

**UKRAINIAN MUSEUM**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**



CPAs | CONSULTANTS | WEALTH ADVISORS

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Ukrainian Museum  
New York, New York

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of Ukrainian Museum (a New York nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ukrainian Museum as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

#### *Responsibilities of Management for the Financial Statements*

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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



**CliftonLarsonAllen LLP**

Boston, Massachusetts  
June 20, 2023

**UKRAINIAN MUSEUM  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2022 AND 2021**

<b>ASSETS</b>	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,217,306	\$ 1,008,206
Certificate of Deposit	110,253	108,720
Gift Shop Inventory, Net	40,479	56,605
Total Current Assets	<u>1,368,038</u>	<u>1,173,531</u>
<b>NONCURRENT ASSETS</b>		
Cash and Cash Equivalents - Endowment	2,933,237	3,079,830
Certificates of Deposit - Endowment	241,988	239,177
Investments	5,628,021	6,590,005
Other Investment	66,697	66,697
Property and Equipment, Net	6,091,383	6,323,004
Total Noncurrent Assets	<u>14,961,326</u>	<u>16,298,713</u>
Total Assets	<u><u>\$ 16,329,364</u></u>	<u><u>\$ 17,472,244</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 7,164	\$ 6,203
Accrued Expenses	76,496	9,016
Total Liabilities	<u>83,660</u>	<u>15,219</u>
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Undesignated	3,012,488	4,567,876
Undesignated - Property and Equipment	6,091,383	6,323,004
Board-Designated Funds	1,048,257	1,044,713
Board-Designated Perpetual Endowment	500,000	500,000
Total Without Donor Restrictions	<u>10,652,128</u>	<u>12,435,593</u>
With Donor Restrictions:		
Purpose Restrictions	991,964	447,670
Perpetual in Nature	4,601,612	4,573,762
Total With Donor Restrictions	<u>5,593,576</u>	<u>5,021,432</u>
Total Net Assets	<u>16,245,704</u>	<u>17,457,025</u>
Total Liabilities and Net Assets	<u><u>\$ 16,329,364</u></u>	<u><u>\$ 17,472,244</u></u>

See accompanying Notes to Financial Statements.

**UKRAINIAN MUSEUM  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUE, SUPPORT, AND GAINS</b>			
Contributions	\$ 533,738	\$ 276,216	\$ 809,954
Grants	-	27,350	27,350
Gift Shop Sales, Net	101,203	-	101,203
Membership Dues	38,694	-	38,694
Admissions	46,056	-	46,056
Other Income	31,049	-	31,049
Investment Income - Other Investment	48,000	-	48,000
Interest and Dividends, Net	94,323	-	94,323
Net Assets Released from Restrictions	139,733	(139,733)	-
Total Operating Revenue, Support, and Gains	<u>1,032,796</u>	<u>163,833</u>	<u>1,196,629</u>
<b>EXPENSES</b>			
Program Services	1,013,998	-	1,013,998
Management and General	404,746	-	404,746
Fundraising and Development	52,969	-	52,969
Total Expenses	<u>1,471,713</u>	<u>-</u>	<u>1,471,713</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	(438,917)	163,833	(275,084)
<b>NONOPERATING CHANGES</b>			
Net Realized and Unrealized Losses	(769,555)	(194,532)	(964,087)
Transfer	(574,993)	574,993	-
Contributions for Long-Term Purposes - Endowment	-	27,850	27,850
Total Nonoperating Changes, Net	<u>(1,344,548)</u>	<u>408,311</u>	<u>(936,237)</u>
<b>CHANGE IN NET ASSETS</b>	(1,783,465)	572,144	(1,211,321)
Net Assets - Beginning of Year	<u>12,435,593</u>	<u>5,021,432</u>	<u>17,457,025</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 10,652,128</u>	<u>\$ 5,593,576</u>	<u>\$ 16,245,704</u>

See accompanying Notes to Financial Statements.

