

THE CORNING MUSEUM OF GLASS

**Financial Statements
as of December 31, 2018 and 2017
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

March 28, 2019

To the Board of Trustees of
The Corning Museum of Glass:

Report on the Financial Statements

We have audited the accompanying financial statements of The Corning Museum of Glass which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and change in net assets, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform 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.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Corning Museum of Glass as of December 31, 2018 and 2017, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, The Corning Museum of Glass implemented Accounting Standards Update 2016-14, and the effects have been included in these financial statements. Our opinion is not modified with respect to this matter.

Disclaimer of Opinion on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in Note 16, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Bonadio & Co., LLP

THE CORNING MUSEUM OF GLASS

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

(Dollars in Thousands)

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	\$ 10,537	\$ 12,481
Accounts receivable, net of allowance of \$1 for 2018 and 2017	78	197
Other receivable - Rockwell Museum	105	86
Inventories, net of reserve of \$45 and \$40 for 2018 and 2017, respectively	1,503	1,330
Current portion of contributions receivable, net	434	580
Contributions receivable from Corning Incorporated	4,700	4,100
Prepays and other assets	<u>1,013</u>	<u>1,081</u>
Total current assets	18,370	19,855
INVESTMENTS	38,092	39,192
CONTRIBUTIONS RECEIVABLE, net	279	-
FIXED ASSETS, net	5,278	5,727
COLLECTIONS	<u>-</u>	<u>-</u>
	<u>\$ 62,019</u>	<u>\$ 64,774</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 683	\$ 2,174
Accrued liabilities	581	629
Deferred revenue	253	237
Current portion of postretirement benefits other than pension	<u>48</u>	<u>64</u>
Total current liabilities	1,565	3,104
ACCRUED PENSION LIABILITY	656	66
POSTRETIREMENT BENEFITS OTHER THAN PENSION, net of current portion	<u>760</u>	<u>1,021</u>
Total liabilities	<u>2,981</u>	<u>4,191</u>
NET ASSETS:		
Without donor restriction	54,384	55,545
With donor restriction	<u>4,654</u>	<u>5,038</u>
Total net assets	<u>59,038</u>	<u>60,583</u>
	<u>\$ 62,019</u>	<u>\$ 64,774</u>

The accompanying notes are an integral part of these statements.

THE CORNING MUSEUM OF GLASS

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2018

(Dollars in Thousands) (With Comparative Totals for 2017)

	2018			2017
	Without Donor Restriction	With Donor Restriction	Total	
OPERATING SUPPORT AND REVENUE:				
Contributions from Corning Incorporated	\$ 44,572	\$ -	\$ 44,572	\$ 41,233
Sales from merchandising and food service	9,817	-	9,817	10,171
Admissions and membership	4,394	-	4,394	4,745
Contributions and grants	525	1,383	1,908	3,718
Studio	2,810	-	2,810	2,760
Other revenue	1,319	-	1,319	1,334
Investment return appropriated for operations	63	-	63	47
Net assets released from restrictions	1,695	(1,695)	-	-
Total operating support and revenue	65,195	(312)	64,883	64,008
OPERATING EXPENSES:				
Program:				
Curatorial and collections	18,665	-	18,665	17,275
Studio, education, and outreach	17,957	-	17,957	14,622
Visitor services	17,601	-	17,601	17,383
Total program	54,223	-	54,223	49,280
General administration	5,376	-	5,376	6,092
Marketing and public relations	4,512	-	4,512	4,579
Development	1,313	-	1,313	766
Total operating expenses	65,424	-	65,424	60,717
EXCESS (DEFICIENCY) OF OPERATING SUPPORT AND REVENUE OVER OPERATING EXPENSES	(229)	(312)	(541)	3,291
OTHER CHANGES IN NET ASSETS:				
Contributions	-	25	25	25
Interest and dividends	994	54	1,048	809
Net appreciation (depreciation) of investments	(1,864)	(88)	(1,952)	4,010
Investment return appropriated for operations	-	(63)	(63)	(47)
Change in funded status of pension plan	(230)	-	(230)	600
Change in funded status of postretirement benefit plan	168	-	168	(37)
CHANGE IN NET ASSETS	(1,161)	(384)	(1,545)	8,651
NET ASSETS - beginning of year	55,545	5,038	60,583	51,932
NET ASSETS - end of year	\$ 54,384	\$ 4,654	\$ 59,038	\$ 60,583

The accompanying notes are an integral part of these statements.

