

**WOODMERE ART
MUSEUM, INC.**

**Financial Statements
December 31, 2021 and 2020**

**Kreischer
Miller**

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WOODMERE ART MUSEUM, INC.

December 31, 2021 and 2020

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of Woodmere Art Museum, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Woodmere Art Museum, Inc. as of December 31, 2021 and 2020, 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.

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Woodmere Art Museum, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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



Horsham, Pennsylvania

June 7, 2022

WOODMERE ART MUSEUM, INC.

Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,226,965	\$ 508,512
Contributions receivable	2,083,483	270,934
Other receivables	71,474	16,897
Other assets	129,148	191,371
Total current assets	3,511,070	987,714
Long-term contributions receivable, net	2,130,230	252,072
Land, building, and equipment, net	6,515,258	4,205,240
Investments	13,109,894	9,122,785
Beneficial interest in perpetual trust	3,452,975	3,217,737
Total assets	\$ 28,719,427	\$ 17,785,548
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	\$ 344,544	\$ 30,264
Line of credit	179,550	204,750
Accounts payable and accrued expenses	48,417	53,946
Deferred revenue	28,209	26,906
Total current liabilities	600,720	315,866
Long-term debt, net of current portion	2,260,601	431,340
	2,861,321	747,206
Net assets:		
Without donor restrictions:		
Undesignated	7,158,669	4,540,694
Board designated	3,706,290	3,591,066
With donor restrictions	14,993,147	8,906,582
	25,858,106	17,038,342
Total liabilities and net assets	\$ 28,719,427	\$ 17,785,548

See accompanying notes to financial statements.

WOODMERE ART MUSEUM, INC.

Statements of Activities and Changes in Net Assets
Years Ended December 31, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and grants:			
Individual	\$ 3,744,367	\$ 3,538,717	\$ 7,283,084
Foundation	1,022,805	2,129,929	3,152,734
Corporate	17,545	-	17,545
Government	13,000	-	13,000
In-kind	27,930	-	27,930
Education programs	171,222	-	171,222
Museum store sales	123,998	-	123,998
Programs	50,259	-	50,259
Distributions from perpetual trust	111,189	(111,189)	-
Net assets released from restrictions pursuant to endowment spending policy	201,557	(201,557)	-
Net assets released from restrictions	296,123	(296,123)	-
Total support and revenue	5,779,995	5,059,777	10,839,772
Expenses:			
Program services	2,158,931	-	2,158,931
Depreciation	230,857	-	230,857
Management and general	129,575	-	129,575
Development and marketing	449,122	-	449,122
Total	2,968,485	-	2,968,485
Increase in net assets before other income	2,811,510	5,059,777	7,871,287
Other income:			
Net investment return	480,507	680,361	1,160,868
Paycheck Protection Program Grant and miscellaneous income	30	-	30
Change in value of perpetual trust	-	346,427	346,427
Total other income	480,537	1,026,788	1,507,325
Change in net assets related to collection items not capitalized:			
Proceeds from sale of collections	2,380	-	2,380
Cost of collection items purchased	(561,228)	-	(561,228)
Total change in net assets related to collection items not capitalized:	(558,848)	-	(558,848)
Change in net assets	2,733,199	6,086,565	8,819,764
Net assets, beginning of year	8,131,760	8,906,582	17,038,342
Net assets, end of year	\$ 10,864,959	\$ 14,993,147	\$ 25,858,106

See accompanying notes to financial statements.

2020		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 1,111,411	\$ 718,048	\$ 1,829,459
818,926	233,737	1,052,663
5,973	-	5,973
32,467	-	32,467
1,504	-	1,504
119,600	-	119,600
38,596	-	38,596
16,885	-	16,885
113,784	(113,784)	-
127,664	(127,664)	-
386,561	(386,561)	-
<u>2,773,371</u>	<u>323,776</u>	<u>3,097,147</u>
1,793,475	-	1,793,475
226,136	-	226,136
153,015	-	153,015
415,256	-	415,256
<u>2,587,882</u>	<u>-</u>	<u>2,587,882</u>
185,489	323,776	509,265
347,296	433,792	781,088
256,971	-	256,971
-	392,711	392,711
<u>604,267</u>	<u>826,503</u>	<u>1,430,770</u>
2,530	-	2,530
(480,356)	-	(480,356)
(477,826)	-	(477,826)
311,930	1,150,279	1,462,209
<u>7,819,830</u>	<u>7,756,303</u>	<u>15,576,133</u>
<u>\$ 8,131,760</u>	<u>\$ 8,906,582</u>	<u>\$ 17,038,342</u>

WOODMERE ART MUSEUM, INC.

Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services				
	Collection/ Curator	Education	Exhibitions	Historical Mansion	Total Program
Personnel:					
Salary	\$ 202,156	\$ 321,831	\$ 149,070	\$ 201,112	\$ 874,169
Employee benefits	20,435	15,092	14,697	15,224	65,448
Payroll taxes	21,583	24,936	8,575	10,820	65,914
	244,174	361,859	172,342	227,156	1,005,531
Facilities:					
Maintenance and repairs	8,916	8,916	4,731	101,148	123,711
Telephone	771	1,734	1,665	385	4,556
Utilities	15,085	33,963	19,208	5,169	73,425
	24,772	44,613	25,604	106,702	201,692
Supplies:					
Office supplies and expense	1,642	1,168	455	1,836	5,101
Printing	1,014	1,014	1,014	1,014	4,056
Postage	109	-	-	-	109
	2,765	2,182	1,469	2,850	9,266
Services and exhibits:					
Art classes	-	883	-	-	883
Curatorial	1,741	825	825	-	3,391
Music series	-	38,043	-	-	38,043
Exhibition expense	-	-	287,199	-	287,199
Programs	-	28,701	-	-	28,701
	1,741	68,452	288,024	-	358,217
Organizational:					
Advertising/public relations	-	22,891	12,630	-	35,521
Contractual fees	-	43,584	-	-	43,584
Director's expense	5,678	8,063	3,785	946	18,473
Insurance	23,765	13,453	5,613	27,471	70,303
Interest	7,716	2,053	7,716	2,053	19,538
Professional fees	47,815	47,815	47,815	47,815	191,262
Legal and accounting	16,995	16,995	16,995	16,995	67,981
Development operating	-	-	-	-	-
Miscellaneous	17,254	378	1,993	2,393	22,018
Museum store sales expenses	-	77,888	-	-	77,888
Subscriptions and dues	1,173	722	1,038	678	3,611
Software maintenance	7,241	4,883	2,768	3,484	18,376
Staff development	65	30	-	-	95
Trustee fees	-	-	-	-	-
Bad debt expense	-	15,577	-	-	15,577
	127,703	254,332	100,355	101,836	584,225
Total expenses before depreciation	401,155	731,438	587,794	438,545	2,158,931
Depreciation	15,888	-	15,888	199,081	230,857
Total expenses	\$ 417,043	\$ 731,438	\$ 603,682	\$ 637,626	\$ 2,389,788

See accompanying notes to financial statements.

Support Services			Total
Management and General	Development and Marketing	Total Support Services	Program and Support Services
\$ 63,810	\$ 290,540	\$ 354,350	\$ 1,228,519
6,712	34,632	41,344	106,792
4,642	20,190	24,832	90,746
75,164	345,362	420,526	1,426,057
-	-	-	123,711
2,243	2,628	4,871	9,427
5,520	2,198	7,718	81,143
7,764	4,826	12,590	214,281
2,899	2,112	5,011	10,112
1,014	2,780	3,794	7,850
461	3,773	4,234	4,343
4,374	8,665	13,039	22,305
-	-	-	883
-	-	-	3,391
-	-	-	38,043
-	-	-	287,199
-	-	-	28,701
-	-	-	358,217
-	795	795	36,316
-	-	-	43,584
1,711	5,678	7,389	25,862
4,386	1,707	6,093	76,396
6,399	-	6,399	25,937
-	18,000	18,000	209,262
19,790	-	19,790	87,771
-	47,739	47,739	47,739
3,350	1,270	4,620	26,638
-	-	-	77,888
739	2,691	3,430	7,041
5,718	12,137	17,855	36,231
-	253	253	347
181	-	181	181
-	-	-	15,577
42,274	90,269	132,543	716,768
129,575	449,122	578,697	2,737,629
-	-	-	230,857
\$ 129,575	\$ 449,122	\$ 578,697	\$ 2,968,486

WOODMERE ART MUSEUM, INC.

Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services				
	Collection/ Curator	Education	Exhibitions	Historical Mansion	Total Program
Personnel:					
Salary	\$ 227,403	\$ 339,471	\$ 158,825	\$ 206,513	\$ 932,212
Employee benefits	19,831	26,840	17,886	13,331	77,889
Payroll taxes	25,427	27,095	9,918	11,349	73,788
	272,661	393,406	186,629	231,193	1,083,889
Facilities:					
Maintenance and repairs	3,213	3,213	-	79,090	85,516
Telephone	1,705	3,487	644	985	6,821
Utilities	15,452	34,485	18,987	4,832	73,756
	20,370	41,185	19,631	84,907	166,093
Supplies:					
Office supplies and expense	1,088	1,937	695	2,472	6,192
Printing	976	976	976	976	3,904
Postage	105	-	-	-	105
	2,169	2,913	1,671	3,448	10,201
Services and exhibits:					
Art classes	-	954	-	-	954
Curatorial	1,050	-	-	-	1,050
Music series	-	21,631	-	-	21,631
Exhibition expense	-	-	206,639	-	206,639
Programs	-	46,734	-	-	46,734
	1,050	69,319	206,639	-	277,008
Organizational:					
Advertising/public relations	-	12,097	7,224	-	19,321
Contractual fees	-	41,114	-	-	41,114
Director's expense	5,054	2,527	3,369	842	11,792
Insurance	23,578	13,142	5,256	24,031	66,006
Interest	6,554	-	6,554	-	13,108
Professional fees	-	2,456	-	18,000	20,456
Legal and accounting	-	23,976	-	-	23,976
Development operating	-	-	-	-	-
Miscellaneous	709	2,267	2,267	2,577	7,820
Museum store sales expenses	-	30,412	-	-	30,412
Subscriptions and dues	2,525	181	469	60	3,235
Software maintenance	5,619	5,619	3,717	3,490	18,445
Staff development	65	25	-	-	90
Volunteer holiday party	-	509	-	-	509
Trustee fees	-	-	-	-	-
	44,104	134,325	28,856	48,999	256,284
Total expenses before depreciation	340,354	641,148	443,426	368,547	1,793,475
Depreciation	15,888	-	15,888	194,360	226,136
Total expenses	\$ 356,242	\$ 641,148	\$ 459,314	\$ 562,907	\$ 2,019,611

See accompanying notes to financial statements.

Support Services			Total
Management and General	Development and Marketing	Total Support Services	Program and Support Services
\$ 80,746	\$ 272,588	\$ 353,334	\$ 1,285,545
7,917	32,868	40,785	118,674
5,938	20,102	26,040	99,829
94,601	325,558	420,159	1,504,048
-	-	-	85,516
2,274	3,032	5,306	12,127
5,570	2,195	7,765	81,521
7,844	5,227	13,071	179,164
3,613	2,871	6,484	12,676
2,356	4,915	7,271	11,175
571	2,803	3,374	3,479
6,540	10,589	17,129	27,330
-	-	-	954
-	-	-	1,050
-	-	-	21,631
-	-	-	206,639
-	-	-	46,734
-	-	-	277,008
-	525	525	19,846
-	-	-	41,114
1,685	3,369	5,054	16,846
4,899	1,846	6,745	72,751
8,255	-	8,255	21,363
3,930	3,439	7,369	27,825
16,080	-	16,080	40,056
-	49,638	49,638	49,638
2,534	-	2,534	10,354
-	-	-	30,412
514	2,533	3,047	6,282
5,324	12,460	17,784	36,229
12	72	84	174
-	-	-	509
797	-	797	797
44,030	73,882	117,912	374,196
153,015	415,256	568,271	2,361,746
-	-	-	226,136
\$ 153,015	\$ 415,256	\$ 568,271	\$ 2,587,882

WOODMERE ART MUSEUM, INC.

Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 8,819,764	\$ 1,462,209
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	230,857	226,136
Net realized and unrealized gain on investments	(1,028,515)	(695,840)
Increase in beneficial interest in perpetual trust	(235,238)	(278,927)
Change in discount on contributions receivable	38,824	-
(Increase) decrease in:		
Contributions receivable	(3,729,531)	(82,176)
Other receivables	(54,577)	(9,372)
Other assets	62,223	(162,770)
Increase (decrease) in:		
Accounts payable and accrued expenses	(5,529)	21,681
Deferred revenue	1,303	4,119
Net cash provided by operating activities	4,099,581	485,060
Cash flows from investing activities:		
Purchase of land, building, and equipment	(2,540,875)	(171,185)
Proceeds from sale of investments	1,150,105	2,631,637
Purchase of investments	(4,108,699)	(2,730,816)
Net cash used in investing activities	(5,499,469)	(270,364)
Cash flows from financing activities:		
Net repayments of line of credit	(25,200)	(25,200)
Borrowings of long-term debt	2,200,000	-
Repayments of long-term debt	(56,459)	(30,269)
Net cash provided by (used in) financing activities	2,118,341	(55,469)
Net increase in cash	718,453	159,227
Cash, beginning of year	508,512	349,285
Cash, end of year	\$ 1,226,965	\$ 508,512
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 25,937	\$ 21,363

See accompanying notes to financial statements.

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements December 31, 2021 and 2020

(1) Nature of Organization

Woodmere Art Museum, Inc. (the Museum) is a not-for-profit 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 (see Note 5) which, once renovated, will expand the Museum and serve as 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, a museum cafe, 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 raise general operating support from sources that individual members otherwise could not access, to affect a continued pooling of resources, and to share programmatic and operational opportunities among the network.

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, 2021 and 2020, the Museum did not receive any contributions for the PHL CAC.

(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 a board-designated endowment.

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements December 31, 2021 and 2020

(2) Summary of Significant Accounting Policies, Continued

Basis of Presentation, Continued

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.

Cash Equivalents

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

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.

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 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 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, 2021 and 2020

(2) Summary of Significant Accounting Policies, Continued

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 \$27,930 and \$1,504 for the years ended December 31, 2021 and 2020, respectively.

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, which approximates fair value. Net investment return 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. 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.

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.

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements December 31, 2021 and 2020

(2) Summary of Significant Accounting Policies, Continued

Collections, Continued

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 \$20,000,000.

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.

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements December 31, 2021 and 2020

(2) Summary of Significant Accounting Policies, Continued

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, 2021 and 2020.

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.

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements December 31, 2021 and 2020

(2) Summary of Significant Accounting Policies, Continued

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 2017. 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 7, 2022, which is the date the financial statements were available to be issued.

On April 13, 2022, the Maguire Foundation pledged \$10,000,000 to the Museum in memory of Francis M. Maguire. The funds are to be used for renovating the recently acquired property at 9001 Germantown Avenue, Philadelphia, PA. In recognition of the gift, the Museum will name the property the "Francis M. Maguire Hall for Art and Education at Woodmere Art Museum".

(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.

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements December 31, 2021 and 2020

(3) Liquidity and Availability, Continued

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:

	2021	2020
Cash and cash equivalents	\$ 1,226,965	\$ 508,512
Contributions receivable	424,578	270,934
Other receivables	71,474	16,897
Budgeted distributions from beneficial interest in assets held by others	111,036	115,015
Budgeted endowment spending-rate distributions and appropriations	423,891	384,473
Less those unavailable for general expenditures within one year:		
Due to donor-imposed purpose restrictions	(174,997)	(159,626)
	<u>\$ 2,082,947</u>	<u>\$ 1,136,205</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 \$2,300,905 and \$2,214,787 at December 31, 2021 and 2020, 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 8).