**UKRAINIAN MUSEUM  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT, AND GAINS</b>			
Contributions	\$ 297,669	\$ 88,395	\$ 386,064
Grants	-	34,080	34,080
Gift Shop Sales, Net	16,960	-	16,960
Membership Dues	39,602	-	39,602
Admissions	9,577	-	9,577
Forgiveness of Paycheck Protection Program Loans	128,497	-	128,497
Other Income	17,000	-	17,000
Investment Income - Other Investment	60,000	-	60,000
Interest and Dividends, Net	118,169	-	118,169
Net Assets Released from Restrictions	59,542	(59,542)	-
Total Operating Revenue, Support, and Gains	747,016	62,933	809,949
<b>EXPENSES</b>			
Program Services	808,997	-	808,997
Management and General	322,245	-	322,245
Fundraising and Development	29,083	-	29,083
Total Expenses	1,160,325	-	1,160,325
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	(413,309)	62,933	(350,376)
<b>NONOPERATING CHANGES</b>			
Net Realized and Unrealized Gains	579,382	-	579,382
Releases of Net Assets for Capital Improvements	100,000	(100,000)	-
Contributions for Long-Term Purposes - Endowment	-	80,134	80,134
Total Nonoperating Changes, Net	679,382	(19,866)	659,516
<b>CHANGE IN NET ASSETS</b>	266,073	43,067	309,140
Net Assets - Beginning of Year	12,169,520	4,978,365	17,147,885
<b>NET ASSETS - END OF YEAR</b>	\$ 12,435,593	\$ 5,021,432	\$ 17,457,025

See accompanying Notes to Financial Statements.

**UKRAINIAN MUSEUM**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2022**

	Program Services	Management and General	Fundraising and Development	Total
Total Salaries and Related Expenses	\$ 317,961	\$ 219,379	\$ 18,050	\$ 555,390
Event Expenses	-	-	25,609	25,609
Occupancy	248,406	62,101	-	310,507
Printing and Shipping	32,800	-	3,892	36,692
Advertising	-	5,293	-	5,293
Professional Fees	142,841	19,110	-	161,951
Insurance	5,415	38,955	-	44,370
Travel and Entertainment	15,022	-	-	15,022
Depreciation	188,693	47,173	-	235,866
Supplies and Other	123,132	12,735	5,418	141,285
Subtotal	1,074,270	404,746	52,969	1,531,985
Less: Cost of Goods Sold	60,272	-	-	60,272
Total Expenses by Function	<u>\$ 1,013,998</u>	<u>\$ 404,746</u>	<u>\$ 52,969</u>	<u>\$ 1,471,713</u>

See accompanying Notes to Financial Statements.

**UKRAINIAN MUSEUM**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2021**

	Program Services	Management and General	Fundraising and Development	Total
Total Salaries and Related Expenses	\$ 250,717	\$ 122,663	\$ 4,044	\$ 377,424
Event Expenses	1,193	-	-	1,193
Occupancy	276,053	69,024	-	345,077
Printing and Shipping	11,059	-	7,906	18,965
Advertising	-	4,201	643	4,844
Professional Fees	51,010	21,910	5,200	78,120
Insurance	5,415	37,350	-	42,765
Travel and Entertainment	2,466	-	-	2,466
Depreciation	188,358	47,089	-	235,447
Supplies and Other	51,992	20,008	11,290	83,290
Subtotal	<u>838,263</u>	<u>322,245</u>	<u>29,083</u>	<u>1,189,591</u>
Less: Cost of Goods Sold	29,266	-	-	29,266
Total Expenses by Function	<u><u>\$ 808,997</u></u>	<u><u>\$ 322,245</u></u>	<u><u>\$ 29,083</u></u>	<u><u>\$ 1,160,325</u></u>

See accompanying Notes to Financial Statements.