THE CORNING MUSEUM OF GLASS

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2017

	2017		
	Without Donor Restriction	With Donor Restriction	Total
OPERATING SUPPORT AND REVENUE:			
Contributions from Corning Incorporated	\$ 41,233	\$ -	\$ 41,233
Sales from merchandising and food service	10,171	-	10,171
Admissions and membership	4,745	-	4,745
Contributions and grants	324	3,394	3,718
Studio	2,760	-	2,760
Other revenue	1,334	-	1,334
Investment return appropriated for operations	47	-	47
Net assets released from restrictions	2,231	(2,231)	-
Total operating support and revenue	62,845	1,163	64,008
OPERATING EXPENSES:			
Program:			
Curatorial and collections	17,275	-	17,275
Studio, education, and outreach	14,622	-	14,622
Visitor services	17,383	-	17,383
Total program	49,280	-	49,280
General administration	6,092	-	6,092
Marketing and public relations	4,579	-	4,579
Development	766	-	766
Total operating expenses	60,717	-	60,717
EXCESS OF OPERATING SUPPORT AND REVENUE OVER OPERATING EXPENSES	2,128	1,163	3,291
OTHER CHANGES IN NET ASSETS:			
Contributions	-	25	25
Interest and dividends	769	40	809
Net appreciation (depreciation) of investments	3,827	183	4,010
Investment return appropriated for operations	-	(47)	(47)
Change in funded status of pension plan	600	-	600
Change in funded status of postretirement benefit plan	(37)	-	(37)
CHANGE IN NET ASSETS	7,287	1,364	8,651
NET ASSETS - beginning of year	48,258	3,674	51,932
NET ASSETS - end of year	\$ 55,545	\$ 5,038	\$ 60,583

The accompanying notes are an integral part of these statements.

THE CORNING MUSEUM OF GLASS

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2018

(Dollars in Thousands)

	Program							
	Curatorial and Collections	Studio, Education, and Outreach	Visitor Services	Total	General Administration	Marketing and Public Relations	Development	Total
OPERATING EXPENSES:								
Occupancy	\$ 6,831	\$ 7,147	\$ 5,284	\$ 19,262	\$ 969	\$ 393	\$ 270	\$ 20,894
Salaries	4,495	3,682	2,600	10,777	2,427	1,325	507	15,036
Operating expenses	1,283	2,407	1,426	5,116	555	355	201	6,227
Employee benefits	1,597	1,180	894	3,671	737	400	166	4,974
Cost of goods sold	-	-	4,326	4,326	-	-	-	4,326
Contracted personnel services	188	1,044	1,995	3,227	43	154	21	3,445
Professional services	403	1,341	179	1,923	484	480	104	2,991
Repairs and maintenance	874	455	634	1,963	113	76	31	2,183
Advertising	-	221	76	297	-	1,280	-	1,577
Depreciation	544	480	187	1,211	48	49	13	1,321
	16,215	17,957	17,601	51,773	5,376	4,512	1,313	62,974
Acquisitions	2,450	-	-	2,450	-	-	-	2,450
Total operating expenses	\$ 18,665	\$ 17,957	\$ 17,601	\$ 54,223	\$ 5,376	\$ 4,512	\$ 1,313	\$ 65,424

The accompanying notes are an integral part of these statements.

THE CORNING MUSEUM OF GLASS

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2017

(Dollars in Thousands)

	Program							
	Curatorial and Collections	Studio, Education, and Outreach	Visitor Services	Total	General Administration	Marketing and Public Relations	Development	Total
OPERATING EXPENSES:								
Occupancy	\$ 6,819	\$ 5,092	\$ 5,235	\$ 17,146	\$ 1,231	\$ 398	\$ 128	\$ 18,903
Salaries	4,243	3,775	2,536	10,554	2,572	1,243	313	14,682
Operating expenses	1,141	2,223	1,392	4,756	623	383	186	5,948
Employee benefits	1,537	1,287	894	3,718	839	403	98	5,058
Cost of goods sold	-	-	4,481	4,481	-	-	-	4,481
Contracted personnel services	226	927	1,924	3,077	34	144	-	3,255
Repairs and maintenance	988	434	525	1,947	123	106	18	2,194
Professional services	383	580	173	1,136	475	496	17	2,124
Advertising	-	-	54	54	-	1,372	-	1,426
Depreciation	486	304	169	959	195	34	6	1,194
	15,823	14,622	17,383	47,828	6,092	4,579	766	59,265
Acquisitions	1,452	-	-	1,452	-	-	-	1,452
Total operating expenses	\$ 17,275	\$ 14,622	\$ 17,383	\$ 49,280	\$ 6,092	\$ 4,579	\$ 766	\$ 60,717

The accompanying notes are an integral part of these statements.

