The Fabric Workshop and Museum

Financial Statements
Year ended September 30, 2022

bbd

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THE FABRIC WORKSHOP AND MUSEUM

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Fabric Workshop and Museum
Philadelphia, Pennsylvania

Opinion

We have audited the accompanying financial statements of The Fabric Workshop and Museum (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the 2022 financial statements referred to above present fairly, in all material respects, the financial position of The Fabric Workshop and Museum as of September 30, 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 The Fabric Workshop and Museum 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.

Prior Period Financial Statements

The financial statements of The Fabric Workshop and Museum as of September 30, 2021 were audited by other auditors whose report dated March 3, 2022 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 The Fabric Workshop and Museum'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 The Fabric Workshop and Museum'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 The Fabric Workshop and 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.

BBD, LLP

Philadelphia, Pennsylvania
March 30, 2023

THE FABRIC WORKSHOP AND MUSEUM

STATEMENT OF FINANCIAL POSITION

September 30, 2022 with comparative totals for 2021

	2022	2021
ASSETS		
Cash	$ 1,380,069	$ 1,374,647
Contributions and grants receivable	1,225,354	1,378,120
Inventory	200,561	207,610
Prepaid expenses and other assets	13,161	9,791
Investments	1,592,998	1,882,234
Furniture and equipment, less accumulated depreciation of $639,092 in 2022 and $616,623 in 2021	106,975	106,168
Total assets	$ 4,519,118	$ 4,958,570
LIABILITIES		
Accounts payable and accrued expenses	$ 203,089	$ 132,331
Loan payable - Paycheck Protection Program	-	317,160
Total liabilities	203,089	449,491
NET ASSETS		
Without donor restrictions		
Operations	2,700,206	2,438,141
Board designated endowment	242,136	266,877
	2,942,342	2,705,018
With donor restrictions	1,373,687	1,804,061
Total net assets	4,316,029	4,509,079
Total liabilities and net assets	$ 4,519,118	$ 4,958,570

See accompanying notes

THE FABRIC WORKSHOP AND MUSEUM

STATEMENT OF ACTIVITIES

Year ended September 30, 2022 with comparative totals for 2021

	Without Donor Restrictions	With Donor Restrictions	Totals 2022	Totals 2021
REVENUE AND SUPPORT				
Contributions and grants	$ 2,316,000	$ 255,000	$ 2,571,000	$ 3,009,300
Contributed facilities and supplies	1,144,929	-	1,144,929	1,145,259
Museum shop and sales	61,586	-	61,586	66,676
Education and program income	38,265	-	38,265	47,536
Exhibition and studio income	207,936	-	207,936	91,732
Other income	14,100	-	14,100	9,940
Endowment spending policy	26,418	(26,418)	-	-
Net assets released from restrictions	420,368	(420,368)	-	-
Total revenue and support	4,229,602	(191,786)	4,037,816	4,370,443
EXPENSES				
Program services	3,138,183	-	3,138,183	2,777,769
Supporting services				
Management and general	687,585	-	687,585	780,387
Fundraising	435,333	-	435,333	400,733
Total expenses	4,261,101	-	4,261,101	3,958,889
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(31,499)	(191,786)	(223,285)	411,554
OTHER CHANGES				
Forgiveness of loan payable - Paycheck Protection Program	317,160	-	317,160	318,570
Investment income (loss)	(48,337)	(238,588)	(286,925)	251,145
Total other changes	268,823	(238,588)	30,235	569,715
CHANGE IN NET ASSETS	237,324	(430,374)	(193,050)	981,269
NET ASSETS				
Beginning of year	2,705,018	1,804,061	4,509,079	3,527,810
End of year	$ 2,942,342	$ 1,373,687	$ 4,316,029	$ 4,509,079

See accompanying notes

THE FABRIC WORKSHOP AND MUSEUM

STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2022 with comparative totals for 2021

	Program Services	Management and General	Fundraising	Totals 2022	Totals 2021
Salaries and benefits	$ 1,116,712	$ 320,336	$ 243,526	$ 1,680,574	$ 1,741,131
Depreciation	14,844	4,332	3,293	22,469	8,238
Facilities	197,577	10,256	14,330	222,163	199,121
Facilities - contributed	990,000	55,000	55,000	1,100,000	1,100,000
Insurance	36,551	10,485	7,971	55,007	47,892
Honoraria	47,530	-	-	47,530	91,317
Marketing and publications	83,688	10,411	10,607	104,706	76,734
Multimedia	27,051	13,386	24,946	65,383	81,441
Museum shop expenses	66,345	-	-	66,345	130,974
Professional fees and contractors	240,312	178,917	5,614	424,843	132,115
Supplies - fabrication, exhibitions and other	259,529	21,778	23,540	304,847	220,304
Supplies - contributed	1,000	1,342	42,587	44,929	45,259
Travel	41,214	10,165	672	52,051	26,416
Miscellaneous	15,830	51,177	3,247	70,254	57,947
Total expenses	$ 3,138,183	$ 687,585	$ 435,333	$ 4,261,101	$ 3,958,889

