

Woodmere Art Museum, Inc.

Financial Statements
Year Ended December 31, 2022



1835 Market Street, 3rd Floor
Philadelphia, PA 19103

215/567-7770 | bbdcpa.com

WOODMERE ART MUSEUM, INC.

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
<i>Statement of Financial Position</i>	3
<i>Statement of Activities and Changes in Net Assets</i>	4
<i>Statement of Functional Expenses</i>	5
<i>Statement of Cash Flows</i>	6
<i>Notes to Financial Statements</i>	7



INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
Woodmere Art Museum, Inc.
Philadelphia, Pennsylvania**

Opinion

We have audited the accompanying financial statements of Woodmere Art Museum, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 Woodmere Art Museum, Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Woodmere Art Museum, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 these financial statements in accordance with U.S. generally accepted accounting principles; 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 Woodmere Art Museum, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 judgment made by a reasonable user based on the financial statements.

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

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

Report on Summarized Comparative Information

The financial statements of Woodmere Art Museum, Inc. as of and for the year ended December 31, 2021, were audited by other auditors whose report, dated June 7, 2022, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BBD, LLP

**Philadelphia, Pennsylvania
June 23, 2023**

WOODMERE ART MUSEUM, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2022 with comparative totals for 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,148,672	\$ 1,226,965
Contributions receivable	4,307,723	2,083,483
Contract receivable	500,000	-
Other receivables	63,712	71,474
Other assets	<u>185,371</u>	<u>129,148</u>
Total current assets	<u>6,205,478</u>	<u>3,511,070</u>
NONCURRENT ASSETS		
Long-term contributions receivable, net	7,044,286	2,130,230
Land, building and equipment, net	8,314,126	6,515,258
Collection	-	-
Investments	12,671,779	13,109,894
Beneficial interest in perpetual trust	<u>2,778,270</u>	<u>3,452,975</u>
Total current assets	<u>30,808,461</u>	<u>25,208,357</u>
Total assets	<u>\$ 37,013,939</u>	<u>\$ 28,719,427</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 715,346	\$ 344,544
Line of credit	-	179,550
Accounts payable and accrued expenses	153,308	48,417
Deferred revenue	<u>30,561</u>	<u>28,209</u>
Total current liabilities	899,215	600,720
LONG-TERM DEBT, NET OF CURRENT PORTION	<u>1,545,250</u>	<u>2,260,601</u>
Total liabilities	<u>2,444,465</u>	<u>2,861,321</u>
NET ASSETS		
Without donor restrictions		
Undesignated	8,196,013	7,158,669
Board designated	<u>3,139,667</u>	<u>3,706,290</u>
	11,335,680	10,864,959
With donor restrictions	<u>23,233,794</u>	<u>14,993,147</u>
Total net assets	<u>34,569,474</u>	<u>25,858,106</u>
Total liabilities and net assets	<u>\$ 37,013,939</u>	<u>\$ 28,719,427</u>

See accompanying notes

WOODMERE ART MUSEUM, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended December 31, 2022 with comparative totals for 2021