THE CORNING MUSEUM OF GLASS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Dollars in Thousands)

	<u>2018</u>	<u>2017</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,545)	\$ 8,651
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	1,321	1,194
Net (appreciation) depreciation of investments	1,952	(4,010)
Change in funded status of pension plan	230	(600)
Change in funded status of postretirement benefit plan	(168)	37
Acquisitions for the Museum collection	2,450	1,452
Contributions donor restricted for endowment	(25)	(25)
Changes in:		
Accounts receivable	119	110
Other receivable - Rockwell Museum	(19)	8
Inventories	(173)	60
Contributions receivable	(133)	(509)
Contributions receivable from Corning Incorporated	(600)	(4,100)
Prepays and other assets	68	(20)
Accounts payable	(1,491)	814
Accrued liabilities	(48)	16
Deferred revenue	16	(3)
Accrued pension liability	360	(390)
Postretirement benefits other than pension	(109)	(82)
Net cash flow from operating activities	<u>2,205</u>	<u>2,603</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(905)	(968)
Loss on disposal of fixed assets	34	-
Purchases of investments	(5,428)	(5,012)
Proceeds from the sale of investments	4,575	2,839
Acquisitions for the Museum collection	<u>(2,450)</u>	<u>(1,452)</u>
Net cash flow from investing activities	<u>(4,174)</u>	<u>(4,593)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Contributions donor restricted for endowment	<u>25</u>	<u>25</u>
Net cash flow from financing activities	<u>25</u>	<u>25</u>
CHANGE IN CASH AND EQUIVALENTS	(1,944)	(1,965)
CASH AND EQUIVALENTS - beginning of year	<u>12,481</u>	<u>14,446</u>
CASH AND EQUIVALENTS - end of year	<u>\$ 10,537</u>	<u>\$ 12,481</u>

The accompanying notes are an integral part of these statements.

THE CORNING MUSEUM OF GLASS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Dollars in Thousands)

1. THE ORGANIZATION

The mission of The Corning Museum of Glass (the Museum) is to inspire people to see glass in a new light. The Museum engages its visitors and the community through the art, history, and science of glass. This involves building, stewarding and promoting the world's foremost collection of objects representing the art, history and science of glass, and supporting the library of record on those subjects, for a broad range of current and new Museum visitors, artists and researchers. The Museum displays the glass and library collections in permanent exhibitions and arranges temporary exhibitions that draw attention to particular aspects of the art and history of glass. In doing so, the Museum maintains an international reputation for scholarship and research on glass. The Museum also presents permanent exhibitions of glass science and technology that educate and engage visitors of all ages in the stories of historic innovations and future applications of glass and glass-related materials. In order to deepen visitors' understanding of glass and its properties, the Museum provides unique opportunities to view glass artists creating new works, as well as offers an opportunity for visitors to experience glassmaking firsthand through creative engagements in the Studio.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Museum have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the purpose of improving financial reporting by not-for-profit (NFP) entities.

ASU 2016-14 includes many changes affecting the presentation and accounting for the Museum's financial statements including:

- Reducing the number of classes of net assets from three to two (net assets without donor restrictions and net assets with donor restrictions);
- Requiring the presentation of expenses in both natural and functional classifications;
- Eliminating the requirement to disclose the components of investment return as well as reporting investment return net of external and direct internal investment expenses;
- Requiring qualitative and quantitative disclosure regarding the Museum's liquidity and availability of resources (Note 3).

ASU 2016-14 is effective for the Museum's year ended December 31, 2018, and was applied retrospectively with the exception of the disclosures regarding liquidity and availability of resources, which are presented for the current year only. The effects of this ASU have been included in these financial statements. There was no effect on total net assets or changes in net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Reporting

The Museum reports its net assets and changes therein in the following classifications:

- Net Assets Without Donor Restrictions are net assets that are not subject to donor imposed stipulations.
- Net Assets With Donor Restrictions are net assets whose use by the Museum is limited by donor imposed stipulations. This includes stipulations that can be fulfilled or removed by actions of the Museum pursuant to the stipulations, as well as donor-imposed stipulations that do not expire. In cases where the donor-imposed stipulation does not expire, generally the donor of these net assets permits the Museum to use all or part of the investment return on the related assets to support collection acquisitions or other program activities.

