

**The Newark Museum Association  
(d/b/a The Newark Museum of the Art)**

Financial Statements  
December 31, 2021 and 2020

## **Independent Auditors' Report**

### **Board of Trustees**

**The Newark Museum Association (d/b/a The Newark Museum of the Art)**

### ***Opinion***

We have audited the accompanying financial statements of The Newark Museum Association, (d/b/a The Newark Museum of the Art) (the "Museum"), which comprise the statements of financial position as of December 31, 2021 and 2020, 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 the Museum as of December 31, 2021, and 2020 and the changes in its net assets and 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent to the 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.

### ***Responsibility of Management 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; 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 the Museum's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditors' Responsibility 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 generally accepted auditing standards 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 the 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 the Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

*PKF O'Connor Davies, LLP*

March 29, 2022

**The Newark Museum Association  
(d/b/a The Newark Museum of the Art)**

Statements of Financial Position

	December 31	
	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,699,080	\$ 4,974,246
Grants receivable	346,547	559,213
Contributions receivable, net (Note 3)	316,332	811,207
Prepaid expenses and other assets	637,779	296,662
Investments (Notes 4 and 9)	61,079,858	42,955,731
Property and equipment, net (Note 5)	14,106,799	14,773,833
Museum collections (Note 2)	-	-
	<u>\$ 83,186,395</u>	<u>\$ 64,370,892</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 1,103,391	\$ 1,661,874
Loan payable (Note 6)	2,012,000	-
Refundable advances	189,807	246,688
Total Liabilities	<u>3,305,198</u>	<u>1,908,562</u>
Net Assets		
Without donor restrictions (Note 7)	64,732,454	45,329,030
With Donor Restrictions (Notes 8 and 9)		
Time or purpose restricted	1,429,558	3,424,115
Held in perpetuity	13,719,185	13,709,185
Total Net Assets	<u>79,881,197</u>	<u>62,462,330</u>
	<u>\$ 83,186,395</u>	<u>\$ 64,370,892</u>

See notes to financial statements

**The Newark Museum Association  
(d/b/a The Newark Museum of the Art)**

**Statement of Activities  
Year Ended December 31, 2021**

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose Restricted	Held in Perpetuity	
<b>OPERATING ACTIVITIES</b>				
Operating Revenues, Gains, and Other Support				
Governmental grants and appropriations	\$ 7,198,832	\$ -	\$ -	\$ 7,198,832
Contributions and pledges	1,490,032	1,208,931	10,000	2,708,963
Membership and tours	374,781	-	-	374,781
Educational	23,272	-	-	23,272
Investment return designated for operations	2,020,845	3,090,088	-	5,110,933
Other revenue	841,370	-	-	841,370
Net assets released from restriction	<u>4,649,175</u>	<u>(4,649,175)</u>	<u>-</u>	<u>-</u>
Total Operating Revenues, Gains, and Other Support	<u>16,598,307</u>	<u>(350,156)</u>	<u>10,000</u>	<u>16,258,151</u>
Operating Expenses				
Program services	10,573,087	-	-	10,573,087
General and administrative	1,673,824	-	-	1,673,824
Fundraising and development	<u>2,670,763</u>	<u>-</u>	<u>-</u>	<u>2,670,763</u>
Total Operating Expenses	<u>14,917,674</u>	<u>-</u>	<u>-</u>	<u>14,917,674</u>
Change in Net Assets from Operations	<u>1,680,633</u>	<u>(350,156)</u>	<u>10,000</u>	<u>1,340,477</u>
<b>NON-OPERATING ACTIVITIES</b>				
Investment return less amounts designated for current operations	1,314,428	(1,644,401)	-	(329,973)
Sale of collection items	18,814,588	-	-	18,814,588
Collections purchased	(552,660)	-	-	(552,660)
Direct care of collections	(2,103,565)	-	-	(2,103,565)
Data security incident recovery	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
Total Non-Operating Activities	<u>17,722,791</u>	<u>(1,644,401)</u>	<u>-</u>	<u>16,078,390</u>
Change in Net Assets	19,403,424	(1,994,557)	10,000	17,418,867
<b>NET ASSETS</b>				
Beginning of year	<u>45,329,030</u>	<u>3,424,115</u>	<u>13,709,185</u>	<u>62,462,330</u>
End of year	<u>\$ 64,732,454</u>	<u>\$ 1,429,558</u>	<u>\$ 13,719,185</u>	<u>\$ 79,881,197</u>