	Without	With	Totals	
	<u>Donor</u> <u>Restrictions</u>	<u>Donor</u> <u>Restrictions</u>	<u>2022</u>	<u>2021</u>
SUPPORT AND REVENUE				
Contributions and grants				
Individual	\$ 1,726,849	\$ 256,269	\$ 1,983,118	\$ 7,283,084
Foundation	608,656	11,068,282	11,676,938	3,152,734
Corporate	42,800	-	42,800	17,545
Government	584,171	-	584,171	13,000
In-kind	-	-	-	27,930
Education programs	185,912	-	185,912	171,222
Museum store sales	119,695	-	119,695	123,998
Programs	33,845	-	33,845	50,259
Distributions from perpetual trust	113,209	(113,209)	-	-
Other	14,050	-	14,050	-
Net assets released from restrictions	1,489,537	(1,489,537)	-	-
Total support and revenue	<u>4,918,724</u>	<u>9,721,805</u>	<u>14,640,529</u>	<u>10,839,772</u>
EXPENSES				
Program services	2,817,529	-	2,817,529	2,158,931
Depreciation	283,152	-	283,152	230,857
Supporting services				
Management and general	142,880	-	142,880	129,575
Development and marketing	470,644	-	470,644	449,122
Total expenses	<u>3,714,205</u>	<u>-</u>	<u>3,714,205</u>	<u>2,968,485</u>
CHANGE IN NET ASSETS BEFORE OTHER INCOME				
	<u>1,204,519</u>	<u>9,721,805</u>	<u>10,926,324</u>	<u>7,871,287</u>
OTHER INCOME				
Net investment gain (loss)	(531,633)	(919,662)	(1,451,295)	1,160,868
Paycheck Protection Program grant and miscellaneous income	-	-	-	30
Change in value of perpetual trust	-	(561,496)	(561,496)	346,427
Total other income	<u>(531,633)</u>	<u>(1,481,158)</u>	<u>(2,012,791)</u>	<u>1,507,325</u>
CHANGE IN NET ASSETS RELATED TO COLLECTION ITEMS NOT CAPITALIZED				
Proceeds from sale of collections	-	-	-	2,380
Cost of collection items purchased	(202,165)	-	(202,165)	(561,228)
Total change in net assets related to collection items not capitalized	<u>(202,165)</u>	<u>-</u>	<u>(202,165)</u>	<u>(558,848)</u>
CHANGE IN NET ASSETS	470,721	8,240,647	8,711,368	8,819,764
NET ASSETS				
Beginning of year	<u>10,864,959</u>	<u>14,993,147</u>	<u>25,858,106</u>	<u>17,038,342</u>
End of year	<u>\$ 11,335,680</u>	<u>\$ 23,233,794</u>	<u>\$ 34,569,474</u>	<u>\$ 25,858,106</u>

See accompanying notes

WOODMERE ART MUSEUM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2022 with comparative totals for 2021

	Program Services					Support Services			Total Expenses	
	Collection/ Curator	Education	Exhibitions	Historical Mansion	Total Program Services	Management and General	Development and Marketing	Total Support Services	2022	2021
Personnel										
Salary	\$ 228,103	\$ 321,801	\$ 158,646	\$ 223,211	\$ 931,761	\$ 66,923	\$ 296,394	\$ 363,317	\$ 1,295,078	\$ 1,228,519
Employee benefits	19,709	15,078	14,307	17,517	66,611	6,538	28,085	34,623	101,234	106,792
Payroll taxes	26,634	27,742	10,622	11,189	76,187	4,994	21,688	26,682	102,869	90,746
	<u>274,446</u>	<u>364,621</u>	<u>183,575</u>	<u>251,917</u>	<u>1,074,559</u>	<u>78,455</u>	<u>346,167</u>	<u>424,622</u>	<u>1,499,181</u>	<u>1,426,057</u>
Facilities										
Maintenance and repairs	24,785	24,785	20,154	201,905	271,629	-	-	-	271,629	123,711
Utilities and communications	21,595	43,703	27,448	10,105	102,851	10,105	5,303	15,408	118,259	81,143
	<u>46,380</u>	<u>68,488</u>	<u>47,602</u>	<u>212,010</u>	<u>374,480</u>	<u>10,105</u>	<u>5,303</u>	<u>15,408</u>	<u>389,888</u>	<u>214,281</u>
Office Expense										
Computer	2,096	2,096	2,096	3,031	9,319	5,340	10,866	16,206	25,525	31,779
Supplies and printing	4,201	1,842	944	2,724	9,711	6,337	12,424	18,761	28,472	22,305
	<u>6,297</u>	<u>3,938</u>	<u>3,040</u>	<u>5,755</u>	<u>19,030</u>	<u>11,677</u>	<u>23,290</u>	<u>34,967</u>	<u>53,997</u>	<u>54,084</u>
Exhibits and programs										
Exhibitions	-	-	199,165	-	199,165	-	-	-	199,165	287,199
Educational programs	-	49,380	-	-	49,380	-	-	-	49,380	29,584
Music series	-	50,114	-	-	50,114	-	-	-	50,114	38,043
Publications	75,518	-	-	-	75,518	-	-	-	75,518	-
Other	1,010	1,600	1,600	-	4,210	-	-	-	4,210	3,391
	<u>76,528</u>	<u>101,094</u>	<u>200,765</u>	<u>-</u>	<u>378,387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>378,387</u>	<u>358,217</u>
Organizational										
Advertising/public relations	-	56,586	34,135	-	90,721	-	689	689	91,410	36,316
Contractual fees	-	50,090	-	-	50,090	-	-	-	50,090	43,584
Development operating	-	-	-	-	-	-	65,964	65,964	65,964	47,739
Director's expense	5,251	7,920	3,501	875	17,547	1,640	5,251	6,891	24,438	25,861
Insurance	29,183	15,458	9,354	27,047	81,042	3,504	1,156	4,660	85,702	76,396
Interest	19,693	14,507	19,693	14,507	68,400	7,086	-	7,086	75,486	25,937
Professional fees	107,158	107,158	107,158	107,158	428,632	-	18,000	18,000	446,632	209,260
Legal and accounting	30,269	30,269	30,269	30,269	121,076	25,561	-	25,561	146,637	87,771
Museum store	-	-	80,551	-	80,551	-	-	-	80,551	77,888
Other	19,297	6,891	3,248	3,578	33,014	4,852	4,824	9,676	42,690	54,237
	<u>210,851</u>	<u>288,879</u>	<u>287,909</u>	<u>183,434</u>	<u>971,073</u>	<u>42,643</u>	<u>95,884</u>	<u>138,527</u>	<u>1,109,600</u>	<u>684,989</u>
Total expenses before depreciation	614,502	827,020	722,891	653,116	2,817,529	142,880	470,644	613,524	3,431,053	2,737,628
Depreciation	15,888	-	15,888	251,376	283,152	-	-	-	283,152	230,857
Total expenses	<u>\$ 630,390</u>	<u>\$ 827,020</u>	<u>\$ 738,779</u>	<u>\$ 904,492</u>	<u>\$ 3,100,681</u>	<u>\$ 142,880</u>	<u>\$ 470,644</u>	<u>\$ 613,524</u>	<u>\$ 3,714,205</u>	<u>\$ 2,968,485</u>

