

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

Financial Statements
December 31, 2022 and 2021

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, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of December 31, 2022, and 2021 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 27, 2023

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

Statements of Financial Position

	December 31	
	2022	2021
ASSETS		
Cash and cash equivalents	\$ 5,633,850	\$ 6,699,080
Grants receivable	1,332,500	346,547
Contributions receivable, net (Note 3)	721,598	316,332
Prepaid expenses and other assets	341,940	637,779
Investments (Notes 4 and 9)	41,607,812	61,079,858
Property and equipment, net (Note 5)	13,746,934	14,106,799
Museum collections (Note 2)	-	-
	\$ 63,384,634	\$ 83,186,395
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,311,727	\$ 1,103,391
Loan payable (Note 6)	2,012,000	2,012,000
Refundable advances	48,050	189,807
Total Liabilities	3,371,777	3,305,198
Net Assets		
Without donor restrictions (Note 7)	45,878,483	63,230,450
With Donor Restrictions (Notes 8 and 9)		
Time or purpose restricted	405,189	2,931,562
Held in perpetuity	13,729,185	13,719,185
Total Net Assets	60,012,857	79,881,197
	\$ 63,384,634	\$ 83,186,395

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, 2022**

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose Restricted	Held in Perpetuity	
OPERATING ACTIVITIES				
Operating Revenues, Gains, and Other Support				
Governmental grants and appropriations	\$ 7,271,005	\$ -	\$ -	\$ 7,271,005
Contributions and pledges	1,576,050	1,640,021	10,000	3,226,071
In-kind contributions	10,000	-	-	10,000
Membership and tours	388,035	-	-	388,035
Educational	229,534	-	-	229,534
Investment return designated for operations	13,678,519	1,386,511	-	15,065,030
Other revenue	479,097	-	-	479,097
Net assets released from restriction	<u>2,651,139</u>	<u>(2,651,139)</u>	<u>-</u>	<u>-</u>
Total Operating Revenues, Gains, and Other Support	<u>26,283,379</u>	<u>375,393</u>	<u>10,000</u>	<u>26,668,772</u>
Operating Expenses				
Program services	11,811,022	-	-	11,811,022
General and administrative	2,099,219	-	-	2,099,219
Fundraising and development	<u>2,755,713</u>	<u>-</u>	<u>-</u>	<u>2,755,713</u>
Total Operating Expenses	<u>16,665,954</u>	<u>-</u>	<u>-</u>	<u>16,665,954</u>
Change in Net Assets from Operations	<u>9,617,425</u>	<u>375,393</u>	<u>10,000</u>	<u>10,002,818</u>
NON-OPERATING ACTIVITIES				
Investment return less amounts designated for current operations	(18,056,160)	(2,901,766)	-	(20,957,926)
Sale of collection items	293	-	-	293
Collections purchased	(783,450)	-	-	(783,450)
Direct care of collections	<u>(8,130,075)</u>	<u>-</u>	<u>-</u>	<u>(8,130,075)</u>
Total Non-Operating Activities	<u>(26,969,392)</u>	<u>(2,901,766)</u>	<u>-</u>	<u>(29,871,158)</u>
Change in Net Assets	(17,351,967)	(2,526,373)	10,000	(19,868,340)
NET ASSETS				
Beginning of year	<u>63,230,450</u>	<u>2,931,562</u>	<u>13,719,185</u>	<u>79,881,197</u>
End of year	<u>\$ 45,878,483</u>	<u>\$ 405,189</u>	<u>\$ 13,729,185</u>	<u>\$ 60,012,857</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	
OPERATING ACTIVITIES				
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	5,433,076	1,588,084	-	7,021,160
Other revenue	841,370	-	-	841,370
Net assets released from restriction	<u>3,147,171</u>	<u>(3,147,171)</u>	<u>-</u>	<u>-</u>
Total Operating Revenues, Gains, and Other Support	<u>18,508,534</u>	<u>(350,156)</u>	<u>10,000</u>	<u>18,168,378</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>3,590,860</u>	<u>(350,156)</u>	<u>10,000</u>	<u>3,250,704</u>
NON-OPERATING ACTIVITIES				
Investment return less amounts designated for current operations	(2,097,803)	(142,397)	-	(2,240,200)
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)
Other non-operating revenue	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
Total Non-Operating Activities	<u>14,310,560</u>	<u>(142,397)</u>	<u>-</u>	<u>14,168,163</u>
Change in Net Assets	<u>17,901,420</u>	<u>(492,553)</u>	<u>10,000</u>	<u>17,418,867</u>
NET ASSETS				
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>\$ 63,230,450</u>	<u>\$ 2,931,562</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 Functional Expenses
Year Ended December 31, 2022