**UKRAINIAN MUSEUM  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (1,211,321)	\$ 309,140
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	235,866	235,447
Forgiveness of Paycheck Protection Program Loan	-	(128,497)
Net Realized and Unrealized Losses (Gains) on Investments	769,555	(579,382)
Contribution for Endowment	(27,850)	(80,134)
Changes in Assets and Liabilities:		
Gift Shop Inventory, Net	16,126	12,399
Accounts Payable	961	(2,305)
Accrued Expenses and Other Liabilities	67,480	2,674
Net Cash Used by Operating Activities	(149,183)	(230,658)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Sales and (Purchases), Net	215,935	(2,573)
Purchases of Property & Equipment	(4,245)	-
Addition to Endowment	27,850	80,134
Net Cash Provided by Investing Activities	239,540	77,561
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions Restricted to Endowment	(27,850)	(80,134)
Proceeds from Paycheck Protection Program	-	64,497
Net Cash Used by Financing Activities	(27,850)	(15,637)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	62,507	(168,734)
Cash and Cash Equivalents - Beginning of Year	4,088,036	4,256,770
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 4,150,543	\$ 4,088,036

See accompanying Notes to Financial Statements.

**UKRAINIAN MUSEUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 1 ORGANIZATION**

Ukrainian Museum (the Museum) is a nonprofit organization, located in New York, NY, committed to acquiring, preserving, exhibiting, and interpreting articles of artistic or historic significance to the rich cultural heritage of Ukrainians. Founded in 1976, the Museum's array of folk art, exceptional collection of fine art, and extensive compendium of archival materials make it one of the most unique and dynamic museums in New York City, with broad appeal for diverse audiences. Each year, the Museum organizes several exhibitions, publishes accompanying bilingual catalogues, and conducts a wide range of public programming, frequently in collaboration with other museums, educational institutions, and cultural centers.

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Museum is required under professional standards to report information regarding its financial position and activities according to classes of net assets. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor-imposed restrictions that may be designated for specific purposes by action of the board of trustees (the board).

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor- ) 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restriction when the assets are placed in service. 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.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP, requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**UKRAINIAN MUSEUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash, Cash Equivalents, and Certificates of Deposit**

The Museum considers all checking, savings, money market accounts, and certificates of deposit with maturities of three months or less at date of purchase to be cash and cash equivalents. Certificates of deposit with a maturity of greater than three months are presented separately from cash and cash equivalents and are presented at cost plus accumulated interest. The following table provides a reconciliation of cash and cash equivalents that total to such amounts reported in the statements of cash flows:

	2022	2021
Cash and Cash Equivalents	\$ 1,217,306	\$ 1,008,206
Cash and Cash Equivalents - Endowment	2,933,237	3,079,830
Total	<u>\$ 4,150,543</u>	<u>\$ 4,088,036</u>

**Income Taxes**

Ukrainian Museum is organized as a New York nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3), qualifying for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Sections 509(a)(1) and (3). Management believes that no uncertain tax positions exist for the Museum at December 31, 2022 or 2021. The Museum files income tax returns in the U.S. federal jurisdiction and the state of New York.

**Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Museum that is, in substance, unconditional. Promises to give are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through the provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts, historical collectability and experience. There were no outstanding promises to give as of December 31, 2022 or 2021, and therefore no allowance was deemed necessary.

**Gift Shop Inventory**

Gift shop inventory is comprised of Museum-related merchandise that is stated at the lower of cost or net realizable value. Management periodically assesses the inventory for obsolescence. There was no obsolescence of inventory during 2022 or 2021. There was no allowance for obsolete inventory deemed necessary as of December 31, 2022 and 2021.

**Library and Art Collections**

The library and art collections, which were acquired through purchases and contributions since the Museum's inception, are not recognized as assets on the statements of financial position. Purchases of collection items are recorded as a reduction in the appropriate class of net assets in the statements of activities based on the absence or existence and nature of donor-imposed restrictions. Deaccessions are not a practice of the Museum and therefore no collection items have been sold or removed in 2022 or 2021.

**UKRAINIAN MUSEUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Advertising Costs**

Advertising costs are expensed as incurred and approximated \$5,293 and \$4,843 during the years ended December 31, 2022 and 2021, respectively.

**Investments**

The Museum carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Investment income, including gains and losses on investments, is recorded as increases or decreases in without donor restricted net assets unless its use is limited by donor-imposed restrictions or law.