See accompanying notes

WOODMERE ART MUSEUM, INC.

STATEMENT OF CASH FLOWS

Year ended December 31, 2022 with comparative totals for 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 8,711,368	\$ 8,819,764
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	283,152	230,857
Net investment (gain) loss	1,451,295	(1,028,515)
Change in beneficial interest in perpetual trust	674,705	(235,238)
Change in discount on contributions receivable	894,444	38,824
(Increase) decrease in		
Contributions receivable	(8,032,740)	(3,729,531)
Contract receivable	(500,000)	-
Other receivables	7,762	(54,577)
Other assets	(56,223)	62,223
Increase (decrease) in		
Accounts payable and accrued expenses	104,891	(5,529)
Deferred revenue	2,352	1,303
Net cash provided by (used for) operating activities	<u>3,541,006</u>	<u>4,099,581</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land, building and equipment	(2,082,020)	(2,540,875)
Proceeds from sale of investments	2,698,655	1,150,105
Purchase of investments	<u>(3,711,835)</u>	<u>(4,108,699)</u>
Net cash provided by (used for) investing activities	<u>(3,095,200)</u>	<u>(5,499,469)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of line of credit	(179,550)	(25,200)
Borrowings of long-term debt	-	2,200,000
Repayments of long-term debt	<u>(344,549)</u>	<u>(56,459)</u>
Net cash provided by (used for) financing activities	<u>(524,099)</u>	<u>2,118,341</u>
Net change in cash	(78,293)	718,453
CASH		
Beginning of year	<u>1,226,965</u>	<u>508,512</u>
End of year	<u>\$ 1,148,672</u>	<u>\$ 1,226,965</u>
SUPPLEMENTAL DISCLOSURE		
Interest paid	<u>\$ 75,486</u>	<u>\$ 25,937</u>

See accompanying notes

WOODMERE ART MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

(1) NATURE OF OPERATIONS

Woodmere Art Museum, Inc. (the "**Museum**") is a nonprofit institution whose official mission statement is to inspire creativity, learning and self-expression through experiences with the art and artists of Philadelphia and the region.

In October 2021, the Museum purchased a 19th century mansion which, once renovated, will expand the Museum and serve as a gallery space for the Museum's permanent collection of works by Philadelphia artists, as well as a hands-on children's art and education center and public programming spaces.

In July 2020, the Museum elected to participate as a member of the Philadelphia Collaborative Arts Consortium ("**PHL CAC**"). The PHL CAC is a network of mid-sized museums formed with the strategy to share programmatic resources and operational opportunities, raise general operating support from sources that individual members otherwise could not access, to affect a continued pooling of resources.