See notes to financial statements

**The Newark Museum Association  
(d/b/a The Newark Museum of the Art)**

**Statement of Activities  
Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose Restricted	Held in Perpetuity	
<b>OPERATING ACTIVITIES</b>				
Operating Revenues, Gains, and Other Support				
Governmental grants and appropriations	\$ 5,645,368	\$ -	\$ -	\$ 5,645,368
Paycheck protection program	1,458,200	-	-	1,458,200
Contributions and pledges	1,272,402	1,927,556	10,000	3,209,958
Membership and tours	438,388	-	-	438,388
Educational	58,457	-	-	58,457
Investment return designated for operations	1,745,837	1,167,911	-	2,913,748
Other revenue	92,745	-	-	92,745
Net assets released from restriction	<u>3,885,158</u>	<u>(3,885,158)</u>	<u>-</u>	<u>-</u>
Total Operating Revenues, Gains, and Other Support	<u>14,596,555</u>	<u>(789,691)</u>	<u>10,000</u>	<u>13,816,864</u>
Operating Expenses				
Program services	9,449,725	-	-	9,449,725
General and administrative	1,608,657	-	-	1,608,657
Fundraising and development	<u>2,861,423</u>	<u>-</u>	<u>-</u>	<u>2,861,423</u>
Total Operating Expenses	<u>13,919,805</u>	<u>-</u>	<u>-</u>	<u>13,919,805</u>
Change in Net Assets from Operations	<u>676,750</u>	<u>(789,691)</u>	<u>10,000</u>	<u>(102,941)</u>
<b>NON-OPERATING ACTIVITIES</b>				
Investment return less amounts designated for current operations	950,697	388,410	-	1,339,107
Sale of collection items	65,339	-	-	65,339
Collections purchased	(600,000)	-	-	(600,000)
Data security incident	<u>(411,426)</u>	<u>-</u>	<u>-</u>	<u>(411,426)</u>
Total Non-Operating Activities	<u>4,610</u>	<u>388,410</u>	<u>-</u>	<u>393,020</u>
Change in Net Assets	<u>681,360</u>	<u>(401,281)</u>	<u>10,000</u>	<u>290,079</u>
<b>NET ASSETS</b>				
Beginning of year	<u>44,647,670</u>	<u>3,825,396</u>	<u>13,699,185</u>	<u>62,172,251</u>
End of year	<u>\$ 45,329,030</u>	<u>\$ 3,424,115</u>	<u>\$ 13,709,185</u>	<u>\$ 62,462,330</u>

See notes to financial statements

**The Newark Museum Association  
(d/b/a The Newark Museum of the Art)**

**Statement of Functional Expenses  
Year Ended December 31, 2021**

	Program Services			Supporting Services			Total
	Exhibitions	Education and Public Programs	Registrar and Curatorial	Total	General and Administrative	Fundraising and Development	
Salaries and wages	\$ 785,956	\$ 1,805,637	\$ 1,336,247	\$ 3,927,840	\$ 857,126	\$ 1,602,737	\$ 6,387,703
Employee benefits and taxes	466,778	635,476	528,762	1,631,016	119,709	437,681	2,188,406
Professional fees and consultants	210,319	745,370	398,767	1,354,456	480,272	230,634	2,065,362
Program supplies	59,278	139,930	39,815	239,023	32,933	21,828	293,784
Office expenses	13,532	15,435	46,615	75,582	12,809	20,369	108,760
Travel, conference and meetings	21,675	87,819	22,530	132,024	27,103	31,122	190,249
Marketing expenses	31,787	43,755	-	75,542	-	178,875	254,417
Occupancy and building maintenance	609,651	147,343	474,604	1,231,598	61,813	70,552	1,363,963
Insurance	197,313	30,356	170,905	398,574	6,071	9,107	413,752
Interest expense and loan fees	11,014	11,014	13,767	35,795	8,259	11,014	55,068
Other general and administrative	7,619	18,269	5,011	30,899	37,397	11,347	79,643
Depreciation	985,768	151,657	303,313	1,440,738	30,332	45,497	1,516,567
<b>Total Expenses</b>	<b>\$ 3,400,690</b>	<b>\$ 3,832,061</b>	<b>\$ 3,340,336</b>	<b>\$ 10,573,087</b>	<b>\$ 1,673,824</b>	<b>\$ 2,670,763</b>	<b>\$ 14,917,674</b>

See notes to financial statements

**The Newark Museum Association  
(d/b/a The Newark Museum of the Art)**

Statement of Functional Expenses  
Year Ended December 31, 2020

	Program Services			Supporting Services			Total
	Exhibitions	Education and Public Programs	Registrar and Curatorial	Total	General and Administrative	Fundraising and Development	
Salaries and wages	\$ 814,010	\$ 1,261,570	\$ 1,972,368	\$ 4,047,948	\$ 897,052	\$ 1,865,883	\$ 6,810,883
Employee benefits and taxes	456,254	456,254	735,917	1,648,425	176,592	456,254	2,281,271
Professional fees and consultants	277,258	83,010	286,574	646,842	200,548	132,336	979,726
Program supplies	41,157	26,549	77,978	145,684	28,360	53,602	227,646
Office expenses	52,533	2,627	209	55,369	49,156	6,605	111,130
Travel, conference and meetings	10,884	18,002	37,460	66,346	49,820	20,915	137,081
Marketing expenses	23,336	-	41,063	64,399	35,686	174,869	274,954
Occupancy and building maintenance	799,868	281,148	178,529	1,259,545	61,006	85,187	1,405,738
Insurance	159,706	107,236	25,661	292,603	5,630	8,320	306,553
Other general and administrative	5,000	4,750	5,938	15,688	79,399	19,340	114,427
Depreciation	825,757	254,079	127,040	1,206,876	25,408	38,112	1,270,396
<b>Total Expenses</b>	<b><u>\$ 3,465,763</u></b>	<b><u>\$ 2,495,225</u></b>	<b><u>\$ 3,488,737</u></b>	<b><u>\$ 9,449,725</u></b>	<b><u>\$ 1,608,657</u></b>	<b><u>\$ 2,861,423</u></b>	<b><u>\$ 13,919,805</u></b>

See notes to financial statements



**The Newark Museum Association**  
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Statements of Cash Flows

	Year Ended December 31	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 17,418,867	\$ 290,079
Adjustments to reconcile change in net assets to net cash from operating activities		
Endowment funds gifts	(10,000)	(10,000)
Depreciation	1,516,567	1,270,396
Present value discount on contributions receivable	(16,000)	6,182
Realized and unrealized gain on investments	(3,429,845)	(3,610,515)
Purchase of collections	552,660	600,000
Proceeds from sale of collections	(18,814,588)	(65,339)
Changes in operating assets and liabilities		
Grants receivable	212,666	2,344
Contributions receivable	510,875	(428,667)
Prepaid expenses and other assets	(341,117)	563,662
Accounts payable and accrued expenses	(558,483)	78,669
Refundable advances	(56,881)	189,116
Net Cash from Operating Activities	(3,015,279)	(1,114,073)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(849,533)	(352,576)
Purchase of investments	(28,260,579)	(11,222,582)
Proceeds from sale of investments	13,566,297	13,617,835
Purchase of collections	(552,660)	(600,000)
Proceeds from sale of collections	18,814,588	65,339
Net Cash from Investing Activities	2,718,113	1,508,016
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Endowment funds gifts received	10,000	10,000
Proceeds from loan	2,012,000	-
Net Cash from Financing Activities	2,022,000	10,000
 Net Change in Cash and Cash Equivalents	1,724,834	403,943
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	4,974,246	4,570,303
End of year	\$ 6,699,080	\$ 4,974,246

