

**New Britain Museum of American Art, Inc.**

**Financial Statements  
and Independent Auditor's Report**

**June 30, 2020 and 2019**

---

**New Britain Museum of American Art, Inc.**

Index

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9

## Independent Auditor's Report

To the Board of Trustees  
New Britain Museum of American Art, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of New Britain Museum of American Art, Inc. (the "Museum") (a nonprofit entity), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, 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.

### *Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 the Museum as of June 30, 2020 and 2019, 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.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020 on our consideration of New Britain Museum of American Art, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of New Britain Museum of American Art, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Britain Museum of American Art, Inc.'s internal control over financial reporting and compliance.



Hartford, Connecticut  
November 30, 2020

**New Britain Museum of American Art, Inc.**

**Statements of Financial Position  
June 30, 2020 and 2019**

	<u>Assets</u>	
	<u>2020</u>	<u>2019</u>
Assets		
Cash	\$ 501,511	\$ 158,425
Restricted cash	300,455	-
Accounts receivable	6,234	11,248
Prepaid expenses	116,352	190,609
Inventory	117,481	116,233
Contributions and grants receivable, net	1,013,473	624,645
Investments	22,937,972	23,763,564
Beneficial interest in perpetual trusts	1,120,052	1,128,934
Land, property and equipment, net	<u>22,581,109</u>	<u>22,453,447</u>
 Total assets	 <u><u>\$ 48,694,639</u></u>	 <u><u>\$ 48,447,105</u></u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Line of credit	\$ 110,708	\$ 129,046
Accounts payable and accrued liabilities	232,948	351,353
Deferred revenue	109,166	198,459
Capital lease liability	-	1,939
Refundable advance - PPP	331,000	-
Liabilities under split-interest agreements	<u>41,701</u>	<u>44,132</u>
 Total liabilities	 <u>825,523</u>	 <u>724,929</u>
Net assets		
Net assets without donor restrictions		
Undesignated	22,458,631	22,509,034
Board-designated	<u>14,459,825</u>	<u>15,235,187</u>
 Net assets without donor restrictions	 36,918,456	 37,744,221
 Net assets with donor restrictions	 <u>10,950,660</u>	 <u>9,977,955</u>
 Total net assets	 <u>47,869,116</u>	 <u>47,722,176</u>
 Total liabilities and net assets	 <u><u>\$ 48,694,639</u></u>	 <u><u>\$ 48,447,105</u></u>

See Notes to Financial Statements.

**New Britain Museum of American Art, Inc.**

**Statements of Activities  
Years Ended June 30, 2020 and 2019**

	2020	2019
Changes in net assets without donor restrictions		
Operating revenue		
Gifts, contributions and sponsorships	\$ 1,478,048	\$ 1,882,433
Government grants	87,363	61,335
Special events	-	272,035
Investment income, net	1,182,141	1,192,559
Admission and other revenues	281,414	763,076
Proceeds from deaccessioned artwork	-	6,255
Museum shop	100,300	329,293
Membership income	203,053	264,206
Net assets released from restrictions	290,179	313,032
Total operating revenues	<u>3,622,498</u>	<u>5,084,224</u>
Operating expenses		
Collections and exhibitions	1,522,314	1,911,692
Education	398,742	451,259
Membership and visitor services	303,413	347,320
Auxiliary services	190,002	302,658
Total program expenses	<u>2,414,471</u>	<u>3,012,929</u>
Management and general	633,200	624,625
Fundraising	354,914	422,567
Total supporting services	<u>988,114</u>	<u>1,047,192</u>
Total operating expenses	<u>3,402,585</u>	<u>4,060,121</u>
Changes in net assets from operations	<u>219,913</u>	<u>1,024,103</u>
Changes in net assets from non-operating activities		
Government grants for museum expansion	906,853	-
Investment income, net	(334,755)	106,209
Realized and unrealized loss on investments, net	(803,531)	(363,771)
Depreciation	(760,920)	(745,057)
Acquisition of works of art	(40,650)	(183,360)
Interest expense	(12,675)	(14,356)
Change in net assets without donor restrictions	<u>(825,765)</u>	<u>(176,232)</u>
Changes in net assets with donor restrictions		
Gifts and contributions	911,399	216,001
Proceeds from deaccessioned artwork	304,616	6,795
Investment income, net	451,084	680,546
Realized and unrealized loss on investments, net	(407,440)	(208,811)
Change in value of split-interest agreements and assets held in trust	3,225	16,428
Net assets released from restrictions	(290,179)	(313,032)
Change in net assets with donor restrictions	<u>972,705</u>	<u>397,927</u>
Change in net assets	146,940	221,695
Net assets, beginning	<u>47,722,176</u>	<u>47,500,481</u>
Net assets, end	<u>\$ 47,869,116</u>	<u>\$ 47,722,176</u>

See Notes to Financial Statements.