The Museum acts as Fiscal Sponsor for the PHL CAC until such time the PHL CAC establishes its own tax-exempt status under Internal Revenue Code 501(c)(3). As Fiscal Sponsor of the PHL CAC, the Museum is responsible for the legal compliance of receiving, reporting and acknowledging charitable donations. For the years ended December 31, 2022 and 2021, the Museum did not receive any contributions for the PHL CAC.

(2) SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

The Museum reports information regarding its financial position and activities according to the following classes of net assets:

Without donor restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for operating reserves.

With donor restrictions

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Museum and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as "**net assets released from restrictions.**"

Also included in this category are net assets subject to donor-imposed restrictions that require the net assets be maintained indefinitely while permitting the Museum to expend the income generated in accordance with the provisions of the contribution.

Summarized Prior Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles ("**GAAP**"). Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

WOODMERE ART MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Museum. Unobservable inputs reflect the Museum's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Museum has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Museum's own assumptions.

Investments

Investments in mutual funds and Exchange Traded Funds (ETFs) with readily determinable fair values are stated at fair value in the statement of financial position. Certificates of deposit are valued at amortized cost, which approximates fair value. Net investment gain (loss) is reported in the statement of activities and changes in net assets and consists of interest and dividend income, realized and unrealized capital gains and losses, less direct internal investment expenses. Specifically identified cost is used to determine the gain or loss for investments sold.

The Board of Trustees is allowed to appropriate so much of the net appreciation of the endowment funds as is prudent considering the Museum's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions.

Cash Equivalents

All highly liquid interest-bearing deposits with initial maturities of three months or less are considered to be cash equivalents.

Exchange Revenues

The Museum recognizes revenue from educational programs, other programs and store sales when performance obligations are satisfied. The performance obligations are fulfilled, and revenue is recognized, when admission is delivered to the customer or goods are transferred to the customer. Program fees paid in advance are recorded as deferred revenue and recognized when admission is delivered to the customer.

Contributions and Grants

The Museum records cash and unconditional promises to give as revenue in the period received. Unconditional contributions and grants are recorded at the net present value of the amounts expected to be collected. Conditional contributions and grants are recognized as revenue when the conditions on which they depend are substantially met.

WOODMERE ART MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

The Museum reports contributions and grants restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions and grants are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to the net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Land, Building and Equipment

The Museum records land, building and equipment additions over \$2,000 at cost. Donated property and equipment are recorded at their fair value at the date of receipt. Costs for maintenance and repairs are charged to expense. Depreciation of property and equipment is provided on a straight-line basis over each asset's estimated useful life, ranging from 3 to 40 years. Depreciation expense for the year ended December 31, 2022 was \$283,152

Collections

The Museum's collections are made up of works of art, artifacts of historical significance and art objects that are held for educational and curatorial purposes. Each of the items is catalogued, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously.

In conformity with the practice adopted by many museums and in accordance with the provisions of FASB ASC 958-605, the Museum does not capitalized donated works of art and collections or recognize them as revenues or gains. FASB ASC 958-605 provides that such donations need not be recognized if they are added to collections that are held for public exhibition, education or protected unencumbered, cared for and preserved. The Museum has a policy that requires the proceeds from sales of collection items to be used to acquire other items for its collection and/or the direct care and preservation of the Museum's existing collections. Direct care includes investing in the existing collection to enhance the life, usefulness or quality, and thereby ensuring the collection will continue to benefit the public. The cost of all objects purchased is reported as a separate program expense. All such items on hand are currently insured for approximately \$20,000,000.

Revenue Recognition

Revenues are recognized when control of the promised goods or services is transferred to the customer in an amount that reflects the consideration the Museum expects to be entitled to receive in exchange for those goods and services.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been presented on a functional basis in the statements of activities and changes in net assets and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Expenses not directly attributable to a specific functional area are allocated. Significant expenses that are allocated include personnel and certain organizational costs which have been allocated based on estimates of time and effort. Facility costs are allocated based on square footage.

Income Tax Status

The Museum is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Museum has been classified as an organization other than a private foundation under Section 509(a)(2).

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain tax positions. GAAP prescribes a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. The Museum believes that it had no uncertain tax positions as defined in GAAP.