	Program Services				Supporting Services		Total
	Exhibitions	Education and Public Programs	Registrar and Curatorial	Total	General and Administrative	Fundraising and Development	
Salaries and wages	\$ 1,057,638	\$ 1,658,085	\$ 1,581,912	\$ 4,297,635	\$ 930,740	\$ 1,551,247	\$ 6,779,622
Employee benefits and taxes	553,817	555,331	468,075	1,577,223	145,333	459,997	2,182,553
Professional fees and consultants	504,968	404,153	980,169	1,889,290	733,484	241,393	2,864,167
Program supplies	260,768	119,500	107,912	488,180	30,465	63,763	582,408
Office expenses	74,333	17,999	103,534	195,866	28,480	41,816	266,162
Travel, conference and meetings	72,508	202,494	73,249	348,251	98,727	98,989	545,967
Marketing expenses	63,462	57,952	-	121,414	2,905	146,037	270,356
Occupancy and building maintenance	704,300	162,480	424,982	1,291,762	58,232	80,914	1,430,908
Insurance	187,953	28,916	58,180	275,049	5,783	8,675	289,507
Interest expense and loan fees	8,048	10,060	8,048	26,156	6,036	8,048	40,240
Other general and administrative	8,996	15,126	7,486	31,608	32,327	14,773	78,708
Depreciation	867,981	133,536	267,071	1,268,588	26,707	40,061	1,335,356
Total Expenses	<u>\$ 4,364,772</u>	<u>\$ 3,365,632</u>	<u>\$ 4,080,618</u>	<u>\$ 11,811,022</u>	<u>\$ 2,099,219</u>	<u>\$ 2,755,713</u>	<u>\$ 16,665,954</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
Total Expenses	\$ 3,400,690	\$ 3,832,061	\$ 3,340,336	\$ 10,573,087	\$ 1,673,824	\$ 2,670,763	\$ 14,917,674

See notes to financial statements

**The Newark Museum Association
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Statements of Cash Flows

	Year Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (19,868,340)	\$ 17,418,867
Adjustments to reconcile change in net assets to net cash from operating activities		
Endowment funds gifts	(10,000)	(10,000)
Depreciation	1,335,356	1,516,567
Present value discount on contributions receivable	45,400	(16,000)
Realized and unrealized loss (gain) on investments	7,054,465	(3,429,845)
Purchase of collections	783,450	552,660
Proceeds from sale of collections	(293)	(18,814,588)
Changes in operating assets and liabilities		
Grants receivable	(985,953)	212,666
Contributions receivable	(450,666)	510,875
Prepaid expenses and other assets	295,839	(341,117)
Accounts payable and accrued expenses	208,336	(558,483)
Refundable advances	(141,757)	(56,881)
Net Cash from Operating Activities	(11,734,163)	(3,015,279)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(975,491)	(849,533)
Purchase of investments	(13,768,042)	(28,260,579)
Proceeds from sale of investments	26,185,623	13,566,297
Purchase of collections	(783,450)	(552,660)
Proceeds from sale of collections	293	18,814,588
Net Cash from Investing Activities	10,658,933	2,718,113
CASH FLOWS FROM FINANCING ACTIVITIES		
Endowment funds gifts received	10,000	10,000
Proceeds from loan	-	2,012,000
Net Cash from Financing Activities	10,000	2,022,000
 Net Change in Cash and Cash Equivalents	(1,065,230)	1,724,834
CASH AND CASH EQUIVALENTS		
Beginning of year	6,699,080	4,974,246
End of year	\$ 5,633,850	\$ 6,699,080