**New Britain Museum of American Art, Inc.**

**Statement of Functional Expenses  
Year Ended June 30, 2020**

	Program services					Supporting services		Totals
	Collections and exhibitions	Education	Membership and visitor services	Auxiliary activities	Total program expenses	Management and general	Fundraising	
Operating expenses								
Salaries and benefits	\$ 615,467	\$ 287,458	\$ 237,010	\$ 103,679	\$ 1,243,614	\$ 308,833	\$ 266,874	\$ 1,819,321
Professional fees and services	116,854	32,997	22,982	3,559	176,392	164,592	62,802	403,786
Facility costs	483,719	27,925	11,968	22,274	545,886	109,200	3,166	658,252
Travel, entertainment and meetings	16,262	9,425	21,907	3	47,597	21,793	2,580	71,970
Insurance and technology services	42,446	-	-	-	42,446	8,037	-	50,483
Advertising	75,527	19,701	-	-	95,228	410	1,077	96,715
Materials, supplies and shipping	172,039	21,236	9,546	2,177	204,998	14,648	8,136	227,782
Cost of goods sold	-	-	-	54,475	54,475	-	-	54,475
Other expenses	-	-	-	3,835	3,835	5,687	10,279	19,801
Total operating expenses	<u>1,522,314</u>	<u>398,742</u>	<u>303,413</u>	<u>190,002</u>	<u>2,414,471</u>	<u>633,200</u>	<u>354,914</u>	<u>3,402,585</u>
Nonoperating expenses								
Depreciation	642,217	54,025	7,609	26,632	730,483	22,828	7,609	760,920
Acquisition of works of art	40,650	-	-	-	40,650	-	-	40,650
Interest expense	9,121	2,280	-	-	11,401	1,274	-	12,675
Total nonoperating expenses	<u>691,988</u>	<u>56,305</u>	<u>7,609</u>	<u>26,632</u>	<u>782,534</u>	<u>24,102</u>	<u>7,609</u>	<u>814,245</u>
Total functional expenses	<u>\$ 2,214,302</u>	<u>\$ 455,047</u>	<u>\$ 311,022</u>	<u>\$ 216,634</u>	<u>\$ 3,197,005</u>	<u>\$ 657,302</u>	<u>\$ 362,523</u>	<u>\$ 4,216,830</u>

See Notes to Financial Statements.

**New Britain Museum of American Art, Inc.**

**Statement of Functional Expenses  
Year Ended June 30, 2019**

	Program services					Supporting services		Totals
	Collections and exhibitions	Education	Membership and visitor services	Auxiliary activities	Total program expenses	Management and general	Fundraising	
Operating expenses								
Salaries and benefits	\$ 599,531	\$ 272,863	\$ 222,652	\$ 94,334	\$ 1,189,380	\$ 257,883	\$ 252,838	\$ 1,700,101
Professional fees and services	140,058	71,756	43,880	2,240	257,934	222,310	52,340	532,584
Facility costs	610,798	38,435	12,712	27,536	689,481	102,893	25,579	817,953
Travel, entertainment and meetings	31,508	6,520	38,622	372	77,022	20,178	76,326	173,526
Insurance and technology services	59,285	-	-	-	59,285	8,099	-	67,384
Advertising	142,512	36,043	5,360	-	183,915	100	-	184,015
Materials, supplies and shipping	328,000	25,642	24,236	6,277	384,155	8,521	15,352	408,028
Cost of goods sold	-	-	-	171,801	171,801	-	-	171,801
Other expenses	-	-	(142)	98	(44)	4,641	132	4,729
Total operating expenses	<u>1,911,692</u>	<u>451,259</u>	<u>347,320</u>	<u>302,658</u>	<u>3,012,930</u>	<u>624,625</u>	<u>422,567</u>	<u>4,060,121</u>
Nonoperating expenses								
Depreciation	628,829	52,899	7,451	26,077	715,256	22,350	7,451	745,057
Acquisition of works of art	183,360	-	-	-	183,360	-	-	183,360
Interest expense	11,453	2,883	20	-	14,356	-	-	14,356
Total nonoperating expenses	<u>823,642</u>	<u>55,782</u>	<u>7,471</u>	<u>26,077</u>	<u>912,972</u>	<u>22,350</u>	<u>7,451</u>	<u>942,773</u>
Total functional expenses	<u>\$ 2,735,334</u>	<u>\$ 507,041</u>	<u>\$ 354,791</u>	<u>\$ 328,735</u>	<u>\$ 3,925,901</u>	<u>\$ 646,975</u>	<u>\$ 430,018</u>	<u>\$ 5,002,894</u>