See notes to financial statements

**The Newark Museum Association  
(d/b/a The Newark Museum of the Art)**

Notes to Financial Statements  
December 31, 2021 and 2020

**1. The Museum**

Founded in 1909, The Newark Museum Association (d/b/a The Newark Museum of the Art) (the “Museum”) is one of the most influential museums in the United States and the largest art and education institution in New Jersey. Its extensive collections, which include art from around the globe as well as significant holdings of science, technology and natural history, rank 12th in size nationally. The Museum is dedicated to artistic excellence, education and community engagement with an overarching commitment to broadening and diversifying participation in the arts.

A cultural anchor institution in Newark for over a century, the Museum advances its mission by operating in the public trust as a museum of service, and as a leader in connecting objects and ideas to the needs and wishes of its constituencies. The Museum’s renowned art collections have the power to educate, inspire and transform individuals of all ages, and the local, regional, national and international communities that it serves. In the words of founder John Cotton Dana, “a good museum attracts, entertains, arouses curiosity, leads to questioning and thus promotes learning.” The Museum responds to the evolving needs and interests of the diverse audiences it serves by providing exhibitions, programming, a research library, partnerships and resources designed to enrich people’s lives.

The Museum’s distinguished art collections are international in scope and include an Asian Art collection with the most important collection of Tibetan art in the West; one of the nation’s earliest and most comprehensive collections of African Art; a nationally and internationally recognized collection of 18th- to 21st-century American painting and sculpture; an acclaimed Decorative Arts collection; and Ancient Mediterranean collections featuring an unparalleled collection of ancient glass. The Museum’s collections reflect Dana’s belief that art can be found everywhere in the world, that the creative impulse can be expressed in any medium, and that art is for everyone.

The Museum’s collections are presented in 91 galleries housed on a seven-acre campus that encompasses the Ballantine House, a Victorian-era mansion which is a National Historic Landmark, the Dreyfuss Memorial Garden, and Horizon Plaza. The Museum also features the Dreyfuss Planetarium as well as the MakerSPACE, a dedicated maker studio and exhibition space that offers interactive, hands-on activities for visitors of all ages that integrate the arts with STEM learning.

Considered the birthplace of museum-based education, the Museum remains one of the leaders in arts education in the country. The Museum offers a wealth of on-site and off-site school programs for New Jersey students from Pre-K through 12th grade, as well as professional development training sessions for teachers, that support state curriculum standards in the arts, sciences and the humanities. In addition, the Museum serves as an educational resource for the entire community by providing varied programming for all ages that increases visitors’ engagement with works in the collections and promotes lifelong learning and creativity. Popular signature programs include: Late Thursdays, evening programming for adult audiences; Second Sundays, multicultural activities and experiences for all ages; Jazz in the Garden; the Martin Luther King Jr. Day Celebration; and the Newark Black Film Festival, which celebrated its 45th anniversary year in 2019.

**The Newark Museum Association  
(d/b/a The Newark Museum of the Art)**

Notes to Financial Statements  
December 31, 2021 and 2020

**1. The Museum (*continued*)**

The Museum qualifies as a charitable organization as defined by Internal Revenue Code (IRC) Section 501(c)(3). Accordingly, it is exempt from Federal income tax under IRC Section 501(a). Additionally, since the Museum is publicly supported, the contributions to the Museum qualify for the maximum charitable contribution deduction under the IRC. The Museum is also exempt from state and local taxes.

**2. Summary of Significant Accounting Policies**

***Basis of Presentation and Use of Estimates***

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

***Cash and Cash Equivalents***

The Museum considers all liquid investments purchased with a remaining maturity of three months or less to be cash equivalents, with the exception of those money market funds which are included in investments.

***Fair Value Measurements***

The Museum follows US GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

***Investments Valuation and Investment Income***

Investments in equity and fixed-income securities are carried at fair value, which is based on published unit values or quoted market prices. Investments in cash equivalents, consisting of money market funds, are carried at cost, which approximates fair value.

Income earned from donor restricted investments, including realized and unrealized gains and losses, is recorded as net assets without donor restriction or net assets with donor restriction based on donor stipulations.

**The Newark Museum Association  
(d/b/a The Newark Museum of the Art)**

Notes to Financial Statements  
December 31, 2021 and 2020

**2. Summary of Significant Accounting Policies (continued)**

***Collections***

The value of the Museum's collections has been excluded from the statements of financial position and gifts of art objects are excluded from revenue in the statements of activities. Purchases of art objects by the Museum are recorded as decreases in net assets in the statements of activities. The Museum's policy is to utilize board designated acquisition funds to acquire new objects for its collections (See Note 7). Proceeds from the sale of collection items are reflected as increases in net assets in the statements of activities.

***Property and Equipment***

The land occupied by the Museum's building was appropriated and reserved by the City of Newark for the Museum's collections, which are maintained for public exhibition, education, and research in the furtherance of public service. The land had a de minimus value and the original buildings were fully depreciated at that time. Accordingly, no value has been assigned for such land and buildings in the accompanying financial statements.

