

**WOODMERE ART
MUSEUM, INC.**

**Financial Statements
December 31, 2019 and 2018**

**Kreischer
Miller**

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WOODMERE ART MUSEUM, INC.

December 31, 2019 and 2018

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Woodmere Art Museum, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kreischer Miller

Horsham, Pennsylvania
June 17, 2020

WOODMERE ART MUSEUM, INC.

Statements of Financial Position December 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash	\$ 349,285	\$ 300,809
Contributions receivable	448,355	390,583
Other assets	28,601	30,982
Total current assets	826,241	722,374
Long-term contributions receivable	-	200,000
Land, building and equipment, net	4,260,191	4,397,088
Investments	8,327,766	7,652,938
Beneficial interest in perpetual trust	2,938,810	2,585,984
Total assets	\$ 16,353,008	\$ 15,558,384
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	\$ 30,264	\$ 30,264
Line of credit	229,950	255,150
Accounts payable and accrued expenses	32,265	35,009
Deferred revenue	22,787	-
Total current liabilities	315,266	320,423
Long-term debt, net of current portion	461,609	491,878
	776,875	812,301
Net assets:		
Without donor restrictions:		
Undesignated	4,341,803	4,345,821
Designated by the Board	3,478,027	3,339,699
With donor restrictions	7,756,303	7,060,563
	15,576,133	14,746,083
Total liabilities and net assets	\$ 16,353,008	\$ 15,558,384

See accompanying notes to financial statements.

WOODMERE ART MUSEUM, INC.

Statements of Activities and Changes in Net Assets
Years Ended December 31, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and grants:			
Individual	\$ 1,258,723	\$ 177,265	\$ 1,435,988
Foundation	312,400	140,000	452,400
Corporate	22,612	-	22,612
Government	36,823	-	36,823
In-kind	6,157	-	6,157
Education programs	230,152	-	230,152
Museum store sales	161,927	-	161,927
Programs	43,326	-	43,326
Distributions from perpetual trust	113,913	(113,913)	-
Net assets released from restrictions pursuant to endowment spending policy	183,000	(183,000)	-
Net assets released from restrictions - other	420,890	(420,890)	-
Total support and revenue	2,789,923	(400,538)	2,389,385
Expenses:			
Program services	2,042,211	-	2,042,211
Depreciation	227,178	-	227,178
Management and general	160,121	-	160,121
Development and marketing	440,447	-	440,447
Total expenses	2,869,957	-	2,869,957
Increase (decrease) in net assets before other income (expenses)	(80,034)	(400,538)	(480,572)
Other income (expenses):			
Net investment return (loss)	483,807	629,539	1,113,346
Change in value of perpetual trust	-	466,739	466,739
Proceeds from sale of collections	53,450	-	53,450
Cost of collection items purchased	(322,913)	-	(322,913)
Increase (decrease) in net assets	134,310	695,740	830,050
Net assets, beginning of year	7,685,520	7,060,563	14,746,083
Net assets, end of year	\$ 7,819,830	\$ 7,756,303	\$ 15,576,133

See accompanying notes to financial statements.

2018

	Without Donor Restrictions	With Donor Restrictions	Total
\$	1,010,839	\$ 119,250	\$ 1,130,089
	513,715	470,000	983,715
	26,529	-	26,529
	34,768	50,000	84,768
	13,627	-	13,627
	214,879	-	214,879
	178,357	-	178,357
	58,496	-	58,496
	114,144	(114,144)	-
	184,164	(184,164)	-
	116,303	(116,303)	-
	2,465,821	224,639	2,690,460
	1,960,162	-	1,960,162
	233,718	-	233,718
	155,962	-	155,962
	412,583	-	412,583
	2,762,425	-	2,762,425
	(296,604)	224,639	(71,965)
	(217,455)	(288,683)	(506,138)
	-	(228,046)	(228,046)
	-	-	-
	(271,826)	-	(271,826)
	(785,885)	(292,090)	(1,077,975)
	8,471,405	7,352,653	15,824,058
\$	7,685,520	\$ 7,060,563	\$ 14,746,083

WOODMERE ART MUSEUM, INC.

Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services				
	Collection/ Curator	Education	Exhibitions	Historical Mansion	Total Program
Personnel:					
Salary	\$ 231,232	\$ 304,588	\$ 159,797	\$ 222,382	\$ 917,999
Employee benefits	32,160	14,154	17,839	13,000	77,153
Payroll taxes	21,703	25,212	10,699	19,780	77,394
	285,095	343,954	188,335	255,162	1,072,546
Facilities:					
Maintenance and repairs	4,277	4,277	-	144,315	152,869
Telephone	1,570	2,125	923	1,108	5,726
Utilities	16,362	37,246	20,844	5,296	79,748
	22,209	43,648	21,767	150,719	238,343
Supplies:					
Office supplies and expense	3,581	3,331	805	892	8,609
Printing	1,062	1,062	1,062	768	3,954
Postage	1,007	181	181	181	1,550
	5,650	4,574	2,048	1,841	14,113
Services and exhibits:					
Art classes	-	1,399	-	-	1,399
Curatorial	40,136	-	-	-	40,136
Music series	-	66,945	-	-	66,945
Exhibition expense	-	-	149,444	-	149,444
Programs	-	114,206	-	-	114,206
	40,136	182,550	149,444	-	372,130
Organizational:					
Advertising/public relations	2,000	3,928	11,671	-	17,599
Contractual fees	-	79,997	-	-	79,997
Director's expense	7,246	2,415	4,831	2,415	16,907
Insurance	23,059	12,698	5,278	23,414	64,449
Interest	6,958	-	6,958	-	13,916
Professional fees	-	-	-	18,096	18,096
Legal and accounting	-	-	-	-	-
Development operating	-	-	-	-	-
Miscellaneous	2,785	2,476	-	-	5,261
Museum store sales expenses	-	103,085	-	-	103,085
Subscriptions and dues	1,243	993	993	-	3,229
Software maintenance	3,566	3,888	3,888	3,848	15,190
Office furniture	-	-	-	-	-
Staff development	-	55	-	-	55
Trustee fees	-	7,295	-	-	7,295
	46,857	216,830	33,619	47,773	345,079
Total expenses before depreciation	399,947	791,556	395,213	455,495	2,042,211
Depreciation	15,888	-	15,888	195,402	227,178
Total expenses	\$ 415,835	\$ 791,556	\$ 411,101	\$ 650,897	\$ 2,269,389

See accompanying notes to financial statements.

Support Services			Total
Management and General	Development and Marketing	Total Support Services	Program and Support Services
\$ 69,144	\$ 298,094	\$ 367,238	\$ 1,285,237
8,426	35,964	44,390	121,543
5,928	22,352	28,280	105,674
83,498	356,410	439,908	1,512,454
-	-	-	152,869
7,086	2,217	9,303	15,029
6,107	2,480	8,587	88,335
13,193	4,697	17,890	256,233
4,677	3,377	8,054	16,663
1,908	3,258	5,166	9,120
90	4,864	4,954	6,504
6,675	11,499	18,174	32,287
-	-	-	1,399
-	-	-	40,136
-	-	-	66,945
-	-	-	149,444
-	19,835	19,835	134,041
-	19,835	19,835	391,965
-	3,147	3,147	20,746
-	-	-	79,997
2,415	4,831	7,246	24,153
4,708	1,791	6,499	70,948
13,139	-	13,139	27,055
-	-	-	18,096
22,055	-	22,055	22,055
2,787	24,232	27,019	27,019
4,940	-	4,940	10,201
-	-	-	103,085
917	278	1,195	4,424
2,061	13,156	15,217	30,407
1,600	-	1,600	1,600
6	571	577	632
2,127	-	2,127	9,422
56,755	48,006	104,761	449,840
160,121	440,447	600,568	2,642,779
-	-	-	227,178
\$ 160,121	\$ 440,447	\$ 600,568	\$ 2,869,957

WOODMERE ART MUSEUM, INC.

Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services				
	Collection/ Curator	Education	Exhibitions	Historical Mansion	Total Program
Personnel:					
Salary	\$ 254,459	\$ 269,386	\$ 135,763	\$ 225,697	\$ 885,305
Employee benefits	29,678	9,288	13,296	7,005	59,267
Payroll taxes	21,963	22,646	8,670	19,920	73,199
	306,100	301,320	157,729	252,622	1,017,771
Facilities:					
Maintenance and repairs	12,910	12,910	-	111,576	137,396
Telephone	1,442	1,905	887	1,041	5,275
Utilities	16,208	38,118	21,868	5,545	81,739
	30,560	52,933	22,755	118,162	224,410
Supplies:					
Office supplies and expense	4,680	1,821	378	887	7,766
Printing	797	907	-	1,074	2,778
Postage	179	-	-	-	179
	5,656	2,728	378	1,961	10,723
Services and exhibits:					
Art classes	-	5,169	-	-	5,169
Conservation and curatorial	65,963	-	-	-	65,963
Photography	2,582	-	-	-	2,582
Music series	-	54,115	-	-	54,115
Exhibition expense	-	-	150,720	-	150,720
Programs	-	90,496	-	-	90,496
	68,545	149,780	150,720	-	369,045
Organizational:					
Advertising/public relations	-	-	-	-	-
Contractual fees	-	79,651	-	-	79,651
Director's expense	8,521	2,840	5,680	2,840	19,881
Insurance	23,232	11,558	4,365	23,752	62,907
Interest	6,775	-	6,775	-	13,550
Professional fees	-	-	-	19,240	19,240
Legal and accounting	-	-	-	-	-
Development operating	-	-	-	-	-
Miscellaneous	5,038	4,291	-	-	9,329
Museum store sales expenses	-	105,194	-	-	105,194
Subscriptions and dues	1,080	1,080	1,080	250	3,490
Software maintenance	10,685	3,799	5,073	4,376	23,933
Office furniture	905	-	-	-	905
Staff development	-	133	-	-	133
Trustee fees	-	-	-	-	-
	56,236	208,546	22,973	50,458	338,213
Total expenses before depreciation	467,097	715,307	354,555	423,203	1,960,162
Depreciation	15,623	-	15,623	202,472	233,718
Total expenses	\$ 482,720	\$ 715,307	\$ 370,178	\$ 625,675	\$ 2,193,880

See accompanying notes to financial statements.

Support Services			Total
Management and General	Development and Marketing	Total Support Services	Program and Support Services
\$ 61,443	\$ 282,186	\$ 343,629	\$ 1,228,934
6,339	34,557	40,896	100,163
4,511	21,986	26,497	99,696
72,293	338,729	411,022	1,428,793
-	-	-	137,396
4,253	1,968	6,221	11,496
6,400	2,575	8,975	90,714
10,653	4,543	15,196	239,606
4,126	3,999	8,125	15,891
1,922	3,025	4,947	7,725
638	3,463	4,101	4,280
6,686	10,487	17,173	27,896
-	-	-	5,169
-	-	-	65,963
-	-	-	2,582
-	-	-	54,115
-	-	-	150,720
-	13,655	13,655	104,151
-	13,655	13,655	382,700
-	9,097	9,097	9,097
-	-	-	79,651
2,840	5,680	8,520	28,401
5,668	2,902	8,570	71,477
13,298	-	13,298	26,848
8,810	-	8,810	28,050
23,013	-	23,013	23,013
2,412	20,707	23,119	23,119
6,153	-	6,153	15,482
-	-	-	105,194
1,030	228	1,258	4,748
1,496	5,960	7,456	31,389
-	-	-	905
349	595	944	1,077
1,261	-	1,261	1,261
66,330	45,169	111,499	449,712
155,962	412,583	568,545	2,528,707
-	-	-	233,718
\$ 155,962	\$ 412,583	\$ 568,545	\$ 2,762,425

WOODMERE ART MUSEUM, INC.

Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 830,050	\$ (1,077,975)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	227,178	233,718
Net realized and unrealized (gain) loss on investments	(992,810)	618,471
(Increase) decrease in beneficial interest in perpetual trust	(352,826)	342,190
Decrease in:		
Contributions receivable	142,228	143,874
Other assets	2,381	7,381
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,744)	(43,309)
Deferred revenue	22,787	-
Net cash provided by (used in) operating activities	(123,756)	224,350
Cash flows from investing activities:		
Purchase of land, building and equipment	(90,281)	(67,252)
Proceeds from sale of investments	3,686,333	1,379,994
Purchase of investments	(3,368,351)	(1,358,429)
Net cash provided by (used in) investing activities	227,701	(45,687)
Cash flows from financing activities:		
Net repayments of line of credit	(25,200)	(25,200)
Repayments of long-term debt	(30,269)	(30,269)
Net cash used in financing activities	(55,469)	(55,469)
Net increase in cash	48,476	123,194
Cash, beginning of year	300,809	177,615
Cash, end of year	\$ 349,285	\$ 300,809
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 27,054	\$ 26,848

See accompanying notes to financial statements.

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements

December 31, 2019 and 2018

(1) Nature of Organization

Woodmere Art Museum (the Museum) is a not-for-profit institution whose official mission statement is as follows: to inspire creativity, learning, and self-expression through experiences with the art and artists of Philadelphia and the region.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The Museum's financial statements have been prepared in accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 958, *Not-for-Profit Entities*. The significant accounting and reporting policies used by the Museum are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Museum reports contributions 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 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 net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements December 31, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

Accounting Pronouncements Adopted

Revenue Recognition

On January 1, 2019, the Museum adopted FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and, supersedes or replaces nearly all GAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. Topic 606 has been applied on the modified-retrospective method using the cumulative effect method on contracts existing on January 1, 2019. As part of the adoption, the Museum elected to follow the practical expedient of applying Topic 606 only to contracts that were not completed as of January 1, 2019. There was no adjustment to opening net assets as of January 1, 2019.

On January 1, 2019, the Museum adopted FASB ASU 2018-08, *Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made*, which requires that an entity evaluate whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional. The Museum adopted ASU 2018-08 using a modified prospective application to agreements not completed as of January 1, 2019 and to agreements entered into after January 1, 2019. There was no cumulative effect of a change in accounting principle recorded related to the adoption of ASU 2018-08 on January 1, 2019.

Updating the Definition of Collections

In March 2019, the FASB issued ASU 2019-03, *Updating the Definition of Collections*. This ASU modifies the definition of the term collections and requires that a collection-holding entity disclose its policy for the use of proceeds from when collection items are removed from a collection. The amendments in this update modify the condition so that proceeds from collection items can be used to support the direct care of existing collections in addition to the current requirement that proceeds from sale of collection items be used to acquire other items for collections. This standard is effective for the Museum's December 31, 2020 year end, with early adoption permitted. The Museum adopted this guidance for 2019, and it had no impact on the Museum's financial statements.

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements December 31, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

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. The Museum applies the five-step revenue model under FASB ASC 606, *Revenue from Contracts with Customers*, to determine when revenue is earned and recognized.

Contributions and Grants

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

The Museum records unconditional contributions as restricted revenue (i.e., net assets with donor restrictions) if they are received with donor stipulations that limit their use either through purpose or time. When the donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, restricted net assets are reclassified to net assets without donor restrictions, and reported in the statement of activities as net assets released from restrictions.

Donated Services

Many individuals volunteer their time and perform a variety of tasks that assist the Museum with specific programs and various committee assignments. Donated services are not recognized in the financial statements unless the services create or enhance a non-financial asset or require specialized skills and would typically need to be purchased if not donated. For services that meet this criteria, the Museum records revenue and corresponding expense for these donated services based on market rates for equivalent services. The Museum recorded donated services totaling \$6,157 and \$13,627 for the years ended December 31, 2019 and 2018, respectively.