(4) Contributions Receivable, Net

Contributions receivable were as follows as of December 31:

	2021	2020
Less than one year	\$ 2,083,483	\$ 270,934
More than one year	2,169,054	252,072
Total	4,252,537	523,006
Less: discounts to net present value	38,824	-
Contributions receivable, net	<u>\$ 4,213,713</u>	<u>\$ 523,006</u>

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements December 31, 2021 and 2020

(5) Land, Building, and Equipment, Net

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

	2021	2020
Land, building, and improvements	\$7,650,138	\$5,310,088
Parking lot / Stormwater	1,686,577	1,686,577
Furniture and fixtures	72,380	72,380
Equipment	140,110	143,823
Vehicle	18,944	18,944
Construction-in-progress	337,438	146,373
	<u>9,905,587</u>	<u>7,378,185</u>
Accumulated depreciation	<u>(3,390,329)</u>	<u>(3,172,945)</u>
	<u>\$6,515,258</u>	<u>\$4,205,240</u>

On October 28, 2021, the Museum acquired real estate at 9001 Germantown Avenue, in Philadelphia, Pennsylvania, for a total purchase price of \$2,256,865.

(6) 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, 2021			
	Total	Level 1	Level 2	Level 3
Cash, at cost	\$ 2,441,985	\$ -	\$ -	\$ -
Certificates of deposit	878,546	-	878,546	-
Mutual funds:				
Fixed income	1,932,594	1,932,594	-	-
Equity:				
Domestic	5,501,652	5,501,652	-	-
International	1,504,967	1,504,967	-	-
Commodities ETFs	375,361	375,361	-	-
Real estate ETFs	474,789	474,789	-	-
Perpetual trust	3,452,975	-	-	3,452,975
Total assets at fair value	<u>\$ 16,562,869</u>	<u>\$ 9,789,363</u>	<u>\$ 878,546</u>	<u>\$ 3,452,975</u>

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements December 31, 2021 and 2020

(6) Fair Value Measurements, Continued

	Assets at Fair Value as of December 31, 2020			
	Total	Level 1	Level 2	Level 3
Cash, at cost	\$ 522,583	\$ -	\$ -	\$ -
Certificates of deposit	935,651	-	935,651	-
Mutual funds:				
Fixed income	1,759,271	1,759,271	-	-
Equity:				
Domestic	3,948,927	3,948,927	-	-
International	1,337,273	1,337,273	-	-
Commodities ETFs	228,482	228,482	-	-
Real estate ETFs	390,598	390,598	-	-
Perpetual trust	3,217,737	-	-	3,217,737
Total assets at fair value	<u>\$ 12,340,522</u>	<u>\$ 7,664,551</u>	<u>\$ 935,651</u>	<u>\$ 3,217,737</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.

(7) 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 4.0%) 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.

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements December 31, 2021 and 2020

(8) 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 3.25%. Borrowings are collateralized by a deposit account at the bank for \$400,000. The outstanding borrowings under the line of credit were \$179,550 and \$204,750 at December 31, 2021 and 2020, respectively. The line of credit expires on August 31, 2022.

(9) Long-Term Debt and Interest Rate Swap Agreement

Note Payable

The Museum has a \$730,000 note payable, with a balance of \$431,355 and \$461,604 at December 31, 2021 and 2020, 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. Management expects to apply future funding from the Museum's capital campaign to repay the principal balance.

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, 2021, the balance of the revolving credit line was \$2,173,810.

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 effective interest rate at December 31, 2021 was 2.90%. The outstanding notional principal balance of the swap agreement was \$2,173,810 at December 31, 2021. The fair value of the Museum's interest rate swap agreement at December 31, 2021 was \$(22,267) and is classified within Level 2 under FASB ASC 820.