The Museum capitalizes all building improvements and other property and equipment expenditures or additions in excess of \$2,000, which are recorded at cost or, if donated, at fair value as of the date of receipt. Major renewals and betterments are capitalized. Maintenance and repairs, which do not extend the lives of the respective assets, are expensed. Depreciation is computed on a straight-line basis over the estimated useful life of the asset ranging from 7 to 25 years.

When assets are retired or disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected as an increase or decrease in net assets without donor restrictions.

***Asset Recoverability***

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. No impairment charge has been recognized for the years ended December 31, 2021 and 2020.

***Inventory***

The Museum values its inventories consisting primarily of gift shop and special event inventory at the lower of weighted average cost or net realizable value and is included in prepaid expenses and other assets on the statement of financial position.

**The Newark Museum Association  
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Notes to Financial Statements  
December 31, 2021 and 2020

**2. Summary of Significant Accounting Policies (continued)**

***Net Asset Classifications***

The Museum reports information regarding financial position and activities according to two classes of net assets: without and with donor restrictions.

*Without donor restrictions* - Resources that are fully available at the discretion of management and the Board of Trustees (the Board), for use in activities within the Museum's charter and mission. The Board has designated a portion of the Museum's net assets for various purposes. Board-designated net assets consist of endowments within the Museum's institutional funds that donors do not require to be held in perpetuity, proceeds from the sale of de-accessioned collections and related investment income, or asset appreciation, that have been designated by the Board for the purchase of collections and other purposes. (See Note 7)

*With donor restrictions* - Represent amounts restricted by donors to be used for specific activities or at some future date, or which require the Museum to maintain in perpetuity, including funds that are subject to restrictions or gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Income and gains earned on endowment fund investments are available to be used in the "without donor restrictions" or "with donor restrictions" net asset classes based upon stipulations by the donors.

***Governmental Grants and Appropriations***

Other government grants that the Museum deems have no commensurate value being exchanged, are recognized as without or with donor restricted contributions based on the terms of the grant.

No allowance for non-collectability was required on grants receivable as of December 31, 2021 and 2020.

***Measure of Operations***

Operations include all revenues and expenses that are an integral party of the Museum's programs and supporting activities. The measure of operations includes investment income equal to a 4% spending rate and excludes investment return in excess of, or less than, the 4% spending rate (see Notes 7 and 9), purchase and sale of Museum collection items and a data security incident recovery.

**The Newark Museum Association  
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Notes to Financial Statements  
December 31, 2021 and 2020

**2. Summary of Significant Accounting Policies (continued)**

***Contributions***

All unconditional contributions are recorded as revenue when received at their net realizable value. The value of contributions expected to be received in more than one year are measured based on the present value of future cash flows, with consideration given to possible variations in the amount and/or timing of the cash flows and other specific factors that would be considered by market participants. The measurement also considers donors' credit risk. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. All contributions are considered available for general use, unless specifically restricted by the donor. The Museum records contributions within its endowment fund if the donor stipulates that the resources be held in perpetuity or, as time or purpose restricted if they are received with donor stipulations that limit their use either by purpose or by the passage of time. When donor restrictions expire (i.e., when a purpose or time restriction is fulfilled), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction in receivables.

Legacies and bequests are recognized when the right to the gift has been established by the probate court and the proceeds are measurable.

***Contributed Services***

A substantial number of volunteers have made significant contributions of their time in support of the Museum's mission. The value of such contributed services is not recorded in the accompanying financial statements as these services do not require specialized skills and are not susceptible to objective measurement or valuation.

***Membership Dues***

Membership dues are assessed and recognized as revenue on a calendar year basis.

***Refundable Advances***

Advances received for which goods or services have yet to be provided are reported as refundable advances.

***Advertising Expense***

Advertising is recorded as expense in the period incurred. Advertising expense for the years ended December 31, 2021 and 2020 was \$136,473 and \$153,080.

**The Newark Museum Association  
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Notes to Financial Statements  
December 31, 2021 and 2020

**2. Summary of Significant Accounting Policies (continued)**

***Functional Allocation of Expenses***

The financial statements report categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Program expenses include Exhibitions, Registrar and Curatorial, and Education and Public Programs. Supporting services include General and Administrative and Fundraising and Development. Expenses are allocated to the above mentioned activities based on three metrics, projects worked during the applicable fiscal year, square footage, and personnel head count.

***Accounting for Uncertainty in Income Taxes***

The Museum recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Museum has no uncertain tax positions that would require financial statement recognition or disclosure. The Museum is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2018.

***Subsequent Events***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 29, 2022.

**3. Contributions Receivable**

Contributions receivable consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Due less than one year	\$ 333,332	\$ 537,873
Due between one year and five years	<u>-</u>	<u>333,334</u>
Total	333,332	871,207
Less: Allowance for uncollectible accounts	(17,000)	(44,000)
Discount for present value at 5%	<u>-</u>	<u>(16,000)</u>
	<u>\$ 316,332</u>	<u>\$ 811,207</u>

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Notes to Financial Statements  
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**4. Fair Value Measurements**

The following table provides the fair value hierarchy of the Museum's investments as of December 31:

	2021		
	Level 1	Level 2	Total
Equities			
US Large Cap	\$ 9,551,554	\$ -	\$ 9,551,554
US Mid Cap	5,215,622	-	5,215,622
US Small Cap	5,673,691	-	5,673,691
International Developed	6,541,332	-	6,541,332
Emerging Markets	2,575,480	-	2,575,480
Hedge Funds Specific Strategy	6,459,139	-	6,459,139
Commodities	2,038,116	-	2,038,116
Fixed income securities	-	10,761,218	10,761,218
Total Investments Measured at Fair Value	<u>\$38,054,934</u>	<u>\$10,761,218</u>	48,816,152
Money market funds, at cost			12,263,706
Total Investments			<u>\$61,079,858</u>
	2020		
	Level 1	Level 2	Total
Equities			
US Large Cap	\$ 8,844,071	\$ -	\$ 8,844,071
US Mid Cap	4,755,604	-	4,755,604
US Small Cap	4,607,267	-	4,607,267
International Developed	5,020,326	-	5,020,326
Emerging Markets	1,814,642	-	1,814,642
Hedge Funds Specific Strategy	5,273,225	-	5,273,225
Commodities	912,182	-	912,182
Fixed income securities	-	10,273,208	10,273,208
Total Investments Measured at Fair Value	<u>\$ 31,227,317</u>	<u>\$ 10,273,208</u>	41,500,525
Money market funds, at cost			1,455,206
Total Investments			<u>\$ 42,955,731</u>



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**5. Property and Equipment**

Property and equipment consisted of the following at December 31:

	2021	2020
Building improvements	\$ 60,484,375	\$60,220,237
Furniture, fixtures and equipment	3,607,375	3,119,061
Information technology	855,596	855,596
	64,947,346	64,194,894
Less: Accumulated depreciation	(51,207,525)	(49,690,958)
	13,739,821	14,503,936
Construction in progress	366,978	269,897
	<b>\$ 14,106,799</b>	<b>\$14,773,833</b>

**6. Loan Payable**

On October 18, 2021, the Museum entered into a financing agreement through The Prudential Foundation for a mortgage loan in the amount of \$2,012,000. The mortgage loan was provided to supplement the working capital, until the sale of property of the Museum Parc Project (See Note 16) is consummated. The loan is expected to be repaid upon consummation of the sale of the property in late 2022.

The loan is secured by a certain parcel of property that is included in the Purchase and Sale Agreement of the Parc Project (See Note 16). The term of the loan is interest only for a period of 5 years with an October 18, 2026 maturity date. Interest on the loan is compounded daily at a rate of 2%.

Interest expense for the year ended December 31, 2021 was \$8,383.

**7. Net Assets without Donor Restrictions**

As of December 31, 2021 and 2020, net assets without donor restrictions consisted of the following:

	2021	2020
Undesignated - operations	\$ 17,780,677	\$ 18,128,812
Board Designated:		
Endowment funds	5,420,952	3,679,035
Deaccession funds	40,170,244	21,291,533
Purpose restricted	1,360,581	2,229,650
	<b>\$ 64,732,454</b>	<b>\$ 45,329,030</b>

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**7. Net Assets without Donor Restrictions (continued)**

Included in board-designated net assets is art acquisition funds, which include proceeds from the sale of de-accessioned collections and related investment income, or asset appreciation (collectively “Deaccession Funds”). For the years ended December 31, 2021 and 2020, the proceeds from the sale of de-accessioned collections were \$18,814,588 and \$65,339. The amounts of Deaccession Fund included in the Board-designated net assets were \$40,170,244 and \$21,291,533, as of December 31, 2021 and 2020.

Under the guideline by Association of Art Museum Directors (“AAMD”), the Deaccession Funds can only be used for the purchase of collections as allowed by the AAMD. In April 2020, AAMD approved a resolution to provide additional financial flexibility to art museums during the pandemic. During this period, AAMD is allowing for use of deaccession funds to pay for expenses associated with the direct care of collections (“collections care”). Additionally, AAMD is allowing investment income generated from deaccession funds, using the board approved allowable draw percentage, to cover operating expenses. The resolution expires on April 10, 2022. For the years ended December 31, 2021 and 2020, \$2,103,565 and \$97,060 of deaccession funds were used for collections care and operating expenses.

Additionally, some Board designated net assets have specific internally-imposed purpose restrictions which were \$1,360,581 and \$2,229,650 as of December 31, 2021 and 2020.

**8. Net Assets with Donor Restrictions**

Net assets with time or purpose restrictions at December 31 are restricted for the following purposes:

	2021	2020
Capital projects	\$ 368,377	\$ 820,025
Exhibitions	68,600	39,600
Education and other program services	571,776	499,285
Operating, trustees' room and gallery maintenance	420,805	2,065,205
	\$ 1,429,558	\$ 3,424,115

Net assets were released from donor restrictions (by incurring expenses satisfying the restrictions) as follows for the years ended December 31:

	2021	2020
Capital projects	\$ 472,779	\$ 1,594,230
Exhibitions	149,500	30,650
Education and other program services	936,809	1,092,367
Operating, trustees' room and gallery maintenance	3,090,087	1,167,911
	\$ 4,649,175	\$ 3,885,158

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**8. Net Assets with Donor Restrictions (continued)**

Endowment fund net assets, classified by purpose for which the income thereon is available for use, are as follows at December 31:

	<u>2021</u>	<u>2020</u>
Education and other program services	\$ 8,870,338	\$ 8,870,338
Operating, trustees' room and gallery maintenance	4,748,847	4,738,847
Art acquisition	<u>100,000</u>	<u>100,000</u>
	<u>\$13,719,185</u>	<u>\$13,709,185</u>

Accumulated income and appreciation of assets underlying investments held in perpetuity that have not yet been appropriated by the Board for expenditure amounted to \$503,356 and \$2,147,757 as of December 31, 2021 and 2020, and are included within time and purpose restricted net assets.

Endowment fund net assets include cumulative matching contributions from the New Jersey Cultural Trust that totaled \$1,014,622 at December 31, 2021 and 2020. A cumulative total of as of December 31, 2021 and 2020 of \$5,138,115 of the Museum's contributions represents donations which have been certified by the New Jersey Cultural Trust. Endowment fund net assets also include cumulative contributions from the National Endowment for the Humanities that totaled \$125,000 as of December 31, 2021 and 2020.