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.

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements

December 31, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

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.

Investments

Investments in mutual funds and exchange traded funds (ETFs) with readily determinable fair values are stated at fair value in the statements of financial position. Certificates of deposit are valued at amortized cost. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less direct internal investment expenses.

The Board 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.

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 cataloged, 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 capitalize 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 \$18,000,000.

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements December 31, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Personnel and certain organizational costs are allocated based on time and effort. Facility costs are allocated based on square footage.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosure about fair value measurements. FASB ASC 820 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methods described may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Museum believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at December 31, 2019 and 2018.

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements

December 31, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

Concentrations of Credit Risk

Financial instruments which potentially subject the Museum to concentrations of credit risk consist principally of cash and investments. The Museum's cash is secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. From time to time, the Museum maintains cash balances in excess of insured limits. However, management does not believe it is exposed to any significant credit risk on cash.

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.

Income Tax Status

The Museum is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) as described in Section 509(a)(2) of the IRC and similar state statutes; therefore, no provision for income taxes is included in the accompanying financial statements.

The Museum files Federal Form 990, *Return of Organization Exempt from Income Tax*, on an annual basis and is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2016. Based on the Museum's assessment of many factors, including past experience, the Museum does not currently anticipate significant changes in its tax positions over the next 12 months.

Subsequent Events

The Museum has performed an evaluation of subsequent events through June 17, 2020, which is the date the financial statements were available to be issued.

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements December 31, 2019 and 2018

(3) Liquidity and Availability

For purposes of identifying assets available to meet expenditures over the next 12-month period, the Museum considers anticipated expenditures budgeted to meet the operational and programmatic goals for the forthcoming year.

Financial assets available for general expenditure, that is, without donor restriction or other restrictions limiting their use, within one year of the statement of financial position date comprise the following at December 31:

	2019	2018
Cash and cash equivalents	\$ 349,285	\$ 300,809
Contributions receivable	448,355	390,583
Distributions from beneficial interest in assets held by others	115,015	113,916
Endowment spending-rate distributions and appropriations	368,986	367,010
Less those unavailable for general expenditures within one year:		
Due to donor-imposed restrictions:		
Restricted for exhibitions	(27,395)	(50,000)
	<u>\$ 1,254,246</u>	<u>\$ 1,122,318</u>

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 12 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 \$2,143,832 and \$2,073,858 at December 31, 2019 and 2018, 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. In the event of an unanticipated liquidity need, the Museum could also draw upon the \$400,000 available line of credit (as further discussed in Note 7).

In April 2020, the Museum received a loan of approximately \$257,000, for operational cash flow purposes (as further discussed in Note 13).

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements December 31, 2019 and 2018

(4) Land, Building and Equipment

Land, building and equipment consists of the following as of December 31:

	2019	2018
Land, building and improvements	\$5,288,389	\$5,237,835
Parking lot /Stormwater	1,686,577	1,686,577
Furniture and fixtures	72,380	72,380
Equipment	111,198	133,910
Vehicle	18,944	18,944
Construction-in-progress	29,512	-
	<hr/> 7,207,000	<hr/> 7,149,646
Accumulated depreciation	(2,946,809)	(2,752,558)
	<hr/> \$4,260,191	<hr/> \$4,397,088

(5) Fair Value Measurements

The following is a summary of assets measured at fair value on a recurring basis and the valuation inputs used to value them at December 31:

	Assets at Fair Value as of December 31, 2019			
	Total	Level 1	Level 2	Level 3
Cash, at cost	\$ 895,088	\$ -	\$ -	\$ -
Certificates of deposit	926,798	-	926,798	-
Mutual funds:				
Fixed income	1,414,954	1,414,954	-	-
Equity:				
Domestic	3,264,874	3,264,874	-	-
International	1,309,096	1,309,096	-	-
Commodities ETFs	197,201	197,201	-	-
Real estate ETFs	319,755	319,755	-	-
Perpetual trust	2,938,810	-	-	2,938,810
Total assets at fair value	<hr/> \$ 11,266,576	<hr/> \$ 6,505,880	<hr/> \$ 926,798	<hr/> \$ 2,938,810