See Notes to Financial Statements.



**New Britain Museum of American Art, Inc.**

**Statements of Cash Flows**  
**Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 146,940	\$ 221,695
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	760,920	745,057
Realized loss (gain) on sale of investments	524	(1,958)
Unrealized loss on investments	1,210,447	574,540
Contributions restricted for endowment	-	(800)
Change in value of beneficial interest in perpetual trusts	8,882	(2,447)
Change in value of split-interest agreements and assets held in trust	(3,225)	(16,428)
Changes in operating assets and liabilities		
Prepaid expenses	74,257	(115,734)
Accounts receivable	5,014	(2,737)
Inventory	(1,248)	(15,205)
Contributions and grants receivable, net	(388,828)	224,079
Accounts payable and accrued liabilities	(118,405)	157,275
Deferred revenue	(89,293)	(91,456)
Liabilities under split-interest agreements	(2,431)	(2,535)
	<u>1,603,554</u>	<u>1,673,346</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchases of investments	(1,713,134)	(2,200,258)
Proceeds from sales of investments	1,330,980	1,075,428
Purchases of property and equipment	(888,582)	(203,592)
	<u>(1,270,736)</u>	<u>(1,328,422)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Repayment of capital lease obligations	(1,939)	(8,223)
Payments on line of credit, net	(18,338)	(306,573)
Refundable advance - PPP	331,000	-
Contributions restricted for endowment	-	800
	<u>310,723</u>	<u>(313,996)</u>
Net cash provided by (used in) financing activities		
Net increase in cash and cash equivalents	643,541	30,928
Cash and cash equivalents, beginning	<u>158,425</u>	<u>127,497</u>
Cash, cash equivalents and restricted cash, end	<u>\$ 801,966</u>	<u>\$ 158,425</u>

See Notes to Financial Statements.

**New Britain Museum of American Art, Inc.**

**Notes to Financial Statements  
June 30, 2020 and 2019**

**Note 1 - Organization and summary of significant accounting policies**

**Business activity**

The New Britain Museum of American Art, Inc. (the "Museum") is a not-for-profit entity that operates and maintains a museum in New Britain, Connecticut. The mission of the Museum is to acquire, house, exhibit, interpret, research, and conserve works in all artistic media by artists who are American citizens, or have produced a significant body of work while living in the United States, or contribute to illuminating the evolving story of the United States of America and the notion of what is "American."

With roots dating from 1853, the Museum is considered the oldest museum in the country dedicated solely to acquiring American art. Spanning four centuries of American history, the Museum's permanent collection, numbering over 8,000 works, is renowned for its strengths in colonial portraiture, the Hudson River School, American Impressionism, the Ash Can School, as well as the important mural series The Arts of Life in America by Thomas Hart Benton. The singular focus on American art and its panoramic view of American artistic achievement, realized through the Museum's extensive permanent collection, exhibitions, and educational programming, make the New Britain Museum of American Art a significant resource for a broad and diverse public. The Museum is supported by members and visitors, including students, who experienced the permanent collection, special exhibitions and associated educational programs.

**Basis of presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Museum reports information regarding its financial position and activities according the following net asset categories:

*Net assets without donor restrictions* - Net assets that are not subject to explicit donor-imposed stipulations represent available resources. Included in net assets without donor restrictions are funds that may be earmarked by the board for specific purposes.

*Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations 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 and cash equivalents**

For purposes of the statements of cash flows, the Museum considers all highly-liquid investments purchased with an original maturity of three months or less when acquired to be cash equivalents. Cash equivalents are stated at cost, which approximates market. There were no cash equivalents as of June 30, 2020 and 2019.