WOODMERE ART MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Concentrations and Concentration of Credit Risk

Financial instruments which potentially subject the Museum to concentration of credit risk are cash and investments. The Museum maintains its cash at various financial institutions. At times, such deposits may exceed federally-insured limits. However, management does not believe it is exposed to any significant credit risk on cash.

During the year ended December 31, 2022, one donor contributed 68% of all support and revenue.

The Museum invests in various investment securities that are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the statements of financial position. The Board of Trustees has implemented an investment policy intended to mitigate the investment risk. The policy sets forth the range of asset allocation to consist of 57-77% of equity investments, 10-30% of fixed income securities, 0-20% of cash and 0-18% of alternative investments.

(3) CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable were as follows as of December 31,:

	<u>2022</u>	<u>2021</u>
Less than one year	\$ 4,307,723	\$ 2,083,483
More than one year	<u>7,977,554</u>	<u>2,169,054</u>
	12,285,277	4,252,537
Less: discounts to net present value	<u>(933,268)</u>	<u>(38,824)</u>
Contributions receivable, net	<u>\$ 11,352,009</u>	<u>\$ 4,213,713</u>

(4) LAND, BUILDING AND EQUIPMENT, NET

Land, building and equipment, net consisted of the following at December 31,:

	<u>2022</u>	<u>2021</u>
Land	\$ 670,215	\$ 670,215
Building and improvements	8,719,841	7,046,363
Furniture and fixtures	163,750	164,994
Parking lot/stormwater	1,686,577	1,686,577
Construction-in-progress	<u>732,624</u>	<u>337,438</u>
	11,973,007	9,905,587
Less: accumulated depreciation	<u>(3,658,881)</u>	<u>(3,390,329)</u>
	<u>\$ 8,314,126</u>	<u>\$ 6,515,258</u>

(5) BENEFICIAL INTEREST IN PERPETUAL TRUST

The Museum is the beneficiary under a perpetual trust administered by Wells Fargo Bank. The bank is to invest and manage the trust's assets in perpetuity. The Museum is the sole beneficiary of the perpetual trust, and each year receives a bank approved percentage (currently 3.75%) of the total trust assets held in perpetuity. The Museum has recorded the beneficial interest in the perpetual trust at fair value as a net asset with donor restrictions. Fair value is determined based on the underlying assets of the trust. Changes in the fair value of the assets and related investment income are recognized as change in fair value of perpetual trust in the accompanying statements of activities and changes in net assets.

WOODMERE ART MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

(6) LINE OF CREDIT

The Museum had a \$400,000 bank line of credit. Interest on outstanding borrowings was payable monthly at an annual rate of .25 plus Prime. Borrowings are collateralized by a deposit account at the bank for \$400,000. The outstanding borrowings under the line of credit was \$179,550 at December 31, 2021. The Museum decided to close the line of credit in November 2022.

(7) LONG-TERM DEBT AND INTEREST RATE SWAP AGREEMENT

Note Payable

The Museum has a \$730,000 note payable with a balance of \$401,066 and \$431,355 at December 31, 2022 and 2021, respectively, due in equal monthly principal installments of \$2,522 plus interest, with a balloon payment due on March 16, 2023. Interest on the note is at a fixed rate of 2.45%. The note is collateralized by a deposit account at the bank that approximates the outstanding balance. This loan was paid in full in March 2023.

Revolving Credit Line and Interest Rate Swap Agreement

In September 2021, the Museum entered into a revolving credit line agreement for \$2,200,000. Before entering into an interest rate swap agreement, the credit line was payable in monthly installments of interest at the one-month LIBOR and was due on demand. The credit line is secured by a portion of the Museum's brokerage account held at Glenmede Trust Company, as defined by the credit line agreement. At December 31, 2022, the balance of the revolving credit line was \$1,859,530.

In November 2021, the Museum entered into an interest rate swap agreement to manage its interest rate risk on the revolving credit line. Under the terms of the swap agreement, the Museum pays monthly installments of principal in the amount of \$26,190 plus interest at a fixed rate of 2.82% and both the credit line and the swap agreement mature in November 2028. The floating rate option for each calculation period under the interest rate swap agreement is the one-month USD-LIBOR-BBA with a spread of 1.40%. The outstanding notional principal balance of the swap agreement was \$1,859,530 at December 31, 2022. The fair value of the Museum's interest rate swap agreement at December 31, 2022 was \$136,008 in favor of the Museum.