See accompanying notes

FABRIC WORKSHOP AND MUSEUM

STATEMENT OF CASH FLOWS

Year ended September 30, 2022 with comparative totals

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (193,050)	$ 981,269
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	22,469	8,238
Net realized and unrealized (gain) loss on investments	320,021	(224,527)
Forgiveness of loan payable - Paycheck Protection Program	(317,160)	(318,570)
(Increase) decrease in		
Contributions and grants receivable	152,766	(250,120)
Inventory	7,049	67,019
Prepaid expenses and other assets	(3,370)	(7,356)
Increase (decrease) in		
Accounts payable and accrued expenses	70,758	17,074
Net cash provided by operating activities	59,483	273,027
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(30,785)	(396,385)
Purchases of furniture and equipment	(23,276)	(58,745)
Net cash used for investing activities	(54,061)	(455,130)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable - Paycheck Protection Program	-	317,160
Net change in cash	5,422	135,057
CASH		
Beginning of year	1,374,647	1,239,590
End of year	$ 1,380,069	$ 1,374,647

See accompanying notes

(1) NATURE OF OPERATIONS

The Fabric Workshop and Museum (the ***"Organization"***) is a Pennsylvania nonprofit corporation that specializes in the creation and display of original works of art using experimental materials in collaboration with emerging and established artists from around the world. The Organization obtains its revenue from many sources, including individual and corporate contributions, government and foundation grants, and museum shop sales.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

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

Without donor restrictions

Net assets that are not subject to donor-imposed restrictions.

With donor restrictions

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Organization 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 statements of activities as net assets released from restrictions.

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

Fair Value Measurements

Generally accepted accounting principles (***"GAAP"***) define 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 Organization. Unobservable inputs reflect the Organization'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 unadjusted quoted prices in active markets for identical assets or liabilities that the Organization 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 Organization 's own assumptions.

Accounting Estimates

In preparing the financial statements in conformity with GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could vary from those estimates.

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk are cash and contributions and grants receivable. The Organization maintains cash deposits at high-quality banks. At times, such deposits may exceed federally-insured limits. Contributions and grants receivable are due primarily from foundations and are expected to be collected in 2023.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statement of activities. Dividend and interest income is recorded as earned. Donated investments are recorded at fair value at the date of receipt.

The Organization invests in a professionally-managed portfolio that contains various types of securities ***(See Note 3)***. Such investments are exposed to market and credit risks. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect investment balances and the amounts reported in the financial statements.

Inventory

The Organization's inventory of publications and merchandise is stated at the lower of cost or market value, using the first-in, first-out method. In addition, inventory reserves have been established for potential product obsolescence.

Furniture, Equipment and Collections

Furniture and equipment are stated at cost. Donated property and equipment are recognized when received at fair value. Depreciation is provided for on a straight-line basis over the estimated service lives of the assets, which is generally three to ten years.

The Organization does not capitalize donated works of rare art nor recognize them as revenues or gains. FASB ASC 958-605, *Revenue Recognition*, provides that such donations need not be recognized if they are added to collections that are held for public exhibition, education or research in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for and preserved; and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections and/or the direct care and preservation of the Museum's existing collections.

Contributions and Grants

Contributions and grants received are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions and grants whose restrictions are satisfied in the same fiscal year are reported as net assets without donor restrictions.

Unconditional contributions and grants are recognized as revenue when the related promise to give is received. Conditional contributions and grants are recognized as revenue when the conditions are satisfied.

The Marion Boulton Stroud Foundation (the ***"Foundation"***) contributed $1.6 million or 62% and $1.7 million or 56% of the total contributions and grants, for fiscal 2022 and 2021, respectively. Contributions and grants receivable in the statement of financial position include amounts due from the Foundation of $783,000 or 64% and $870,000 or 63% of total receivables at September 30, 2022 and 2021, respectively.

Functional Allocation of Expenses

The costs of providing the program and supporting services have been presented on a functional basis in the statements of activities 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 salaries and benefits which are allocated based on estimates of time and effort.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

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

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 GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2021, from which the summarized information was derived.

Reclassifications

Certain amounts in the 2021 summarized comparative totals have been reclassified in order to conform to the 2022 presentation.

Accounting Pronouncement Adopted

During the year ended September 30, 2022, the Organization adopted Accounting Standards Update (***"ASU"***) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements.