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements December 31, 2019 and 2018

(5) Fair Value Measurements, Continued

	Assets at Fair Value as of December 31, 2018			
	Total	Level 1	Level 2	Level 3
Cash, at cost	\$ 940,219	\$ -	\$ -	\$ -
Certificates of deposit	956,643	-	956,643	-
Mutual funds:				
Fixed income	1,284,625	1,284,625	-	-
Equity:				
Domestic	2,292,084	2,292,084	-	-
International	1,711,554	1,711,554	-	-
Commodities ETFs	173,822	173,822	-	-
Real estate ETFs	293,991	293,991	-	-
Perpetual trust	2,585,984	-	-	2,585,984
Total assets at fair value	<u>\$ 10,238,922</u>	<u>\$ 5,756,076</u>	<u>\$ 956,643</u>	<u>\$ 2,585,984</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 traded in the financial markets. Those CDs are valued by the custodians of the securities using price models based on credit quality, time to maturity, stated interest rates, and market assumptions, 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.

A summary of changes in the fair value of the Museum's level 3 assets is as follows:

	2019	2018
Balance, beginning of year	\$ 2,585,984	\$ 2,928,174
Distributions	(113,913)	(114,144)
Change in fair value of perpetual trust	466,739	(228,046)
Balance, end of year	<u>\$ 2,938,810</u>	<u>\$ 2,585,984</u>

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements

December 31, 2019 and 2018

(6) Beneficial Interest in Perpetual Trust

Woodmere is the beneficiary under a trust administered by Wells Fargo Bank. The bank is to invest and manage the trust assets in perpetuity. The Museum is the sole beneficiary of the trust, and each year will receive a bank approved percentage (currently 4.0%) of the total trust assets held in perpetuity. The Museum has recorded the interest in the 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 an increase (decrease) in fair value of perpetual trust in the accompanying statements of activities.

(7) Line of Credit

The Museum has a \$400,000 bank line of credit. Interest on outstanding borrowings is payable monthly at an annual rate of 4.75%. Borrowings are collateralized by a deposit account at the bank for \$400,000. The outstanding borrowings under the line of credit are \$229,950 and \$255,150 at December 31, 2019 and 2018, respectively. The line of credit expires on August 31, 2020.

(8) Long-term Debt

The Museum has a \$730,000 mortgage, with a balance of \$491,873 and \$522,142 at December 31, 2019 and 2018, respectively, due in equal monthly principal installments of \$2,522, plus interest with a balloon payment due on March 29, 2021. Interest on the note is at a fixed rate of 2.7%. The note is collateralized by a deposit account at the bank that approximates the outstanding balance. Management expects to apply future funding from the Museum's capital campaign to repay the principal balance.

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

Year Ending December 31,	Amount
2020	\$ 30,264
2021	461,609
	<u>\$ 491,873</u>

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements December 31, 2019 and 2018

(9) Board Designated Assets

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

	2019	2018
Acquisition of art for permanent collection	\$ 282,701	\$ 334,736
Building improvements and operations	3,195,326	3,004,963
	<u>\$3,478,027</u>	<u>\$ 3,339,699</u>