**New Britain Museum of American Art, Inc.**

**Notes to Financial Statements  
June 30, 2020 and 2019**

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position that sum to the total of the same such amount shown in the statements of cash flows:

	2020	2019
Cash	\$ 501,511	\$ 158,425
Restricted cash	300,455	-
Total	<u>\$ 801,966</u>	<u>\$ 158,425</u>

**Restricted cash**

Restricted cash at June 30, 2020 related to proceeds from deaccessioned artwork. According to legal requirements, funds must be used to purchase additional artwork for collections. As of June 30, 2020, there is an option for the Museum to use up to 10% of these funds for operations, however the Museum has not deemed it necessary to withdraw such funds. There was no restricted cash at June 30, 2019.

**Accounts receivable**

The Museum regularly monitors receivables arising from regular operations to determine if an allowance for doubtful accounts is deemed necessary. Management considers past history, current economic conditions and overall financial strength of the third party when determining the need for an allowance. Receivables are written off only when management believes amounts will not be collected. Receivables are considered past due based on the invoice or pledge date. No allowance is required as of June 30, 2020 and 2019 for accounts receivable.

**Grants and contributions**

Transactions where the resource provider often receives value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Museum has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Museum fails to overcome the barrier. The Museum recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as refundable advance. Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received.

Grants and contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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. Donor-restricted contributions whose restrictions are met in the same reporting period have been reported as support increasing net assets without donor restrictions in the statement of activities.

Contributions to be received over future periods are presented at the present value of estimated future cash flows using a discount rate of 1.25% for 2020 and 2019. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

## **New Britain Museum of American Art, Inc.**

### **Notes to Financial Statements June 30, 2020 and 2019**

Contributions receivable also include receivables related to split-interest agreements with donors. For irrevocable charitable lead annuity trusts, the contribution is recorded at the estimated present value of the assets expected to be received by the Museum. For irrevocable charitable remainder annuity trusts and gift annuities, the contribution is recorded at the fair value of the assets, less the actuarially computed present value of the payments to be made to the beneficiary. Gift annuities payable are calculated using a risk adjusted discount rate in effect at the date of the gift and the actuarially computed present value of the future payments to be made to the annuitants. Gift annuities are reported as a liability in the statements of financial position.

Grants may be considered an exchange transaction or a conditional/unconditional contribution. Grants deemed to be an exchange transaction are recognized when earned. Grants considered to be unconditional contributions are recognized when awarded. Grants considered to be conditional contributions are recognized when the condition is met.

#### **Split-interest agreements**

The Museum has several gift annuities. Assets are invested, and payments are made to donors and/or other beneficiaries in accordance with respective agreements. The net present value of payments to beneficiaries under these arrangements is calculated using discount rates ranging from 3.8% to 7.4%. Gains and losses resulting from changes in current values and in actuarial assumptions are recorded as change in value of split-interest agreements in the statements of activities.

The Museum is a beneficiary in a charitable lead annuity trust ("CLAT") for which the Museum is not the trustee. The Museum's interest in the trust is recorded at the estimated present value of the expected future payments using a discount rate of 3.2%. The fair value of the CLAT as of June 30, 2020 and 2019 was \$299,416 and \$344,688, respectively, and is included in contributions and grants receivable on the statements of financial position.

#### **Revenue recognition**

Admission and other revenue consist of admission and educational program fees, facility rental fees, and fees related to collection items. Revenue is recognized when services are provided. Fees received in advance are deferred until the service is provided. Membership income is recorded when received. Museum shop income is recorded when products are sold.

#### **Donated services**

The Museum recognizes donated services at their estimated fair value if they create or enhance nonfinancial assets or require specialized skills and would typically be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition in the financial statements. Donated professional services of \$51,964 and \$26,768 were recognized for the years ended June 30, 2020 and 2019, respectively.

#### **Inventory**

Inventory, which consists primarily of merchandise held for resale, is stated at the lower of cost or fair value. Cost is determined by the first-in, first-out ("FIFO") method.

#### **Collection**

The Museum's collection has not been capitalized or reported in the statements of financial position. Each of the items is cataloged, preserved and cared for. Costs of purchasing art are recognized as an expense in the year of acquisition. Proceeds from sales and insurance recoveries are recognized as donor-restricted or board-designated revenue for the purchase of art and maintenance of current collections.