Operations

The statements of activities and change in net assets present the changes in net assets of the Museum from operating activities and from non-operating activities. Operating revenues and expenses relate primarily to the educational, research, and community engagement activities provided by the Museum as well as auxiliary sales and service revenue. Utilization of investment income under the Museum's endowment spending policy is considered operating revenue.

Non-operating activities reflect transactions not related to current year operations. These include contributions from donors to be invested by the Museum to generate a return that will support operations, income or losses on the Museum's investment portfolio, and the effect of actuarial changes in the funded status of the Museum's long-term benefit plan obligations.

Cash and Equivalents

Cash and equivalents consist of amounts on deposit with financial institutions, short-term investments with maturities of three months or less at the time of purchase, and other highly liquid investments, primarily money market funds. At times, the balances in financial institution accounts may exceed federally insured limits. The Museum has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash and equivalents.

Accounts Receivable

Accounts receivable consist of amounts primarily due for group admission fees, facility rentals, and educational outreach. The Museum records an allowance for doubtful accounts based on experience and a review of specific accounts outstanding. Accounts for which no payments have been received for several months are considered delinquent and when customary collection efforts are exhausted, the account is written-off.

Inventories

Inventories consist of items purchased for resale in the Museum's gift shops and are valued at the lower of cost, determined on the average-cost basis, or net realizable value. The cost of publication inventory produced by Museum staff is charged to expense as incurred, since the future recovery of such costs is uncertain.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are stated at fair value based on quoted market prices. Investment securities are exposed to various risks, such as interest rate, market, economic conditions, world affairs, and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in their values could occur in the near term and such changes could materially affect the net assets of the Museum.

Fair Value Measurement

The Museum uses various valuation techniques in determining fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Museum. Unobservable inputs are inputs that reflect the Museum's assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Museum has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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

All of the Museum's investments are valued utilizing Level 1 inputs. The Museum currently has no assets or liabilities valued utilizing Level 2 or 3 inputs.

Fixed Assets

Fixed asset purchases are capitalized and recorded at cost or, in the case of gifts, at fair value at the date of donation. The Museum capitalizes all fixed assets with a cost of \$5 or more that have a useful life of greater than one year, with the exception of capital expenditures that are related to exhibits that will be in place for less than two years and are deemed to be temporary, which are charged to expense. Depreciation expense is computed using the straight-line method over the estimated useful life of the assets (ranging from two to 40 years).

Deferred Revenue

Deferred revenue represents cash received in advance of revenue recognition by the Museum.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes

The Museum is a not-for-profit corporation exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code (IRC). The Museum has also been classified by the Internal Revenue Service as an entity which is not a private foundation.

Museum Collection

The collections, which were acquired through purchases and contributions since the Museum's inception, are not recognized as assets in the statement of financial position. Purchases of, or proceeds from the sale of, collection items are recorded as changes in net assets without donor restrictions in the year the transaction occurs. Donations of art objects and library materials are not recorded as income in the statement of activities and change in net assets.

Endowments

The Museum's endowments were established by contributions from donors. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Funds with donor-imposed restrictions stating that the funds must be held in perpetuity are included in net assets with donor restrictions in the accompanying statements of financial position.

Contributions

Contributions received and unconditional promises to give are measured at their fair values at the date of the gift and are reported as an increase in net assets. The Museum reports gifts of cash and other assets as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods.

Contributions receivable represents the net present value of amounts pledged, and is discounted at rates ranging from 6.00% to 6.25% to reflect the time value of money. The difference between contributions outstanding and their net present value is recorded as a reduction to contributions receivable and is recognized as contribution revenue over the term of the related pledge.

Donated Services, Goods, and Facilities

Materials and other goods and services received as donations are recorded and reflected in the accompanying financial statements at their estimated fair values at the date of receipt.

Volunteers have donated significant amounts of time in support of the Museum's activities. However, the value of these services is not reflected in the accompanying statements, as they do not meet the criteria for recognition as set forth under GAAP.

Allocation of Certain Expenses

The statement of functional expenses presents expenses by both natural and functional classification. Certain categories of expenses are attributable to one or more program or supporting functions, and these expenses are allocated to the reported functional columns. These expenses include occupancy percentages, certain employee benefit expenses, the information technology department, and depreciation. Occupancy expenses are allocated based on the square footage of the Museum's facilities utilized by each functional area. The information technology department and certain employee benefits are allocated based on employee headcount in each functional area. Depreciation is allocated based on identified assets used by each functional area as well as a square footage allocation for assets used by multiple functional areas.