Investment income was as follows at December 31:

	<u>2022</u>	<u>2021</u>
Net Realized Gains	\$ 378,748	\$ 623,203
Net Unrealized Losses	(1,342,835)	(43,821)
Total Investment Gains (Losses), Nonoperating	<u>\$ (964,087)</u>	<u>\$ 579,382</u>

**Fair Value Measurements**

Fair value measurements of financial assets and financial liabilities and fair value measurements of nonfinancial items are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Museum categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Unadjusted quoted prices in active markets for identical assets (or liabilities) that the reporting entity has the ability to access at the measurement date.

*Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

*Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

**UKRAINIAN MUSEUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

Property and equipment are stated at cost, if purchased, or at fair market value, if donated. Additions, improvements, and expenditures that significantly add to the productivity or extend the economic life of the assets are capitalized if the cost is greater than \$15,000. Other expenditures for repairs and maintenance are charged to operations in the year the costs are incurred. Depreciation is provided using the straight-line method over the following useful lives:

Buildings and Improvements	20 to 40 Years
Furniture, Fixtures, and Equipment	5 to 7 Years

**Other Investment**

The other investment reported in the statement of financial position of \$66,697 as of December 31, 2022 and 2021 represents a 30% interest in donated real estate which was received in a prior year. The investment is recorded at the estimated fair value at the time the donation was received. Management has determined that the investment should be presented at cost as the Museum does not have significant influence over the investment. Income generated from rentals of the building are included in Investment Income – Other Investment in the statements of activities.

**Impairment of Long-Lived Assets**

Long-lived assets, including property and equipment and the other investment in real estate, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances indicate a long-lived asset may be impaired, the asset value will be reduced to fair value. Fair value is determined through various valuation techniques including quoted market values and third-party independent appraisals, as considered necessary. There was no impairment noted based on management's assessment for the years ended December 31, 2022 and 2021.

**Revenue and Support With and Without Restrictions**

To determine revenue recognition for the arrangements that the Museum determines are within the scope of Topic 606, the Museum performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligation(s) in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligation(s) in the contract, and (5) recognize revenue when the Organization satisfies a performance obligation. Gift shop sales and admissions are recognized at point in time when goods or service are provided. Special events revenue is recognized as revenue without restrictions over time as the event is provided. Membership dues, which are nonrefundable, are considered by management to be substantially comprised of a contribution element. As such, dues are recognized as revenue when the membership commences.

Contributions and grants, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

**UKRAINIAN MUSEUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Donated Securities, Goods, and Services**

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation. During the year ended December 31, 2022, the Museum received \$18,845 of donated stock. During the year ended December 31, 2021, the Museum received \$19,384 of donated stock. Donated services are recognized as contributions in accordance with Professional Standards based on fair value if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Museum. There were no donated services received during 2022 or 2021 that met the criteria for recognition.

**Functional Allocation of Expenses**

The Museum performs three functions which include the Museum programming, supporting services, and fundraising and development. Expenses have been summarized on a functional basis in the statements of activities based on these functions, and the statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. Expenses are directly allocated to program or support services whenever possible. Other shared expenses are allocated based on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, supplies, and occupancy, which are allocated based on estimated usage of space for the function, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

**Leases**

The Museum determines if an arrangement is a lease at inception. ROU assets represent the Museum's right to use an underlying asset for the lease term and lease liabilities represent the Museum's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Museum will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. During 2022, the year of implementation of the standard, the Museum did not have any leases meeting the requirements to be reported as ROU assets or lease liabilities. The Museum has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statement of financial position. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. All of the Museum's lease agreements are short-term or month-to-month.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the financial statements to maintain consistency between periods presented. Such reclassifications include certain certificates of deposit from cash equivalents based on maturity date and certain financial assets to long-term assets based on the intent of the Museum. The reclassifications had no impact on previously reported net assets.

**UKRAINIAN MUSEUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

In preparing these financial statements, the Museum has evaluated events and transactions for potential recognition or disclosure through June 20, 2023, the date the financial statements were available to be issued.