(10) Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	2019	2018
Subject to expenditure for specified purposes:		
Art acquisitions	\$ 11,403	\$ 3,308
Juried prizes	12,932	6,244
Art scholarships	5,151	3,600
Education	177,101	109,203
Exhibits	216,715	138,670
Collections	-	44,805
Film series	7,305	6,262
	<u>430,607</u>	<u>312,092</u>
Subject to the passage of time:		
Subsequent year operations	<u>200,000</u>	<u>400,000</u>
Endowments:		
Subject to Museum's endowment spending policy and appropriation:		
Various department salaries	3,367,892	3,021,637
Scholarships	70,646	66,043
Juried prizes	60,605	60,605
Archives	237,196	212,821
Art conservation	134,876	115,131
Education	245,671	216,250
Other programs	70,000	70,000
	<u>4,186,886</u>	<u>3,762,487</u>
Not subject to spending policy or appropriation:		
Beneficial interest in a perpetual trust	<u>2,938,810</u>	<u>2,585,984</u>
Total net assets with donor restrictions	<u>\$ 7,756,303</u>	<u>\$ 7,060,563</u>

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements December 31, 2019 and 2018

(11) Endowment

The Museum accounts for its endowment established by donors and its board designated funds in accordance with FASB Staff Position 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds* now incorporated in FASB ASC 958-205. The Commonwealth of Pennsylvania has not yet adopted the provisions of the UPMIFA, but the Museum is required by FASB ASC 958-205 to disclose certain matters associated with its endowment funds. Endowment funds subject to FASB ASC 958-205 include net assets with donor restrictions, with the exception of the beneficial interest in perpetual trust, and the income generated by certain net assets subject to donor restrictions and board designated net assets. Management of the Museum does not consider any other fund to be subject to FASB ASC 958-205.

The Museum used a 5.0% spending rate in 2019 and 2018, 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.

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:

	2019		
	Board Designated	With Donor Restrictions	Totals
Beginning of year	\$ 3,339,699	\$ 3,798,432	\$ 7,138,131
Contributions	75,384	3,825	79,209
Investment income, net	395,217	623,967	1,019,184
Appropriations for expenditure	(36,444)	-	(36,444)
Appropriations for building improvements	(120,094)	-	(120,094)
Appropriations for art acquisition and conservation	(175,735)	(191,300)	(367,035)
End of year	\$ 3,478,027	\$ 4,234,924	\$ 7,712,951

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements December 31, 2019 and 2018

(11) Endowment, Continued

	2018		
	Board Designated	With Donor Restrictions	Totals
Beginning of year	\$ 3,931,293	\$ 4,236,061	\$ 8,167,354
Contributions	-	41,750	41,750
Investment income, net	(170,130)	(287,415)	(457,545)
Appropriations for expenditure	(26,328)	-	(26,328)
Appropriations for building improvements	(117,984)	-	(117,984)
Appropriations for art acquisition and conservation	(277,152)	(191,964)	(469,116)
End of year	\$ 3,339,699	\$ 3,798,432	\$ 7,138,131

(12) Related Parties

The Museum's Board of Directors includes volunteers from the business community who provide assistance to the Museum. During the years ended December 31, 2019 and 2018, the Museum contracted to receive services from a company at which a Board member is employed.

There have been no excess benefits to Board members or management as a result of these relationships; the services were consummated on competitive business terms.

(13) Subsequent Events

In December 2019, a novel strain of coronavirus disease ("COVID-19") was first reported in Wuhan, China. Less than four months later, on March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The extent of COVID-19's effect on the Museum's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult considering the rapidly evolving landscape. As the pandemic continues to evolve into a worldwide health crisis, the disease could have a material adverse effect on the Museum's activities, results of operations, financial condition, and cash flow.

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements December 31, 2019 and 2018

(13) Subsequent Events, Continued

In April 2020, the Museum applied for, was approved for, and received disbursement of a loan in the amount of approximately \$257,000 from its primary lender pursuant to the Paycheck Protection Program administered by the United States Small Business Administration and authorized by the Keeping American Workers Employed and Paid Act, which is part of the Coronavirus Aid, Relief, and Economic Security Act, enacted on March 27, 2020. There can be no assurance that any portion of the loan will be forgiven pursuant to the terms of the Paycheck Protection Program and the Museum may be responsible for repayment of the entire principal balance in equal monthly installments, over a term of 5 years, plus interest, accruing at an annual rate of 1%.