Advertising

Advertising costs are charged to expense as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sales Tax

The Museum records sales net of tax collected.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. LIQUIDITY

The Museum is substantially supported by unrestricted contributions and revenue generated by its operations. In addition, some support is received in the form of restricted contributions from donors. Because a donor restriction requires resources to be used in a particular manner or in a future period, the Museum must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Museum's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Museum invests cash in excess of daily requirements in its investment portfolio. This portion of the investment portfolio without donor restrictions is not specifically designated by the Board for any particular purpose.

The Museum's financial assets available to meet cash needs for general expenditures within one year are:

Financial assets at December 31, 2018	\$	54,225
Less: Financial assets unavailable for general expenditures within one year, due to:		
Restricted in perpetuity by donor		(1,010)
Subject to satisfaction of donor restrictions		<u>(3,644)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>49,571</u>

The Museum experiences operational seasonality that affects its liquidity at different times of the year. Typically, the Museum generates cash flow surpluses in the summer, cash flow deficits in the winter, and operates at generally break-even cash flow in spring and fall. The Museum manages cash resources to ensure the availability of adequate liquidity at all times. If the need for additional liquidity were to arise, the Museum could draw on its investment balances held without donor restrictions.

4. OTHER RECEIVABLE - ROCKWELL MUSEUM

Employees of the Museum provide services to the Rockwell Museum (the Rockwell) for which the Museum is reimbursed for the cost of salaries and benefits of the specific employees. In 2018 and 2017, the Museum provided services totaling \$1,354 and \$1,246, respectively, to the Rockwell. As of December 31, 2018 and 2017, respectively, the Museum recorded an amount due from the Rockwell for salaries, benefits, and other services of \$105 and \$86. Repayment terms for these balances require quarterly payments, with all balances outstanding at November 30 paid by the end of December each year, and the amount for December paid by the end of the next month.

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable are due as follows during the years ending December 31:

2019	\$	434
2020		105
2021		105
2022		<u>105</u>
Less: Discount		<u>(36)</u>
	\$	<u>713</u>

6. INVESTMENTS

The Museum's investments consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Money market funds	\$ 3,620	\$ 3,471
Fixed income mutual funds	14,562	15,004
Domestic equity mutual funds	16,271	16,688
International equity mutual funds	<u>3,639</u>	<u>4,029</u>
	<u>\$ 38,092</u>	<u>\$ 39,192</u>

The following were measured at fair value on a recurring basis at December 31, 2018:

<u>Description</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Investments	<u>\$ 38,092</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,092</u>

The following were measured at fair value on a recurring basis at December 31, 2017:

<u>Description</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Investments	<u>\$ 39,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,192</u>

7. ENDOWMENTS

The Museum's endowments included contributions restricted in perpetuity by donors as well as accumulated unappropriated earnings on those amounts (the Endowments). As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The New York Prudent Management of Institutional Funds Act (NYPMIFA) governs the management and investment of funds held by not-for-profit corporations and other institutions. The Museum has interpreted NYPMIFA as allowing the Museum to appropriate for expenditure or accumulate so much of an endowment fund as the Museum determines is prudent to the uses, benefits, purposes, and duration for which the Endowments are established, subject to the intent of the donor as expressed in the gift instrument. The Museum has determined that it is prudent to preserve the value of the original gift as of the gift date of the donation absent explicit donor stipulation to the contrary.

7. ENDOWMENTS (Continued)

Interpretation of Relevant Law (Continued)

As a result of this interpretation, the Museum classifies as endowment, (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is made to the fund. Endowment funds remain classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standards of prudence prescribed by NYPMIFA and the spending policy of the Museum, as described below.

Endowment Spending Policy

The Museum has adopted a target spending policy whereby 4.0% of the average fair value of the Endowments for the preceding twenty quarters is appropriated annually. In developing its spending policy, the Museum considered the following factors which it determines relevant:

1. The duration and preservation of the Endowments;
2. The purposes of the Museum and the Endowments;
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 and circumstances would otherwise warrant, alternatives to expenditure of the Endowments, giving due consideration to the effect that such alternatives may have on the Museum; and
8. The investment policies of the Museum.

Endowment Activity

Changes in endowment net assets were as follows:

Endowment net assets, balance – January 1, 2017	\$	1,591
Investment income		34
Contributions		25
Net appreciation of investments		183
Appropriations		<u>(47)</u>
Endowment net assets, balance – December 31, 2017		1,786
Investment income		39
Contributions		25
Net depreciation of investments		(88)
Appropriations		<u>(63)</u>
Endowment net assets, balance – December 31, 2018	\$	<u>1,699</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level required by New York Not-for-Profit Corporation Law. There were no such deficiencies as of December 31, 2018 and 2017.