## **New Britain Museum of American Art, Inc.**

### **Notes to Financial Statements June 30, 2020 and 2019**

#### **Investments**

The Museum reports investments at their current fair values and reflects any gains or losses, including unrealized amounts, in the statements of activities. Gains and losses are considered without donor restrictions unless restricted by donor stipulation or law. Nonmonetary investments received as gifts are immediately sold and recorded at the realized value.

#### **Endowment and spending policy**

The Museum has investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity and board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in accordance with sound investment practices that emphasize long-term investment fundamentals. It is recognized that short-term market fluctuations may cause variations in investment performance.

Endowment assets are invested consistent with a total return strategy to preserve and increase the purchasing power of the portfolio over a long-term investment horizon while maintaining an appropriate balance between the need for current income and growth of principal. The Museum targets a diversified asset allocation within the following ranges: equities 40-70%, fixed income 30-60%, and alternative investments 0-15%.

In determining appropriations, the Board of Trustees approves an annual budget reflecting the annual draw from the endowment. Generally, the budget reflects an appropriation of approximately 5% of the average fair value of the endowment over a three-year rolling average. The Board of Trustees may approve additional support from the endowment for special programs and to sustain the operations. Amounts drawn from the endowment and appropriated in support of the Museum's operations and special programs are presented as investment income in the operating revenues in the statements of activities.

#### **Advertising**

Advertising costs are expensed as incurred and amounted to \$96,715 and \$184,015 for the years ended June 30, 2020 and 2019, respectively.

#### **Land, property and equipment**

The Museum capitalizes all expenditures for property and equipment in excess of \$2,500 and having a useful life of greater than one year. Purchases are recorded at cost. Donated building and equipment are recorded at the approximate fair value at the date of donation. The Museum reports gifts of land, buildings and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Museum reports expirations of donor restrictions of acquired long-lived assets when placed in service.

**New Britain Museum of American Art, Inc.**

**Notes to Financial Statements  
June 30, 2020 and 2019**

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated lives for financial reporting purposes are as follows:

<u>Asset</u>	<u>Estimated lives</u>
Buildings	40 years
Furniture and equipment	3 - 15 years
Land improvements	20 years

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statements of activities.

**Impairment of long-lived assets**

The Museum reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing a review for impairment, the Museum compares the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that an impairment has occurred, the loss would be recognized during that period. The impairment loss is calculated as the difference between the asset carrying values and fair values. Fair value may be based on the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance and pricing trends. The Museum does not believe that any impairment occurred related to its long-lived assets.

**Functional allocation of expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs are segregated between costs directly related to and charged directly to programs and costs that are allocated across functions as they are not directly related to only one function. Direct costs include salary and benefits, professional fees, advertising, costs of goods sold, and travel, entertainment and meetings. Facility costs are a collection of costs that relate to all activities and are allocate based on the programs and supporting services use of the facilities.

**Income taxes**

The Museum is exempt from federal and state corporation income taxes under the provisions of Internal Revenue Code Section 501(c)(3). However, certain operations of the Museum may qualify as unrelated business activities and to the extent that these activities generate income after expenses, such income will be subject to federal and state taxes. No tax was incurred for the years ended June 30, 2020 and 2019.

The Museum has no unrecognized tax benefits at June 30, 2020 and 2019. The Museum's federal and state information returns prior to fiscal year 2016 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If the Museum has unrelated business income taxes, it would recognize interest and penalties associated with any tax matters as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statements of financial position.

## **New Britain Museum of American Art, Inc.**

### **Notes to Financial Statements June 30, 2020 and 2019**

#### **Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Subsequent events**

The Museum has evaluated events and transactions for potential recognition or disclosure through November 30, 2020, which is the date the financial statements were available to be issued.

#### **Note 2 - New accounting pronouncement**

In June 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-05 ("ASU 2020-05"), *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which provides for elective deferrals of the effective dates of Topic 606 and Topic 842 for certain entities.

The Museum has elected to apply the deferral provided by ASU 2020-05 and, therefore, expects to adopt Topic 606 for annual reporting periods beginning after December 15, 2019 on a modified retrospective basis and adopt Topic 842 for fiscal years beginning after December 15, 2021 on a modified retrospective basis. The Museum is currently evaluating the potential impact of adopting Topic 606 and 842 on its financial statements

The Museum adopted FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Museum adopted the provisions of ASU 2018-08 on July 1, 2019 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There is no effect on net assets in connection with the implementation of ASU 2018-08.