See notes to financial statements

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

Notes to Financial Statements
December 31, 2022 and 2021

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: Art After Dark, evening programming for adult audiences; Community Days & Nights, multicultural activities and experiences for all ages; Science Extravaganza and other family drop-in events; and the Newark Black Film Festival.

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

Notes to Financial Statements
December 31, 2022 and 2021

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.

Recently Adopted Accounting Standards

Effective January 1, 2022, the Museum adopted Accounting Standards Update (ASU) No. 2016-02, Leases. This standard requires lessees to recognize leases on the statement of financial position as right-of-use (ROU) assets and lease liabilities based on the value of the discounted future lease payments. Adoption of this guidance had no material impact on the Museum's financial statements.

Effective January 1, 2022, the Museum adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). ASU 2020-07 brings more transparency and consistency to the presentation and disclosure of gifts-in-kind. The standard does not change the accounting for gifts-in-kind, however provides matters related to presentation and disclosure.

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.

**The Newark Museum Association
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Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

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.

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 as well as direct care of the 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 3 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, 2022 and 2021.

**The Newark Museum Association
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Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

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 statements of financial position.

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, 2022 and 2021.

Measure of Operations

Operations include all revenues and expenses that are an integral part of the Museum's programs and supporting activities. The measure of operations includes investment income equal to a Board approved spending rate and excludes investment return in excess of, or less than, the spending rate (see Note 9), purchase and sale of Museum collection items, and direct care of collections.

**The Newark Museum Association
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Notes to Financial Statements
December 31, 2022 and 2021

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 restricted 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.

In-kind contributions

In-kind contributions are recorded as support at their fair values at the date of donation. In-kind contributions that create or enhance non-financial assets or that require specialized skills, provided by individuals possessing those skills, and that would typically need to be purchased, are recorded as contributions and expenses at their fair values in the period received. In-kind contributions for the year ended December 31, 2022 amounted to \$10,000 for consulting services which were provided by the donor without donor restrictions. In-kind contributions were estimated based on current rates of consulting services by consulting firms and were used in program and administration activities.

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. Refundable advances amounted to \$246,688 as of January 1, 2021.

Advertising Expense

Advertising is recorded as expense in the period incurred. Advertising expense for the years ended December 31, 2022 and 2021 was \$131,853 and \$136,473.

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Notes to Financial Statements
December 31, 2022 and 2021

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. Expenses allocated using these measures include salaries and wages, depreciation and professional fees and consultants.

Reclassifications

Certain amounts in the December 31, 2021 financial statements have been reclassified to conform to the December 31, 2022 presentation. In addition, as a result of an internal analysis of the Museum's net assets with and without donor restrictions, there was a reclassification, in the amount of \$1,502,004 as of January 1, 2021, relating to restrictions and releases of net assets in relation to the direct care of collections. The adjustment from the reclassification had no impact on overall net assets.

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 2019.

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 27, 2023.

3. Contributions Receivable

Contributions receivable consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Due less than one year	\$ 366,998	\$ 333,332
Due between one year and five years	<u>400,000</u>	<u>-</u>
Total	766,998	333,332
Less: Allowance for uncollectible accounts	-	(17,000)
Discount for present value at 5%	<u>(45,400)</u>	<u>-</u>
	<u>\$ 721,598</u>	<u>\$ 316,332</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:

	2022		
	Level 1	Level 2	Total
Equities			
US Large Cap	\$ 7,635,653	\$ -	\$ 7,635,653
US Mid Cap	3,752,699	-	3,752,699
US Small Cap	3,702,815	-	3,702,815
International Developed	4,372,806	-	4,372,806
Emerging Markets	1,884,384	-	1,884,384
Hedge Funds Specific Strategy	5,030,889	-	5,030,889
Commodities	1,223,229	-	1,223,229
Fixed income securities	-	10,911,836	10,911,836
Total Investments Measured at Fair Value	<u>\$ 27,602,475</u>	<u>\$ 10,911,836</u>	38,514,311
Money market funds, at cost			3,093,501
Total Investments			<u>\$ 41,607,812</u>
	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>

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5. Property and Equipment

Property and equipment consisted of the following at December 31:

	2022	2021
Building improvements	\$ 60,664,952	\$60,484,375
Furniture, fixtures and equipment	4,365,285	3,607,375
Information technology	864,272	855,596
	65,894,509	64,947,346
Less: Accumulated depreciation	(52,542,881)	(51,207,525)
	13,351,628	13,739,821
Construction in progress	395,306	366,978
	<u>\$ 13,746,934</u>	<u>\$14,106,799</u>

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 14) is consummated. The loan is expected to be repaid upon consummation of the sale of the property in late 2023.

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 14). 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 years ended December 31, 2022 and 2021 was \$40,240 and \$8,383. Accrued interest expense is included within accounts payable and accrued expenses on the statements of financial position and amounts to \$48,623 and \$8,383 as of December 31, 2022 and 2021.

7. Net Assets without Donor Restrictions

As of December 31, 2022 and 2021, net assets without donor restrictions consisted of the following:

	2022	2021
Undesignated - operations	\$ 17,095,141	\$ 17,780,677
Board Designated:		
Endowment funds	4,267,150	5,420,952
Deaccession funds	23,239,586	38,668,240
Purpose restricted	1,276,606	1,360,581
	<u>\$ 45,878,483</u>	<u>\$ 63,230,450</u>

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Notes to Financial Statements
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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, 2022 and 2021, the proceeds from the sale of de-accessioned collections were \$293 and \$18,814,588. The amounts of Deaccession Fund included in the Board-designated net assets were \$23,239,586 and \$38,668,240, as of December 31, 2022 and 2021.

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 allowed the deaccession funds to pay for expenses associated with the direct care of collections (“collections care”). Additionally, AAMD allowed investment income generated from deaccession funds, using the board approved allowable draw percentage, to cover operating expenses. The resolution expired in April 2022. This resolution with AAMD was extended through September 2022.

In response to the previous two-year resolution allowing the use of the Deaccession Funds, in September 2022, the Museum adopted the new rule to allow Deaccession Funds to pay for the collections care. For the years ended December 31, 2022 and 2021, \$8,130,075 and \$2,103,565 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 \$1,276,606 and \$1,360,581 as of December 31, 2022 and 2021.

8. Net Assets with Donor Restrictions

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

	2022	2021
Capital projects	\$ 240,328	\$ 368,377
Exhibitions	557,143	68,600
Education and other program services	504,124	571,776
Operating, trustees' room and gallery maintenance	(896,406)	1,922,809
	\$ 405,189	\$ 2,931,562

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

	2022	2021
Capital projects	\$ 463,050	\$ 472,778
Exhibitions	41,057	149,500
Education and other program services	760,521	936,809
Operating, trustees' room and gallery maintenance	1,386,511	1,588,084
	\$ 2,651,139	\$ 3,147,171

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Notes to Financial Statements
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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:

	2022	2021
Education and other program services	\$ 8,870,338	\$ 8,870,338
Operating, trustees' room and gallery maintenance	4,758,847	4,748,847
Art acquisition	100,000	100,000
	\$13,729,185	\$13,719,185

Accumulated income and appreciation of assets underlying investments held in perpetuity that have not yet been appropriated by the Board for expenditure amounted to \$(896,406) and \$2,005,360 as of December 31, 2022 and 2021, 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, 2022 and 2021. A cumulative total of as of December 31, 2022 and 2021 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, 2022 and 2021.