**9. Endowments**

The Museum's endowment consists of approximately 100 individual funds established for various purposes. The endowment includes both donor-restricted endowment funds as well as funds designated by the Board to function as endowments. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

***Interpretation of Relevant Law***

The Board of the Museum has interpreted the State of New Jersey Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the 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. As a result of this interpretation, the Museum classifies as endowment fund net assets (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 added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in endowment fund net assets is classified as time or purpose restricted net assets until those amounts are appropriated for expenditure by the Museum's Board in a manner consistent with the standard of prudence prescribed by UPMIFA.

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**9. Endowments (continued)**

***Interpretation of Relevant Law (continued)***

In accordance with UPMIFA, 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 various funds, (2) the purposes of the donor-restricted endowment funds, (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, and (7) the Museum's investment policies.

***Return Objectives and Risk Parameters***

The primary objective of the Museum's investment and spending strategies is to provide a stable stream of funds to support its operations while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of the donor-restricted funds that the Museum must hold in perpetuity or for donor-specific periods as well as Board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested and diversified with a goal of producing an annual real return of approximately 6%, net of inflation, and investment management costs. Actual returns in any given year may vary from this amount.

The Museum designated its spending policy for Endowment Funds as up to 4% annually. During 2020, in response to the COVID-19 pandemic (Note 14) financial uncertainty, the Board of Trustees has increased the spending rate from the endowment to 8% in 2021 and rate remained the same in 2022 (see Note 10). This rate will be reassessed in 2022 for 2023 spending, subject to board approval. These increases, paired with the AAMD deaccession allowances (Note 8), significantly increases the projected draw from the endowment for operating purposes in 2022.

In 2020, the spending policy was calculated using the prior 12-quarter average of the investment portfolio's market value. In 2021, the policy was updated to use the market value as of September 30 for the purpose of the calculation. It will use a 4-point smoothing policy covering the preceding 36-months. The updated policy will impact the draw in 2022 and afterwards.

***Funds with 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 requires the Museum to retain as a fund of perpetual duration. There were no deficiencies as of December 31, 2021 and 2020.

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Notes to Financial Statements  
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**9. Endowments (continued)**

The following table summarizes the changes in the endowment funds in 2021 and 2020:

	2021			Total
	Board Designated	Time or Purpose Restricted	Held in Perpetuity	
Endowment net assets, beginning of year	\$ 27,200,218	\$ 2,147,757	\$ 13,709,185	\$ 43,057,160
Contributions received	18,814,588	-	10,000	18,824,588
Investment return	3,334,504	1,445,687	-	4,780,191
Release from restrictions	3,090,088	(3,090,088)	-	-
Transfer of board-designated assets to operating fund	(1,790,328)	-	-	(1,790,328)
Appropriation for operating activities	(3,642,748)	-	-	(3,642,748)
Other adjustments	(54,545)	-	-	(54,545)
Endowment net assets, end of year	<u>\$ 46,951,777</u>	<u>\$ 503,356</u>	<u>\$ 13,719,185</u>	<u>\$ 61,174,318</u>

  

	2020			Total
	Board Designated	Time or Purpose Restricted	Held in Perpetuity	
Endowment net assets, beginning of year	\$ 26,776,288	\$ 1,759,347	\$ 13,699,185	\$ 42,234,820
Contributions received	65,339	-	10,000	75,339
Investment return	2,698,178	1,556,321	-	4,254,499
Release from restrictions	1,167,911	(1,167,911)	-	-
Transfer of Board-designated assets to operating fund	(1,668,740)	-	-	(1,668,740)
Appropriation for operating activities	(1,767,911)	-	-	(1,767,911)
Other adjustments	(70,847)	-	-	(70,847)
Endowment net assets, end of year	<u>\$ 27,200,218</u>	<u>\$ 2,147,757</u>	<u>\$ 13,709,185</u>	<u>\$ 43,057,160</u>

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

	2021	2020
Cash and cash equivalents	\$ 86,150	\$ 91,150
Investments	61,079,858	42,955,731
Accrued interest	8,310	10,279
	<u>\$ 61,174,318</u>	<u>\$ 43,057,160</u>

In 2017, the Museum's Board of Trustees voted and approved an internal loan of \$3,656,853 to finance the Washington Street Entry and Accessibly Project (the "Project"). The project consists of Americans with Disabilities Act ("ADA") compliance for the front doors of the main building of the Museum, and major improvements to additional galleries. These funds were removed from the endowment. The Project was completed in 2018. As of December 31, 2021 and 2020, the outstanding principal to the endowment is \$1,695,736 and \$1,905,409. The Museum is paying interest on the unpaid balance at the federal mid-term rate of 1.58% (the rate as of April 2017) to be compounded annually for the 9 years of the loan. This amount can be paid over time or as a single balloon payment on April 1, 2026.

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**10. Liquidity and Available Resources**

The following reflect the Museum's financial assets and available resources as of December 31, reduced by amounts not available for general use within one year of that date because of contractual or donor-imposed restrictions or internal designations. Amounts available include the Board-approved appropriations from the endowment fund for the following year. Amounts not available include amounts set aside for operating and other revenues that could be drawn upon with Board approval.