7. ENDOWMENTS (Continued)

Return Objectives and Risk Parameters

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity. Under this policy, investments are consistent with the quality deemed appropriate in a fiduciary relationship and to which a prudent investor would adhere. All assets have readily ascertainable market values and are easily marketable.

Strategies Employed for Achieving Objectives

The Museum's strategy is to invest its endowment assets in mutual funds. This allows for diversity without the need to track individual securities. Only mutual funds that have been in existence for at least five years are used. Additionally, selected mutual funds have favorable risk adjusted performance records and low expense ratios over time relative to peer funds and their associated benchmarks.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Earnings on the Museum's endowments are restricted by the original donors for specific operational objectives. The Museum's policy is to appropriate as much of the endowment earnings as considered necessary to accomplish these objectives annually while maintaining the purchasing power of the endowment assets, limited to the maximum of 7% of the rolling 20 quarter average of the endowments balance.

8. NATURE, PURPOSE AND AMOUNT OF RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions were restricted for the following purposes at December 31:

	<u>2018</u>	<u>2017</u>
Net assets with donor restrictions that can be satisfied by action of the Museum or the passage of time:		
Scholarships and awards	\$ 1,915	\$ 1,841
Unappropriated endowment appreciation	689	801
Acquisitions	257	413
Capital projects	561	163
Special projects	-	608
Other	222	227
Net assets restricted in perpetuity by the donor:		
Acquisitions and awards	960	960
Other	50	25
	<u>\$ 4,654</u>	<u>\$ 5,038</u>

8. NATURE, PURPOSE AND AMOUNT OF RESTRICTIONS ON NET ASSETS (Continued)

Net assets were released from donor restrictions, either by action of the Museum or by the passage of time satisfying the restricted purposes, as follows:

	<u>2018</u>	<u>2017</u>
Scholarships and awards	\$ 224	\$ 226
Endowment appropriations	63	47
Acquisitions	686	393
Special projects	641	20
Capital projects	-	1,500
Other	<u>144</u>	<u>92</u>
	<u>\$ 1,758</u>	<u>\$ 2,278</u>

9. FIXED ASSETS

Fixed assets consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Buildings and improvements	\$ 9,399	\$ 9,251
Equipment	11,303	10,065
Construction in progress	<u>23</u>	<u>612</u>
	20,725	19,928
Less: Accumulated depreciation and amortization	<u>(15,447)</u>	<u>(14,201)</u>
	<u>\$ 5,278</u>	<u>\$ 5,727</u>

10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The Museum has a funded noncontributory defined benefit pension plan that covers eligible employees. The Museum also has other postretirement benefit plans that provide health care and life insurance benefits for eligible retirees and dependents. The health care plan is contributory, with participants' contributions determined by years of service. The life insurance plan is noncontributory.

Certain employees of the Museum provide services to the Rockwell. Therefore, pension costs are allocated by the Museum to the Rockwell based on the level of services provided to the Rockwell by the Museum's employees.

The Defined Benefit Pension Plan (the DB Plan) was frozen as of December 31, 2016. No new participants will be eligible to participate in the DB Plan and no benefits will accrue after December 31, 2016. In response to the DB Plan being frozen, the Museum modified the 403(b) plan, effective January 1, 2017, to increase the employer matching contribution percentage as well as incorporate a non-elective contribution based on an age-and-service formula.

10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

The Postretirement Benefit Plan (the Plan) is limited to employees hired before January 1, 2007, with 15 years of service at the time of retirement. Under the Plan, medical contributions for current and future retirees are limited based on years of service and the retiree life insurance benefit is fixed at \$20. The Plan also eliminates retiree medical insurance upon reaching age 65 for any plan participant who retired or will retire on or after January 1, 2007.

The Museum uses a December 31 measurement date for all of its plans.