In November 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash* ("ASU 2016-18") to address diversity in practice with respect to the cash flows presentation of changes in amounts described as restricted cash and cash equivalents. ASU 2016-18 requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as "restricted cash" herein) when reconciling beginning and ending balances in its statement of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash, cash equivalents and restricted cash between the statement of financial position and the statement of cash flows. ASU 2016-18 was adopted retrospectively during the year ended June 30, 2020. There was no change to the beginning balance of cash and cash equivalents as of July 1, 2019 and 2018 as a result of the adoption.

**New Britain Museum of American Art, Inc.**

**Notes to Financial Statements  
June 30, 2020 and 2019**

**Note 3 - Liquidity**

The Museum regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of June 30, 2020 and 2019, the Museum has the following financial assets available to meet annual operating needs for the 2021 and 2020 fiscal years:

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash	\$ 501,511	\$ 158,425
Accounts receivable, net	6,234	11,248
Contributions and grants receivable, net	1,013,473	624,645
Investments	<u>22,937,972</u>	<u>23,763,564</u>
Total financial assets	<u>24,459,190</u>	<u>24,557,882</u>
Adjustments		
Donor-imposed time and purpose restrictions	(5,538,015)	(4,556,428)
Board-designated endowment	(14,459,825)	(15,235,187)
Endowment funds to be held in perpetuity	(5,412,645)	(5,421,527)
Board-approved endowment draw for following year	<u>943,300</u>	<u>1,243,745</u>
	<u>\$ (7,995)</u>	<u>\$ 588,485</u>

These financial assets are not subject to any donor or contractual restrictions. In addition to program service revenues, the Museum supports its general operations primarily with donor contributions without restrictions and donor-restricted funds whose time or purpose restriction has been met. Included above is the Board-appropriated portion of the earnings from the Museum's donor-restricted endowment as described in Note 10 to assist in meeting general operations obligations.

The Museum's Investment Policy Statement requires the investment portfolio to maintain liquid instruments within its portfolio to ensure assets are available to meet general expenditures, liabilities and other obligations as they come due. The Museum's Investment Committee meets regularly to review investment performance and consider near-term liquidity needs.

In addition to financial assets available to meet general expenditures within one year, amounts reported as board-designated could be made available, as needed, by Board action. The Museum also has a \$200,000 line of credit available to be drawn upon, if necessary, as described in Note 15.

**Note 4 - Concentrations and other risks and uncertainties**

Concentrations of credit risk with respect to grants receivable are limited to contractual agreements with various state organizations. Contributions receivable are limited to pledges from various foundations, businesses and individuals. Concentrations of credit risk with respect to accounts receivable consist of amounts due for program fees and other services.

The Museum maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits.



**New Britain Museum of American Art, Inc.**

**Notes to Financial Statements  
June 30, 2020 and 2019**

The Museum invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the nature 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 those changes could materially affect the amounts reported in the statements of financial position. Management is of the opinion that the diversification of its invested assets among various asset classes should mitigate the impact of changes in any one class.

**Note 5 - Investments**

Investments are carried at their fair value. The following summarizes the fair values for investments as presented in the financial statements as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Equity mutual funds	\$ 13,796,024	\$ 14,571,133
Fixed income mutual funds	<u>9,141,948</u>	<u>9,192,431</u>
Total	<u>\$ 22,937,972</u>	<u>\$ 23,763,564</u>

Investment return is comprised of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 1,394,828	\$ 2,073,156
Investment management fees	(96,358)	(93,842)
Realized gain (loss)	(524)	1,958
Unrealized loss	<u>(1,210,447)</u>	<u>(574,540)</u>
	<u>\$ 87,499</u>	<u>\$ 1,406,732</u>

Investment returns are classified in the statements of activities based on the purpose of the fund. Investment returns on donor-restricted funds are classified as donor-restricted to time or purpose until the restriction criterion is met. Investment income included in operating revenues reflects interest and dividends earned on investments without donor restrictions.

**Note 6 - Fair value measurements**

The Museum values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations

**New Britain Museum of American Art, Inc.**

**Notes to Financial Statements  
June 30, 2020 and 2019**

in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The 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. In determining fair value, the Museum utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. There have been no changes in the methodologies used during 2020 and 2019.