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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Notes to Financial Statements
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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. The Board of Trustees increased the spending rate to 8% in 2022 and 2021 in response to the COVID-19 pandemic financial uncertainty. The Museum is gradually reducing the rate down to 4% with the economic recovery. The rate will be reduced to 7% in 2023. The high spending policy rate, paired with the Deaccession Fund allowances (Note 7), significantly increased the draw from the endowment for operating purposes in 2022 and 2021.

The spending policy was calculated using the market value as of September 30 and used a 4-point smoothing policy covering the preceding 36-months.

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Notes to Financial Statements
December 31, 2022 and 2021

9. Endowments (continued)

Return Objectives and Risk Parameters (continued)

The following table summarizes the changes in the endowment funds in 2022 and 2021:

	2022			Total
	Board Designated	Time or Purpose Restricted	Held in Perpetuity	
Endowment net assets, beginning of year	\$ 45,449,773	\$ 2,005,360	\$ 13,719,185	\$ 61,174,318
Contributions received	293	-	10,000	10,293
Investment return	(4,378,272)	(1,515,255)	-	(5,893,527)
Release from restrictions	1,386,511	(1,386,511)	-	-
Transfer of board-designated assets to operating fund	(8,375,248)	-	-	(8,375,248)
Appropriation for operating activities	(5,303,271)	-	-	(5,303,271)
Other adjustments	3,556	-	-	3,556
Endowment net assets, end of year	<u>\$ 28,783,342</u>	<u>\$ (896,406)</u>	<u>\$ 13,729,185</u>	<u>\$ 41,616,121</u>
	2021			
	Board Designated	Time or Purpose Restricted	Held in Perpetuity	Total
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	1,588,084	(1,588,084)	-	-
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>\$ 45,449,773</u>	<u>\$ 2,005,360</u>	<u>\$ 13,719,185</u>	<u>\$ 61,174,318</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, 2022 and 2021, the outstanding principal to the endowment is \$1,659,736. 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 by the maturity date of April 1, 2026.

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Notes to Financial Statements
December 31, 2022 and 2021

9. Endowments (continued)

Funds with Deficiencies

Due to unfavorable market fluctuations, from time to time the fair value of assets associated with individual donor-restricted endowment funds may decline below historic dollar value of the donor's original contribution to be held in perpetuity. When this occurs, U.S. GAAP requires that such excess losses be absorbed by the net assets with donor restrictions of the Museum. The Museum has endowment funds, comprised of 36 individual funds, which are considered to be underwater. The fair value of the underwater endowment funds aggregate to \$12,832,779 with an original endowment gift value of \$13,729,185. This caused a deficiency of \$896,406 as of December 31, 2022. The Museum has interpreted UPMIFA to permit spending from endowments with a deficit in accordance with prudent measures required under law. Continued future appropriations from underwater endowment funds will be considered based on current facts and circumstances on the next appropriation decision date.

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.

	2022	2021
Financial Assets:		
Cash and cash equivalents	\$ 5,633,850	\$ 6,699,080
Grants receivable	1,332,500	346,547
Contributions receivable, net	721,598	316,332
Investments	<u>41,607,812</u>	<u>61,079,858</u>
Total Financial Assets	<u>49,295,760</u>	<u>68,441,817</u>
Less: Contractual, donor or internally restricted amounts		
Restricted by donor with time or purpose restrictions	1,301,595	2,931,562
Line of credit collateral	1,000,000	1,000,000
Endowment funds:		
Board designated reserve fund	28,783,342	45,449,773
Donor restricted endowment funds	<u>12,832,779</u>	<u>13,719,185</u>
	<u>43,917,716</u>	<u>63,100,520</u>
Add: Endowment fund appropriation for following year (Notes 7 and 9)	-	2,286,755
Financial assets available within one year including endowment fund appropriation	<u>5,378,044</u>	<u>7,628,052</u>
Liquidity Resources		
Line of credit available	<u>2,000,000</u>	<u>2,000,000</u>
Total financial assets and liquidity resources	<u>\$ 7,378,044</u>	<u>\$ 9,628,052</u>

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Notes to Financial Statements
December 31, 2022 and 2021

10. Liquidity and Available Resources (*continued*)

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.