Funded Status

Obligations and funded status of the plans were as follows for the years ended December 31:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Projected benefit obligation	\$ 24,365	\$ 26,154	\$ 808	\$ 1,085
Fair value of plan assets at end of year	<u>23,709</u>	<u>26,088</u>	<u>-</u>	<u>-</u>
Funded status	<u>\$ (656)</u>	<u>\$ (66)</u>	<u>\$ (808)</u>	<u>\$ (1,085)</u>

Other Financial Disclosures

Accumulated benefit obligation	\$ 24,365	\$ 26,154		N/A	N/A
Employer contributions	\$ -	\$ 750	\$ 26	\$ 10	
Plan participants' contributions	\$ -	\$ -	\$ 21	\$ 18	
Benefit payments and expenses	\$ (955)	\$ (897)	\$ (47)	\$ (28)	

Financial Statement Recognition

As of December 31, 2018 and 2017, the following liabilities were recognized:

	<u>2018</u>	<u>2017</u>
As a current liability	\$ (48)	\$ (64)
As a non-current liability	\$ (1,416)	\$ (1,087)

Amounts recognized in the statements of activities and change in net assets consisted of:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net periodic cost (gain)	\$ 359	\$ 361	\$ (83)	\$ (70)
Other changes in net assets	\$ (230)	\$ 600	\$ 168	\$ (37)

The net periodic cost or gain is included in employee benefits expense on the accompanying statements of functional expenses.

10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Financial Statement Recognition (Continued)

As of December 31, 2018, the following items included in net assets had not yet been recognized as components of benefits expense:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>Prior Service Credit</u>	<u>Net Loss</u>	<u>Prior Service Credit</u>	<u>Net Gain (Loss)</u>
Unrecognized amounts at December 31, 2018	\$ -	\$ (3,965)	\$ 278	\$ 71
Expected amortization of unrecognized items in next year's expense	\$ -	\$ 57	\$ (183)	\$ (21)

Assumptions

Weighted average assumptions used to determine benefit obligations at December 31 were as follows:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Discount rate	4.25%	3.60%	4.00%	3.30%
Expected long-term rate of return on plan assets	3.25%	3.25%	N/A	N/A

The expected rate of return on assets is based on the current interest rate environment and historical market premiums of equity and other asset classes relative to fixed income rates.

Assumed health care cost trend rates at December 31 were as follows:

	<u>2018</u>	<u>2017</u>
Pre-65 years of age		
Health care cost trend rate assumed for next year	7.00%	7.25%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.78%	3.89%
Year that the rate reaches the ultimate trend rate	2075	2075
Post-65 years of age		
Health care cost trend rate assumed for next year	5.00%	5.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.78%	3.89%
Year that the rate reaches the ultimate trend rate	2075	2075

The health care cost trend for pre-65 years of age retirees is assumed to decline .25% per year for the next several years, then decrease at a gradual annual pace until the ultimate trend is reached in 2075. The health care cost trend for post-65 years of age retirees is assumed to decline to 4.25% through 2022 and remain at 4.25% annually through 2055, after which it gradually decreases until the ultimate trend is reached in 2075. The effect of a 1% increase or decrease in the health care cost trend rate would be immaterial to the Net Periodic Benefit Cost and Accumulated Benefit Obligation for 2018.

10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Assumptions (Continued)

The mortality assumption has been revised as of December 31, 2018 to the sex-distinct RP-2014 Mortality Tables, adjusted backwards to 2006 using Scale MP-2014 and then adjusted for mortality improvements using Scale MP-2018 on a generational basis to reflect newly published mortality tables. The change in mortality tables was made based on the Museum's anticipation of future experience under the Plan and resulted in a decrease in benefit obligation.

Plan Assets

The Museum has an investment policy for the pension plan with the primary objective of adequately providing for both the growth and liquidity needed to support all current and future benefit payment obligations. The investment strategy was to invest in a diversified portfolio of assets that are expected to satisfy the above objective and produce both absolute and risk adjusted returns competitive with a benchmark of 40% MSCI US Broad Market Index, 10% MSCI EAFE Index, and 50% Barclays Long Corporate Index. In 2017, the Museum's investment policy was updated with the objective to produce both absolute and risk adjusted returns competitive with a benchmark of 50% Barclays Capital Long Government/Credit Index and 50% Barclays Long Corporate Index.

The Museum's pension plan had investments that consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Cash	\$ 84	\$ 78
Fixed income mutual funds	<u>23,625</u>	<u>26,010</u>
	<u>\$ 23,709</u>	<u>\$ 26,088</u>

The fair value of the Museum's pension plan investments at December 31, 2018, was determined using the following input levels:

<u>Description</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Investments	<u>\$ 23,709</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,709</u>

The fair value of the Museum's pension plan investments at December 31, 2017, was determined using the following input levels:

<u>Description</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Investments	<u>\$ 26,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,088</u>

Contributions

The Museum expects to contribute \$48 to its postretirement benefit plan in 2019. The Museum does not expect to be required to make a contribution to its pension plan in 2019.