(3) INVESTMENTS

Investments at September 30, consisted of the following:

	2022	2021
Money market funds	$ 371,238	$ 370,727
Mutual funds		
Equity	829,696	1,052,096
Fixed income	392,064	459,411
	$1,592,998	$1,882,234

Investments are measured at fair value using Level 1 (quoted prices in active markets) valuation inputs.

Investment income (loss) was comprised of the following for the years ended September 30,:

	2022	2021
Interest and dividends	$ 33,096	$ 26,618
Net realized and unrealized gain (loss)	(320,021)	224,527
	$(286,925)	$251,145

(4) CONTRIBUTED FACILITIES AND SUPPLIES

Contributed supplies consisted of Microsoft licenses for staff members of the Organization. In valuing the contributed supplies, the Organization used the estimated fair value on the basis of estimates of wholesale values that would be received for selling similar supplies in the U.S.A. Contributed supplies totaled $44,929 and $45,259 for the years ended September 30, 2022 and 2021, respectively and are reported on the statements of activities and functional expenses.

The Organization uses facilities for exhibitions, collections, museum store, studio and office space that were bequeathed to the Foundation by the Organization's late founder.

The value of the contributed use of the facilities is computed by applying comparable rates for the value of a lease in the surrounding area to the square footage of the property occupied by the Organization. Contributed revenue and related expense recognized was $1,100,000 for the years ended September 30, 2022 and 2021 respectively.

(5) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes at September 30, 2022:

	Beginning	Additions (Subtractions)	Releases	Ending
Net assets restricted for specific purposes				
Artists in residence and other educational programs	$ 559,432	$ 255,000	$(420,368)	$ 394,064
Net assets to be maintained indefinitely				
Endowment fund	1,244,629	(238,588)	(26,418)	979,623
	$1,804,061	$ 16,412	$(446,786)	$1,373,687

The Organization is not aware of the historical dollar value of the endowment funds. Income from the endowment is available for operations.

(6) 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 Organization is not subject to this guidance since Pennsylvania has not enacted a version of UPMIFA. The Organization classifies both the original fair value of contributions and grants to donor-restricted endowments along with the investment income attributable to the donor-restricted endowments as part of net assets with donor restrictions. 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.

In accordance with Pennsylvania statutes, the Organization has adopted investment and spending practices for its endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of these endowment assets over the long-term. The Organization's spending and investment practices work together to achieve this objective. The investment practices establish an achievable return objective through diversification of asset classes.

The spending practice calculates the amount of money annually distributed from the donor-restricted and board designated endowment funds to support various programs and operations. The current spending practice is to distribute an amount equal to 2% on total endowment investments of a moving three-year average of the fair value of the endowment funds.

Changes in the endowment net assets for the year ended September 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, September 30, 2021	$266,877	$1,244,629	$1,511,506
Interest and dividends	5,405	25,206	30,611
Net realized and unrealized loss	(56,564)	(263,794)	(320,358)
Endowment spending policy distribution	26,418	(26,418)	-
Endowment net assets, September 30, 2022	$242,136	$ 979,623	$1,221,759

(7) LINE OF CREDIT

The Organization has a $100,000 bank line of credit. Borrowings bear interest at prime plus 2% and are collateralized by substantially all assets. No advances were outstanding at September 30, 2022 and 2021.

(8) RETIREMENT PLAN

The Organization has a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code for all eligible employees. Employees are permitted to contribute up to the limits permitted under the tax laws. The Organization does not make matching contributions.

(9) FORGIVENESS OF LOAN PAYABLE – PAYCHECK PROTECTION PROGRAM

In May 2020, the Organization received loan proceeds in the amount of $318,570 under the Paycheck Protection Program (***"PPP"***). Established as part of the Coronavirus Aid, Relief and Economic Security Act (***"Cares Act"***), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business' average monthly payroll expenses.

During the year ended September 30, 2021, the Small Business Administration forgave 100% of the first PPP loan payable.

In February 2021, the Organization received a second loan under the PPP in the amount of $317,160, which was forgiven during the year ended September 30, 2022.

(10) LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Cash	$1,380,069
Contributions and grants receivable	1,225,354
Investments	1,592,998
Total financial assets	4,198,421
Less: financial assets not available for general operations within one year	
Restricted by donor for specific purposes or periods	(394,064)
Restricted by donor to be maintained indefinitely	(979,623)
Designated by Board of Directors	(242,136)
Total financial assets available within one year	$2,582,598

Liquidity Management

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in short-term investments, typically money market funds. The Organization also has a line of credit ***(See Note 7)***.

(11) SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 30, 2023, the date on which the financial statements were available to be issued. No material subsequent events have occurred since September 30, 2022 that require recognition or disclosure in the financial statements.