	2021	2020
Financial Assets:		
Cash and cash equivalents	\$ 6,699,080	\$ 4,974,246
Grants receivable	346,547	559,213
Contributions receivable, net	316,332	811,207
Investments	61,079,858	42,955,731
Total Financial Assets	68,441,817	49,300,397
Less: Contractual, donor or internally restricted amounts		
Contributions receivable, net - Due in future years	-	273,334
Restricted by donor with time or purpose restrictions	1,429,558	3,150,781
Line of credit collateral	1,000,000	-
Endowment funds:		
Board designated reserve fund	46,951,777	27,200,218
Donor restricted endowment funds	13,719,185	13,709,185
	63,100,520	44,333,518
Add: Endowment fund appropriation for following year (Notes 7 and 9)	2,286,755	2,710,089
Financial assets available within one year including endowment fund appropriation	7,628,052	7,676,968
Liquidity Resources		
Line of credit available	2,000,000	2,000,000
Total financial assets and liquidity resources	\$ 9,628,052	\$ 9,676,968

The Museum's endowment funds consist of funds designated by the Board as endowments and donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes. As part of the Museum's liquidity management, the Museum strives to maintain funds in accessible accounts to cover operating expenses.

As discussed further in Note 14, the Museum re-opened its doors to the public in June 2021 with limited capacity. The future impact on the Museum cannot be reasonably estimated at this point, as well as the impact on the Museum's liquidity and availability of resources to meet general expenditures in the next twelve months. In the event of an unanticipated liquidity need, the Museum could draw upon its line of credit (as further discussed in Note 12) or available income on board designated endowment funds, as allowable. The Museum's board-designated endowment of \$46,951,777 is subject to the board approved annual spending rate as described in Note 9. The Museum does not intend to spend from the board-designated endowment, other than amounts appropriated for general expenditure as part of the annual budget approval and appropriation.

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Notes to Financial Statements  
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**11. Retirement Plans**

The Museum is a participant in the multi-employer benefit plans (collectively, the Plans) administered by The Cultural Institutions Retirement System (“CIRS”). Due to negotiations in 2016 that included the approval of the Cultural Institution and Day Care Council Management Group, the three unions involved in the Bargaining (District Council 37, District Council 1707 and the Council of Supervisors and Administrators), and the City of New York, a new Collective Bargaining Agreement (“CBA”) was reached. The five-year CBA covers the period from July 1, 2015 to June 30, 2020. Changes to the Pension and 401(k) Savings Plans were deemed effective July 1, 2015 and affected all CIRS Members (whether or not covered by a collective bargaining agreement) as described below in each section.

The risk of participating in a multi-employer plan is different from a single-employer plan in the following aspects:

- a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If an employer chooses to stop participating in some of its multi-employer plans, the employer may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

***Pension Plan***

The Museum participates in The Cultural Institutions Pension Plan (“Pension Plan”), a multi-employer defined benefit plan funded by the participating employers with a fiscal year end of June 30. To be eligible under the Pension Plan, employees must be over 21 years of age and be employed for a period of one year. Participants become 100% vested after five years of service. There are no partial vesting provisions.

CIRS is responsible for administering all aspects of the Pension Plan, including investments of the Pension Plan assets.

The Museum’s participation for the Pension Plan’s fiscal years ended June 30, 2021 and 2020 is outlined in the table below:

Pension Fund	EIN/Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	The Museum Contributions		Surcharge Imposed	Collective Bargaining Agreement Exp. Date
		2021	2020		2021	2020		
The Cultural Institutions Pension Plan	11-2001170 001	Green	Green	N/A	\$ 719,294	\$ 589,944	No	6/30/2020*

\* Under negotiation

The zone status is based on information that the Museum received from the plan and is certified by the Pension Plan’s actuary. Green zone status are for plans that are at least 80% funded. The Museum’s contributions to the Pension Plan did not exceed 5% of the plan’s total contributions for the years ended June 30, 2021 and 2020.

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**11. Retirement Plans (continued)**

***Savings Plan***

The Museum also participates in The Cultural Institutions Savings Plan (Savings Plan), a CIRS administered Section 401(k) defined contribution plan. Under the Savings Plan, employees make contributions and direct the investment of their funds based on the investment options offered.

CIRS is responsible for administering all aspects of the Savings Plan, including the selection of investment providers.

***Group Life and Welfare Plan***

The Museum also participates in The Cultural Institutions Group Life and Welfare Plan ("Group Life and Welfare Plan"), a plan administered by CIRS. Participating employers pay the premiums and costs for administration of the Group Life and Welfare Plan. To be eligible under the Group Life and Welfare Plan, full time employees are eligible for life insurance following three months of employment. The premiums provide a death benefit payable by the insurance carrier to designated beneficiaries upon the death of a member. Coverage is determined by the member's basic annual salary and years of service. The benefit is 200% of salary for members with 10 or more years of service and 100% of salary for members with less than 10 years of service. Coverage is subject to a maximum of \$500,000. At ages 70, 75, and 79, a member's amount of insurance is reduced.

The Museum's total contributions to the Plans for the years ended December 31, 2021 and 2020 totaled \$694,839 and \$704,977, which consisted of \$608,475 and \$612,596 for the Pension Plan, \$12,060 and \$12,886 for Group Life and Welfare Plan, and \$74,304 and \$79,495 for plan administration.

**12. Commitments and Contingencies**

***Line of Credit***

The Museum has a line of credit available in the amount of \$2,000,000, through May 2022. Borrowings under the line of credit are available in the form of advances and will bear interest at a per annum rate equal to the daily LIBOR rate plus 1.75% during the years 2021 and 2020. In August of 2021, the Museum provided \$1,000,000 cash collateral to secure the \$2,000,000 line of credit. In February 2022, the agreement was updated to use BSBY (Bloomberg Short-Term Bank Yield Index) rate plus 1.75%.

As of and for the years ended December 31, 2021 and 2020 the Museum did not have any borrowings against the line of credit agreement.