By using a derivative instrument, the Museum is exposed to credit risk. If the counterparty fails to perform, credit risk is equal to the extent of the fair value gain in a derivative. When fair value of a derivative contract is positive, this generally indicates that the counterparty owes the Museum, and therefore, creates a repayment risk for the Museum. When the fair value of a derivative is negative, the Museum owes the counterparty, and therefore, it has a repayment risk. The Museum minimizes credit risk in derivative instruments by entering into transactions with highly-rated counterparties.

Long-term debt was as follows at December 31, 2022:

Note payable	\$ 401,066
Revolving line of credit	1,859,530
	<u>2,260,596</u>
Less: current maturities	(715,346)
	<u>\$ 1,545,250</u>

WOODMERE ART MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Aggregate future maturities of long-term debt are as follows:

Year ending December 31,

2023	\$ 715,346
2024	314,280
2025	314,280
2026	314,280
2027	314,280
Thereafter	<u>288,130</u>
	<u>\$ 2,260,596</u>

(8) BOARD DESIGNATED ASSETS

Board designated net assets are designated for the following purposes at December 31,:

	<u>2022</u>	<u>2021</u>
Acquisition of art for permanent collection	\$ 93,338	\$ 152,407
Building improvements and operations	<u>3,046,329</u>	<u>3,553,883</u>
	<u>\$ 3,139,667</u>	<u>\$ 3,706,290</u>

(9) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>Balance</u> <u>December 31, 2021</u>	<u>Additions/</u> <u>(Losses)</u>	<u>Released</u> <u>from</u> <u>Restrictions</u>	<u>Balance</u> <u>December 31, 2022</u>
Subject to expenditure for specified purpose or period				
Art acquisitions	\$ 16,157	\$ 14,120	\$ (11,482)	\$ 18,795
Juried prizes	24,837	(8,410)	(2,400)	14,027
Art scholarships	9,737	(5,632)	(2,000)	2,105
Education	62,976	65,257	(43,560)	84,673
Exhibits	93,880	-	(58,737)	35,143
Strategic advancement	525,942	-	(10,000)	515,942
Frances M. Maguire Hall for Art and Education at Woodmere art Museum	4,316,265	10,579,372	(275,191)	14,620,446
Capital improvements	100,000	-	(4,250)	95,750
Outdoor experience	751,791	-	(645,593)	106,198
Film series	9,217	(1,135)	(732)	7,350
Subsequent year operations	<u>200,000</u>	<u>460,000</u>	<u>(200,000)</u>	<u>460,000</u>
	<u>6,110,802</u>	<u>11,103,572</u>	<u>(1,253,945)</u>	<u>15,960,429</u>

WOODMERE ART MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

To be maintained indefinitely				
Endowments				
Various department salaries	3,889,923	(514,998)	(180,612)	3,194,313
Scholarships	79,405	(6,022)	(2,200)	71,183
Juried prizes	60,605	-	-	60,605
Exhibition	512,897	(68,574)	(12,804)	431,519
Archives	282,167	(37,364)	(12,984)	231,819
Art conservation	160,613	(21,269)	(7,380)	131,964
Education	305,842	(40,511)	(13,872)	251,459
Other programs	137,918	(9,945)	(5,740)	122,233
Beneficial interest in a perpetual trust	<u>3,452,975</u>	<u>(561,496)</u>	<u>(113,209)</u>	<u>2,778,270</u>
	<u>8,882,345</u>	<u>(1,260,179)</u>	<u>(348,801)</u>	<u>7,273,365</u>
	<u>\$ 14,993,147</u>	<u>\$ 9,843,393</u>	<u>\$ (1,602,746)</u>	<u>\$ 23,233,794</u>

(10) ENDOWMENT FUNDS

An accounting standard exists which provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("**UPMIFA**"). The Museum is not subject to this guidance since Pennsylvania has not enacted a version of UPMIFA. The standard also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The Museum used a 5.0% spending rate in 2022 and 2021 to determine the amount of donor-restricted endowment earnings to be allocated to operations from internally managed endowments. The spending rate, which is subject to review by the Museum's Board of Directors, is applied to a moving average of annual donor-restricted endowment levels over the period of three years. In addition, all distributions from outside trusts are credited to operations. During the year ended December 31, 2021, the Museum suspended certain operating draws in order to preserve the endowment.