**Adoption of New Accounting Standards**

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Museum adopted the requirements of the guidance effective January 1, 2022; however, the Museum does not have any material long-term leases and therefore the standard did not have a material impact on the financial statements. The Museum has not elected to adopt the package of practical expedients available in the year of adoption. The Museum has not elected to adopt the practical expedient to use hindsight in determining the lease term and in assessing impairment of potential ROU assets. The Museum has elected to recognize payments for short-term leases with a lease term of 12-months or less as expense as incurred, and these leases are not included as ROU assets.

**NOTE 3 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Museum monitors liquidity regularly through review by management and the board of trustees of the Museum's operating needs, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Museum considers all expenditures related to its ongoing Museum activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. As of December 31, 2022 and 2021, the following table shows the total financial assets held by the Museum and the amounts of those financial assets that could readily be made available within one year of the balance sheet dates to meet general expenditures:

	2022	2021
Total Financial Assets:		
Cash and Cash Equivalents	\$ 4,150,543	\$ 4,088,036
Certificate of Deposit	352,241	347,897
Investments	5,628,021	6,590,005
Total Financial Assets	10,130,805	11,025,938
Less: Donor-Imposed Restrictions:		
Restricted Funds	(991,964)	(447,670)
Perpetual Endowment	(4,601,612)	(4,573,762)
Less: Internal Designations:		
Board-Designated Funds	(1,548,257)	(1,544,713)
Financial Assets, Net	\$ 2,988,972	\$ 4,459,793

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**NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENT**

For the years ended December 31, 2022 and 2021, the Museum used fair value measurements to record adjustments to investments to determine fair value disclosures. For additional information on how the Museum measures fair value, refer to Note 2. Investments include endowment funds and other accounts the Museum intends to hold for long-term stability of the Museum. Accordingly, these investments have been classified as noncurrent assets in the accompanying statements of financial position regardless of maturity or liquidity, consistent with the Museum's intent.

The relationship between cost basis and fair market value for those investments that are measured at fair value are as follows as of December 31, 2022:

	Cost	Market	Unrealized Appreciation (Depreciation)
Global Equities	\$ 750,631	\$ 814,797	\$ 64,166
Mutual Funds - Equities	1,290,260	1,303,064	12,804
Exchange Traded Funds - Equities	1,428,964	1,365,755	(63,209)
Mutual Funds - Bonds	2,053,395	1,811,832	(241,563)
Money Market Funds	332,573	332,573	-
Total	<u>\$ 5,855,823</u>	<u>\$ 5,628,021</u>	<u>\$ (227,802)</u>

The relationship between cost basis and fair market value for those investments that are measured at fair value are as follows as of December 31, 2021:

	Cost	Market	Unrealized Appreciation
Global Equities	\$ 651,768	\$ 1,038,425	\$ 386,657
Mutual Funds - Equities	1,041,992	1,393,931	351,939
Exchange Traded Funds - Equities	1,439,016	1,601,846	162,830
Real Estate Investment Trust	19,638	31,461	11,823
Mutual Funds - Bonds	2,135,494	2,169,434	33,940
Money Market Funds	354,908	354,908	-
Total	<u>\$ 5,642,816</u>	<u>\$ 6,590,005</u>	<u>\$ 947,189</u>

The following table presents the Museum's hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2022:

	Level 1	Level 2	Level 3
Global Equities	\$ 814,797	\$ -	\$ -
Mutual Funds - Equities	1,303,064	-	-
Exchange Traded Funds - Equities	1,365,755	-	-
Mutual Funds - Bonds	1,811,832	-	-
Money Market Funds	332,573	-	-
Total	<u>\$ 5,628,021</u>	<u>\$ -</u>	<u>\$ -</u>

**UKRAINIAN MUSEUM  
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**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

The following table presents the Museum's hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2021:

	Level 1	Level 2	Level 3
Global Equities	\$ 1,038,425	\$ -	\$ -
Mutual Funds - Equities	1,393,931	-	-
Exchange Traded Funds - Equities	1,601,846	-	-
Real Estate Investment Trust	31,461	-	-
Mutual Funds - Bonds	2,169,434	-	-
Money Market Funds	354,908	-	-
Total	<u>\$ 6,590,005</u>	<u>\$ -</u>	<u>\$ -</u>

The fair value of the Museum's Level 1 financial assets is based on quoted market prices of the identical underlying security.