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**12. Commitments and Contingencies (continued)**

**Leases**

Annual minimum future rental payments on equipment under non-cancelable operating leases as of December 31, 2021 are as follows are the years ending December 31:

2022	\$ 49,385
2023	49,385
2024	33,722
2025	<u>9,030</u>
Total	<u>\$ 141,522</u>

Total rent expense amounted to \$57,042 and \$51,560 in 2021 and 2020.

**Data Security Incident**

During 2020, the Museum recorded a \$411,426 loss from a data security incident caused by a compromised email account. In 2021, the Museum received \$250,000, the maximum amount of the insurance recovery. The loss and the recovery are recorded as data security incident in the accompanying statements of activities.

The incident was committed through spoofing by external cyber criminals. Upon discovery, the Museum took immediate recovery and remediation actions, working with cyber security experts and law enforcement officials, including the FBI. Throughout the year, the Museum has implemented various security measures. The upgrading of the hardware allowed the Museum to install software with robust security protection. The Museum has centralized the user access administration. The heightened security awareness initiatives taken by the leadership has changed the overall environment. Financial and cyber security internal controls are continuously re-evaluated and additional controls are implemented for heightened and improved security. The operating expenses, including grant funded expenditures were not affected by the incident.

**13. Paycheck Protection Program**

On April 15, 2020, the Museum received loan proceeds in the amount of \$1,458,200 under the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity.

On December 22, 2020 the Museum received confirmation from the Small Business Administration ("SBA") that the loan had been forgiven in full. The forgiven amount is included within the accompanying 2020 statement of activities.

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**14. COVID-19**

In June 2021, the Museum re-opened its doors with a limited capacity to the public. The Museum had been closed to the public since March 14, 2020. Throughout the pandemic, the Museum followed the guidance provided by state and local governments regarding large public gatherings as a precautionary measure to limit opportunities for the spread of the COVID-19 virus.

COVID-19 will continue to adversely affect the Museum's financial position and operating results in 2022 and beyond. With significant uncertainty and negative economic impact, the Museum may experience further decline in future contributions, government funding and the possibility of re-evaluating the collectability of its current receivable balances.

In addition, the COVID-19 pandemic has resulted in substantial volatility in the global financial markets. As a result, the Museum's investment portfolio has incurred fluctuations in its fair market value since December 31, 2021. Because the value of the Museum's individual investments has and will fluctuate in response to changing market conditions, the amount of losses, if any, that will be recognized in subsequent periods cannot be determined.

**15. Concentrations of Credit and Market Risks**

Financial instruments, which potentially subject the Museum to concentrations of credit and market risk, primarily include cash and cash equivalents, and investments, which are carried at fair value. During the year, the cash balances in these institutions exceeded the Federal Deposit Insurance Corporation insurance level. Generally, these deposits may be redeemed upon demand, therefore, bear minimal risk. The Museum places its investments in equity and debt securities at the direction of its Board, while it monitors the credit risks associated with these institutions on an ongoing basis.

Grants receivable are due from governmental funding agencies and contributions receivable are primarily with foundations, corporations and individuals.

A concentration of credit risk existed with respect to grants receivable and contributions receivable as 98% of amounts receivable are from two donors as of December 31, 2021 and 99% from four donors as of December 31, 2020. Approximately 56% and 71% of the Museum's governmental grants and appropriation revenue was received from one governmental agency in 2021 and 2020.

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Notes to Financial Statements  
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**16. Museum Parc Project**

In collaboration with L&M Development Partners, Inc. (“L&M”), the Museum and L&M will modernize and reactivate the Museum vicinity (“Project”). The Project will integrate, in two phases, the Museum with residential, retail and office components, together with parks and open space. It will be complementary to and for the enhancement of the mission of the Museum for the development of the arts, culture, and education. On December 16, 2020, L&M, through its wholly owned subsidiary, and the Museum signed a Purchase and Sale Agreement (“PSA”) for phase one of the Project. The PSA will allow L&M to purchase a certain parcel of property, subject to certain conditions and restrictions, for a value no less than \$7 million. The PSA expires on December 31, 2022. Upon consummation of sale of the property, the Museum will enter into a ground lease with L&M, for the common areas of the Project, for \$50,000 a year, for a term of ninety-eight (98) years.

**17. Deaccession**

Museums routinely evaluate and revise their collections. The deaccession of the collection is strictly managed and controlled by the Museum’s policy and procedures, which are adhering to professional standards, including policies set forth by AAMD.

For the years ended December 31, 2021 and 2020, the total proceeds from the sale of collection items totaled, \$18,814,588 and \$65,339, which is included in the statement of activities. The large deaccession was carried out to cover the direct care costs allowed by AAMD during 2021. Additionally the proceeds are used to increase the endowment for future art acquisitions.

**18. Ballantine House Restoration Project**

In June 2021, the Museum began The Ballantine House Restoration Project (Restoration Project). The Ballantine House is a National Historic Landmark, the highest national designation, and it is designated as a part of the Museum’s collection. The scope of the project includes full restoration of the exterior of the house, including replacing the Wyoming Grey with cast stone, rebuilding the portico, refinishing all the wood windows and doors, and replacing the rubber roofs. Additionally, the Museum is working on restoration of the interior of the House. The project is expected to substantially complete by the 3<sup>rd</sup> quarter of 2022.

As noted in Note 8, AAMD released a memorandum permitting member museums to use deaccession funds for collections care for the two-year period from April 10, 2020, through April 10, 2022. The Restoration Project will be funded through utilization of the deaccession funds. The project cost is estimated to be approximately \$13,000,000, which was approved by the Board. For the year ended December 31, 2021, \$2,103,565 was spent for this project which is included the statement of activities. Because Museum’s collections has been excluded from the statements of financial positions, the restoration expenses are not capitalized.

\* \* \* \* \*