10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Estimated Future Benefit Payments

Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

	<u>Pension Benefits</u>	<u>Postretirement Benefits</u>
2019	\$ 1,221	\$ 48
2020	\$ 1,287	\$ 53
2021	\$ 1,302	\$ 63
2022	\$ 1,347	\$ 60
2023	\$ 1,374	\$ 52
2024- 2028	\$ 7,037	\$ 312

11. 403(b) DEFINED CONTRIBUTION RETIREMENT PLAN

Employees of the Museum are eligible to participate in The Defined Contribution Retirement Plan, a 403(b) tax-deferred annuity program, after completing 90 days of employment. Each employee determines whether participation in the program is appropriate and the percentage of compensation he or she wishes to defer. Employees may contribute any percentage of compensation up to the lesser of 75% of their compensation or the maximum allowed by law.

Effective January 1, 2017, in conjunction with the changes to The Defined Benefit Pension Plan discussed in Note 10, the Museum amended the terms of its 403(b) Plan. As a result of this amendment, the following provisions were effective starting January 1, 2017:

- The Museum's matching contributions to the 403(b) Plan equal up to 5% of the employee's compensation, matched dollar for dollar to the employee's contribution.
- The Museum will make additional non-elective contributions for employees based on a point system that considers years-of-service and age.
- The Museum will auto-enroll employees with an initial deferral of 5% (employees have the right to opt out).
- The Museum will automatically escalate employee contributions by 1% each year in the pay period that includes April 1 (after the first year of employment) to a maximum of 15%.
- The vesting period for employer contributed funds is now 100% vesting after 2 years of service for employees hired on or after January 1, 2017.
- Participant loans are permitted subject to certain restrictions.

Prior to January 1, 2017, the Museum made matching contributions of 50% of each employee's contributions, up to a maximum of 4% of compensation. Additional elective contributions were not made. The Plan did not include auto-enroll or escalate provisions. Participant loans were not permitted and participants vested gradually over five years.

The total of an employee's and the Museum's matching contributions is not to exceed the maximum IRC Section 415 limitations of \$55 in 2018. In addition, employees age 50 or older were permitted to make catch-up contributions in 2018, not to exceed \$6. The Museum's total matching contributions for 2018 and 2017 were \$618 and \$616, respectively. The Museum's total non-elective contributions for 2018 and 2017 were \$504 and \$494, respectively.

12. CONTRIBUTIONS FROM CORNING INCORPORATED

Contributions from Corning Incorporated for the years ended December 31 were as follows:

	<u>2018</u>	<u>2017</u>
Operations expenses incurred on behalf of the Museum	\$ 9,382	\$ 9,684
Facility and equipment	16,490	13,949
Cash	<u>18,700</u>	<u>17,600</u>
	<u>\$ 44,572</u>	<u>\$ 41,233</u>

Cash contributions from Corning Incorporated are unrestricted and available for the Museum's general operations and acquisitions.

Operations expenses incurred by Corning Incorporated on behalf of the Museum consisted primarily of personnel expenses. The majority of the Museum's facilities are owned by Corning Incorporated and provided to the Museum. All of these are recorded as both support and expenses and are reflected in the applicable operations expense categories in the statements of functional expenses.

13. ADVERTISING COSTS

For the years ended December 31, 2018 and 2017, advertising costs for the Museum were \$1,577 and \$1,426 respectively.

14. OPERATING LEASES

The Museum has several non-cancelable operating leases, primarily for vehicles and office equipment, which expire through 2021. These leases generally require the Museum to pay all executory costs such as maintenance and insurance. The expense for operating leases for 2018 and 2017 was \$171 and \$155, respectively. The Museum's future minimum operating lease commitments are as follows:

2019	\$ 133
2020	72
2021	49
2022	36
2023	<u>7</u>
	<u>\$ 297</u>

15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 28, 2019, which is the date the financial statements were available to be issued.

16. GIFTS AND DONATIONS (UNAUDITED)

Gifts of art objects and library materials received during 2018 and 2017 were estimated by the Museum's curators to have a value of approximately \$405 and \$177, respectively.

A substantial number of volunteers donated 14,988 and 13,309 hours to the Museum's program services during 2018 and 2017, respectively. The value of these donated services is not reflected in the financial statements.

In addition to the volunteer hours, the Museum's internship program provided for 8,166 and 5,201 hours during 2018 and 2017, respectively.