The Museum re-opened its doors to the public in June 2021. It was operating with limited capacity in 2021 and has gone back to full capacity in 2022. At this time, the Museum believes it will meet all obligations as they become due as a result of key initiatives implemented to grow revenues and contain cost growth. In the event of an unanticipated liquidity need, the Museum could draw upon its line of credit (as further discussed in Note 12).

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.

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11. Retirement Plans (continued)

The Museum's participation for the Pension Plan's fiscal years ended June 30, 2022 and 2021 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
		2022	2021		2022	2021		
The Cultural Institutions Pension Plan	11-2001170 001	Green	Green	N/A	\$ 545,021	\$ 719,294	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, 2022 and 2021.

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, 2022 and 2021 totaled \$668,407 and \$694,839, which consisted of \$580,031 and \$608,475 for the Pension Plan, \$11,496 and \$12,060 for Group Life and Welfare Plan, and \$76,880 and \$74,304 for plan administration.

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12. Commitments and Contingencies

Line of Credit

The Museum has a line of credit available in the amount of \$2,000,000, through June 2024. In August of 2021, the Museum provided \$1,000,000 cash collateral to secure the \$2,000,000 line of credit. 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 year 2021. 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, 2022 and 2021 the Museum did not have any borrowings against the line of credit agreement.

13. 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. Deposits held at financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") are insured up to \$250,000. Investment holdings at financial institutions insured by the Securities Investor Protection Corporation ("SIPC") are insured up to \$500,000 (\$250,000 for cash holdings). At times during the year cash and investment balances may exceed the FDIC and the SIPC limit. As of December 31, 2022 and 2021, the Museum's uninsured cash and cash equivalents on deposit totaled approximately \$5,384,000 and \$6,449,000. As of December 31, 2022 and 2021, the Museum's uninsured investment holdings totaled approximately \$41,358,000 and \$60,830,000. The Museum also 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. The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment, investment advisor, investment manager or group of investments represents a significant concentration of credit risk.

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 contributions receivable as 100% of amounts receivable are from three donors as of December 31, 2022 and 100% from one donor as of December 31, 2021. With respect to grants receivable, 100% of amounts receivable are from two donors as of December 31, 2022 and 100% of amounts receivable are from one donor as of December 31, 2021. Approximately 55% and 56% of the Museum's governmental grants and appropriation revenue was received from one governmental agency in 2022 and 2021.

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Notes to Financial Statements
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14. 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. On August 30, 2022, the PSA was amended and restated to extend its expiration until August 31, 2023. 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.

15. 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, 2022 and 2021, the total proceeds from the sale of collection items totaled, \$293 and \$18,814,588, which is included in the statements of activities. The proceeds were used to increase the endowment for future art acquisitions.

16. 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.

As noted in Note 7, AAMD released a memorandum permitting member museums to use deaccession funds for collections care for the two-year period from April 10, 2020 to April 10, 2022. The Restoration Project was funded through utilization of the deaccession funds.

A new ruling issued by AAMD, which was released in September 2022, allowed the Museum to further expand its scope to fully restore the interior of the House, including restoration of plaster, light fixtures and hardware, and period woodwork. The project is expected to be completed by the 4th quarter of 2023.

The renewed total project cost is estimated to be approximately \$13,000,000, which was approved by the Board. For the years ended December 31, 2022 and 2021, \$8,130,075 and \$2,103,565 were spent for this project and are which is included the statements of activities. Because the Museum’s collections have been excluded from the statements of financial positions the restoration expenses are not capitalized.

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