15, 2020. The President's employment shall continue until the later to occur of March 31, 2021, or (if there is mutual agreement of the parties hereto to effectuate a further and final extension of this agreement) September 1, 2021. The agreement provides for an annual base salary and for post-retirement health and other supplemental retirement benefits. At March 31, 2020 and 2019, approximately \$637,000 and \$519,000, respectively, has been accrued for such medical, severance and retirement benefits in the accompanying financial statements.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which HRW operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Foundation. Accordingly, management cannot presently estimate the overall operational and financial impact to the Foundation.

The Statue of Liberty - Ellis Island Foundation, Inc.

Notes to 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 January 15, 2021.

In May 2020, the Foundation received a loan in an amount of \$448,000 under the U.S. Small Business Administration (SBA)'s Paycheck Protection Program (PPP) established by the CARES Act. The loan date is April 8, 2020, the date of application. The loan matures in March 2022. The interest rate is 0.98% per annum. The loan, or a portion thereof, is eligible for forgiveness by the SBA if the qualifying entity meets certain conditions. Whether an entity qualifies for a PPP loan, and whether it meets the necessary conditions for forgiveness, requires careful consideration of the PPP requirements and the individual entity's facts and circumstances. The Foundation's application for loan forgiveness is pending approval as of January 15, 2021.