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements December 31, 2021 and 2020

(9) Long-Term Debt and Interest Rate Swap Agreement, Continued

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:

Note payable	\$ 431,335
Revolving credit line	2,173,810
	<u>2,605,145</u>
Less: Current maturities	344,544
	<u>\$ 2,260,601</u>

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

Year Ending December 31,	Amount
2022	\$ 344,544
2023	715,351
2024	314,280
2025	314,280
2026	314,280
Thereafter	602,410
	<u>\$ 2,605,145</u>

(10) Board Designated Assets

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

	2021	2020
Acquisition of art for permanent collection	\$ 152,407	\$ 223,136
Building improvements and operations	3,553,883	3,367,930
	<u>\$ 3,706,290</u>	<u>\$ 3,591,066</u>

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements December 31, 2021 and 2020

(11) Net Assets with Donor Restrictions

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

	2021	2020
Subject to expenditure for specified purposes:		
Art acquisitions	\$ 16,157	\$ 16,784
Juried prizes	24,837	19,120
Art scholarships	9,737	6,702
Education	62,976	36,859
Exhibits	93,880	152,084
Strategic advancement	525,942	601,966
Francis M. Maguire Hall for Art and Education at Woodmere Art Museum	4,316,265	-
Capital improvements	100,000	-
Outdoor Experience	751,791	307,462
Film series	9,217	8,081
	<u>5,910,802</u>	<u>1,149,058</u>
Subject to the passage of time:		
Subsequent year operations	200,000	-
Endowments:		
Subject to Museum's endowment spending policy and appropriation:		
Various department salaries	3,889,923	3,583,663
Scholarships	79,405	75,001
Juried prizes	60,605	60,605
Exhibition	512,897	-
Archives	282,167	259,743
Art conservation	160,613	147,746
Education	305,842	281,129
Other programs	137,918	131,900
	<u>5,429,370</u>	<u>4,539,787</u>
Not subject to spending policy or appropriation:		
Beneficial interest in a perpetual trust	3,452,975	3,217,737
Total net assets with donor restrictions	<u>\$ 14,993,147</u>	<u>\$ 8,906,582</u>

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements December 31, 2021 and 2020

(12) 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 all net assets with donor restrictions held in perpetuity, with the exception of the beneficial interest in perpetual trust; the income generated by those endowment funds held in perpetuity, 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 2021 and 2020, 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:

	2021		
	Board Designated	With Donor Restrictions	Totals
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
Appropriations for expenditure	(52,260)	-	(52,260)
Appropriations for building improvements	(86,999)	-	(86,999)
Appropriations for art acquisition and conservation	(104,591)	(211,857)	(316,448)
End of year	\$ 3,706,290	\$ 5,573,704	\$ 9,279,994

WOODMERE ART MUSEUM, INC.

Notes to Financial Statements December 31, 2021 and 2020

(12) Endowment, Continued

	2020		
	Board Designated	With Donor Restrictions	Totals
Beginning of year	\$ 3,478,027	\$ 4,235,924	\$ 7,713,951
Contributions	2,531	66,310	68,841
Investment income, net	259,664	433,016	692,680
Appropriations for expenditure	(6,970)	-	(6,970)
Appropriations for building improvements	(56,604)	-	(56,604)
Appropriations for art acquisition and conservation	(85,582)	(129,664)	(215,246)
End of year	\$ 3,591,066	\$ 4,605,586	\$ 8,196,652

(13) Paycheck Protection Program

In 2020, the Museum received a loan in the amount of \$256,870, from a bank pursuant to the Paycheck Protection Program (PPP) Phase 1, administered by the United States Small Business Administration (SBA) and authorized by Keeping American Workers Employed and Paid Act, which is part of the Coronavirus Aid, Relief, and Economic Security Act, enacted on March 27, 2020. The PPP was established to provide economic stimulus and funding to businesses affected by the COVID-19 pandemic.

The Museum elected to account for the PPP proceeds under the FASB ASC 958-605 conditional contribution model. In accordance with ASC 958-605, conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Accordingly, the proceeds were recorded as a refundable advance upon receipt and recognized systematically as grant revenue over the periods in which the Museum recognized as expenses the related costs for which the grant was intended to compensate.

During the year ended December 31, 2020, the Museum met all conditions of PPP Phase 1 and recognized other income in the amount of \$256,870. In February 2021, the Museum received notification from the SBA and its primary lender that PPP Phase 1 was forgiven in its entirety.