The use of income from certain donor restricted endowment funds is subject to donor-imposed restrictions. Dividends, interest and net realized gains on these assets, net of withdrawn funds for unrestricted purposes, are recorded as increases in net assets without donor restrictions.

The following tables summarize the changes in endowment net assets for the years ended December 31,:

	2022		
	Board Designated	With Donor Restrictions	Total
Endowment net assets, at beginning of year	\$ 3,706,290	\$ 5,573,704	\$ 9,279,994
Contributions	-	500	500
Investment income, net	(361,081)	(699,183)	(1,060,264)
Appropriation for expenditure	(167,972)	(379,926)	(547,898)
Appropriation for art acquisition and conservation	<u>(37,570)</u>	<u>-</u>	<u>(37,570)</u>
Endowment net assets, at end of year	<u>\$ 3,139,667</u>	<u>\$ 4,495,095</u>	<u>\$ 7,634,762</u>

WOODMERE ART MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

	2021		
	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, at beginning of year	\$ 3,591,066	\$ 4,605,586	\$ 8,196,652
Contributions	6,200	500,750	506,950
Investment income, net	352,874	679,225	1,032,099
Appropriation for expenditure	(139,259)	-	(139,259)
Appropriation for art acquisition and conservation	<u>(104,591)</u>	<u>(211,857)</u>	<u>(316,448)</u>
Endowment net assets, at end of year	<u>\$ 3,706,290</u>	<u>\$ 5,573,704</u>	<u>\$ 9,279,994</u>

(11) ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

The following is a summary of assets measured at fair value on a recurring basis and the valuation inputs used to value them:

<u>Description</u>	<u>Balance December 31, 2022</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and cash equivalents	3,162,195	\$ 3,162,195	-	-
Certificates of deposit	459,087	-	459,087	-
Investments				
Mutual funds				
Fixed income	2,672,137	2,672,137	-	-
Equity				
Domestic	3,947,244	3,947,244	-	-
International	1,701,101	1,701,101	-	-
Commodities ETFs	357,042	357,042	-	-
Real estate ETFs	372,973	372,973	-	-
Perpetual trust	<u>2,778,270</u>	<u>-</u>	<u>-</u>	<u>2,778,270</u>
	<u>\$ 15,450,049</u>	<u>\$ 12,212,692</u>	<u>\$ 459,087</u>	<u>\$ 2,778,270</u>

The Museum's investments in commodities ETFs and real estate ETFs are valued at the closing price reported on the active market in which the investments are traded.

The Museum's mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Museum are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Museum are deemed to be actively traded.

The Museum invests in certificates of deposit (CDs) which are valued at amortized cost, which approximates fair value, and are classified within level 2.

The fair value of the beneficial interest in perpetual trust is based on the fair value of the assets held by the trust.

WOODMERE ART MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

(12) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Museum's financial assets as of the statement of financial position date, which have been reduced by financial assets not available within one year.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,148,672	\$ 1,226,965
Contributions receivable	451,143	496,052
Other receivables	63,712	71,474
Contract receivable	500,000	-
Budgeted distributions from beneficial investment in assets held by others	114,765	111,036
Budgeted endowment spending-rate distributions and appropriations	<u>417,828</u>	<u>423,891</u>
Total financial assets available for one year	2,696,120	2,329,418
Less: financial assets not available for general operations within one year		
Restricted for capital projects	(940,143)	-
Time restricted beyond one year	<u>(63,018)</u>	<u>(174,997)</u>
Total financial assets available within one year for general operations	<u>\$ 1,692,959</u>	<u>\$ 2,154,421</u>

Liquidity Management

The Museum receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition to financial assets available to meet general expenditures over the next twelve months, the Museum operates with a balanced budget and anticipates collecting sufficient revenue to cover budgeted expenditures.

As part of the Museum's liquidity management plan, the Museum invests cash in excess of daily requirements in short-term investments, CDs and money market funds. Occasionally, the Board designates a portion of any operating surplus for capital improvements and other future projects, which was \$2,016,871 and \$2,300,905 at December 31, 2022 and 2021, respectively. This fund can be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of the typical life cycle of converting financial assets to cash or settling financial liabilities.

(13) SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 23, 2023, the date on which the financial statements were available to be issued. The Museum paid off the note payable balance of \$401,066 in March 2023 (**See Note 7**). No other material subsequent events have occurred since December 31, 2022 that require recognition or disclosure in the financial statements.