**NOTE 5 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

	2022	2021
Land and Improvements	\$ 952,429	\$ 952,429
Buildings and Improvements	9,306,886	9,306,886
Equipment	83,065	82,586
Furniture and Fixtures	119,342	115,576
Subtotal	<u>10,461,722</u>	<u>10,457,477</u>
Less: Accumulated Depreciation	<u>(4,370,339)</u>	<u>(4,134,473)</u>
Total Property and Equipment	<u>\$ 6,091,383</u>	<u>\$ 6,323,004</u>

Depreciation expense totaled \$235,866 and \$235,447 for the years ended December 31, 2022 and 2021, respectively.

**NOTE 6 LEASES**

The Museum leases a copier under an operating lease agreement expiring in 2023. Future minimum lease payments under the copier lease are \$200 monthly through February 2023, and month-to-month thereafter. The Museum also leases storage spaces under various at-will agreements, with monthly storage unit rates varying from \$128 to \$393 per month. The storage units are primarily used for storage of artwork and showpieces that are not currently on display in the gallery. As these are considered short-term leases, there is no ROU asset or lease liability reported in the statements of financial position. Total lease costs for the years ended December 31, 2022 and 2021 totaled \$15,444 and \$13,889, respectively.

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**NOTE 7 RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES**

As of December 31, net assets with donor restrictions are restricted for the following purposes:

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose:		
Exhibitions	\$ 216,348	\$ 206,103
Compact Shelving	184,678	184,678
Anniversary Celebration	-	37,389
Collections Support	16,000	16,000
SAFE Project	80,000	-
Compact Storage	110,000	-
Library Fund	3,500	3,500
Other	977	-
Accumulated Earnings on Endowment Funds	380,461	-
Total	<u>991,964</u>	<u>447,670</u>
With Donor Restrictions - Endowment (Note 8)	<u>4,601,612</u>	<u>4,573,762</u>
Total Net Assets With Donor Restrictions	<u>\$ 5,593,576</u>	<u>\$ 5,021,432</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years December 31:

	<u>2022</u>	<u>2021</u>
Satisfaction of Purpose Restrictions:		
Exhibitions	\$ 64,994	\$ -
Department of Cultural Affairs Grant	27,350	24,080
Other	-	1,000
Staff Appreciation	-	6,421
New York State Council on the Arts Grant	-	10,000
SAFE Project	10,000	-
Anniversary Celebration	37,389	9,480
Museum Staircase	-	100,000
Technology	-	8,561
Total	<u>\$ 139,733</u>	<u>\$ 159,542</u>

Board-designated net assets without donor restrictions consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Museum Endowment (See Note 8)	\$ 500,000	\$ 500,000
Museum Operating Reserve	400,000	400,000
Capital Improvements Fund	333,102	329,558
Staff Position Fund	315,155	315,155
Total	<u>\$ 1,548,257</u>	<u>\$ 1,544,713</u>

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**NOTE 8 ENDOWMENT**

The Museum is subject to New York Prudent Management of Institutional Funds (NYPMIFA), which took effect in 2010. NYPMIFA sets requirements to make disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Museum's endowment consists of 135 individual funds established for endowments and memorial funds, including both donor-restricted endowment funds and a fund designated by the board of directors to function as an endowment. Net assets associated with endowment funds, including the board-designated endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The board of trustees of the Museum has interpreted NYPMIFA as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, unless the board of trustees concludes that spending is prudent. As a result of this interpretation, the Museum classifies as donor-restricted net assets: (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulated earnings on the donor-restricted endowment funds. The accumulated earnings on the endowment funds remain treated as donor-restricted net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Museum and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Museum
7. Where appropriate, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the institution.
8. The investment policies of the Museum

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**NOTE 8 ENDOWMENT (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

As of December 31, 2022, the Museum's endowment held in perpetuity consists of \$3,091,010 of endowment funds, \$1,510,602 of memorial funds, and \$500,000 from the board-designated endowment. As of December 31, 2021, the Museum's endowment held in perpetuity consists of \$3,068,010 of endowment funds, \$1,505,252 of memorial funds, and \$500,000 from the board-designated endowment. The following is a reconciliation of the beginning and ending balances in endowment funds:

	Endowment Fund Board-Restricted	Endowment Fund Donor-Restricted	Memorial Fund Donor-Restricted	Total Endowment
Balance, January 1, 2021	\$ 500,000	\$ 2,993,410	\$ 1,500,218	\$ 4,993,628
Contributions	-	75,100	5,034	80,134
Balance, December 31, 2021	<u>500,000</u>	<u>3,068,510</u>	<u>1,505,252</u>	<u>5,073,762</u>
Balance, January 1, 2022	500,000	3,068,510	1,505,252	5,073,762
Investment Return (Loss), Net	-	(194,532)	-	(194,532)
Transfer of Appreciation	-	574,993	-	574,993
Contributions	-	22,500	5,350	27,850
Balance, December 31, 2022	<u>\$ 500,000</u>	<u>\$ 3,471,471</u>	<u>\$ 1,510,602</u>	<u>\$ 5,482,073</u>

**Endowment Fund Composition**

The Endowment and related appreciation were held in the following financial accounts as of December 31:

	2022	2021
Cash and Cash Equivalents - Endowment	\$ 2,933,237	\$ 3,079,830
Certificates of Deposit - Endowment	241,988	239,177
Investments - Endowment	2,306,848	1,754,755
Total	<u>\$ 5,482,073</u>	<u>\$ 5,073,762</u>

**Fund Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Museum to retain as a fund of perpetual duration. There are no such fund deficiencies as of December 31, 2022 or 2021. The Museum has interpreted NYPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

**Return Objectives and Risk Parameters**

The Museum has adopted investment policies that are designed to be conservative and minimize risk. The strategy and portfolio is reviewed by the finance committee and executive board several times throughout the year. Except for the endowment held in perpetuity, all funds selected are relatively liquid. The endowment held in perpetuity is designed to invest in a broad range of assets with the objectives including maintaining the original value of the fund and maximizing return that can be provided over the long term, subject to a prudent portfolio risk approved by the board.

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**NOTE 8 ENDOWMENT (CONTINUED)**

**Strategies Employed for Achieving Objectives**

To satisfy objectives, the Museum targets a diversified asset allocation that places a greater emphasis on investments with readily available markets to achieve its long-term objectives within prudent constraints. The Museum's finance committee, executive board, and board of trustees reviews the portfolio and investments regularly during the year.

**Spending Policy**

The Museum has not adopted a formal spending policy and preserves the original value of the endowment funds held in perpetuity. The income generated from endowment funds is generally available for use for specified objectives of donors and activities supported by the Museum, as approved by the board.

**NOTE 9 CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Museum to concentrations of credit risk consist principally of the following:

**Cash and Cash Equivalents**

The Museum maintains cash balances in several federally insured financial institutions in the same geographic area. At times during the year, cash in the bank may exceed Federal Deposit Insurance Corporation (FDIC) insurable limits. The cash and cash equivalents exceeding federally insured limits totaled approximately \$3,435,000 at December 31, 2022.

**Investments**

Investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain securities, it is reasonably possible that changes in the values of the underlying investments will occur in the near term and that such changes could materially affect account balances.

**NOTE 10 PAYCHECK PROTECTION PROGRAM LOAN**

In April 2020, the Museum received proceeds in the amount of \$64,000 to fund payroll, rent, and utilities through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations superseded the loan agreement. In April 2021, the Museum received a second PPP Loan in the amount of \$64,497. Each of the PPP Loans incurred interest at a fixed rate of 1.0% per annum, had a term of two years, and were unsecured and guaranteed by the U.S. Small Business Administration (SBA). Payment of principal and interest was deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Museum failed to apply for forgiveness within ten months after the covered period, then payment of principal and interest shall begin on that date.

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**NOTE 10 PAYCHECK PROTECTION PROGRAM (CONTINUED)**

The Museum received forgiveness of the PPP Loan on April 14, 2021 and received forgiveness of the second PPP Loan in October 2021. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Museum's financial position.