Investments in equity and fixed income mutual funds are traded on an active market and are valued at the closing price on the valuation date (Level 1). Mutual funds held by the Museum are open-end 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's interest in the assets held in trust by others (Level 2) are stated at fair value based on the estimated present value of the expected future payments using a discount rate of 3.2%.

The Museum's beneficial interest in perpetual trusts (held by others) (Level 2) are stated at fair value based on the values of the underlying investments in the trusts, which are established by the trustees using market values for identical assets in an active market or quoted prices for similar assets. The Museum presents as Level 2 because it receives periodic payments from the trust based on the present value of expected cash flows to be received from the trusts. The trustees provide the Museum with investment statements and valuations of its portion of the trusts at year-end. These are evaluated annually by the Museum.

Liabilities under split-interest agreements are valued based on the net present value of payments due the beneficiaries based upon their estimated life span. The fair value of liabilities under split-interest agreements was obtained from a third party without adjustments. As such, the Museum is not required to provide certain quantitative disclosures regarding the valuation methods used because they were unobtainable.

The preceding methods may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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.

**New Britain Museum of American Art, Inc.**

**Notes to Financial Statements  
June 30, 2020 and 2019**

Financial assets and liabilities carried at fair value as of June 30, 2020 are classified in the table below in one of the three categories described above:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Equity				
U.S. large cap	\$ 6,173,841	\$ -	\$ -	\$ 6,173,841
U.S. sm/mid cap	687,707	-	-	687,707
International	5,628,235	-	-	5,628,235
Emerging markets	866,736	-	-	866,736
Large blend	439,505	-	-	439,505
Fixed income	-	-	-	-
Corporate	5,406,257	-	-	5,406,257
World bond	1,106,109	-	-	1,106,109
High yield	1,315,585	-	-	1,315,585
Emerging markets	1,313,997	-	-	1,313,997
Assets held in trust by others	-	299,416	-	299,416
Beneficial interest in perpetual trusts	-	1,120,052	-	1,120,052
<b>Total</b>	<b><u>\$ 22,937,972</u></b>	<b><u>\$ 1,419,468</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 24,357,440</u></b>
Liabilities under split-interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,701</u>	<u>\$ 41,701</u>

Financial assets and liabilities carried at fair value as of June 30, 2019 are classified in the table below in one of the three categories described above:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Equity				
U.S. large cap	\$ 6,659,447	\$ -	\$ -	\$ 6,659,447
U.S. sm/mid cap	739,062	-	-	739,062
International	5,848,887	-	-	5,848,887
Emerging markets	870,180	-	-	870,180
Large blend	453,557	-	-	453,557
Fixed income				
Corporate	5,282,051	-	-	5,282,051
World bond	1,143,591	-	-	1,143,591
High-yield	1,416,594	-	-	1,416,594
Emerging markets	1,350,195	-	-	1,350,195
Assets held in trust by others	-	344,688	-	344,688
Beneficial interest in perpetual trusts	-	1,128,934	-	1,128,934
<b>Total</b>	<b><u>\$ 23,763,564</u></b>	<b><u>\$ 1,473,622</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 25,237,186</u></b>
Liabilities under split-interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,132</u>	<u>\$ 44,132</u>

**New Britain Museum of American Art, Inc.**

**Notes to Financial Statements  
June 30, 2020 and 2019**

Details regarding liabilities measured at fair value on a recurring basis using significant unobservable inputs ("Level 3") are as follows:

	Liabilities under split- interest agreements
Balance, June 30, 2018	\$ 46,667
Net change in value	9,894
Distribution	<u>(12,429)</u>
Balance, June 30, 2019	44,132
Net change in value	9,998
Distribution	<u>(12,429)</u>
Balance, June 30, 2020	<u>\$ 41,701</u>

**Note 7 - Beneficial interest in perpetual trusts**

The Museum is the beneficiary in two perpetual trusts that are administered by third-party trustees. The assets of the trusts are included in the statements of financial position based upon the fair value of the underlying assets of the trusts and the Museum's beneficial interest percentage. The income distributed from the trusts for the years ended June 30, 2020 and 2019 was \$58,675 and \$48,969, respectively.

**Note 8 - Land, property and equipment**

Land, property and equipment consist of the following as of June 30, 2020 and 2019:

	2020	2019
Land and land improvements	\$ 1,499,335	\$ 1,499,335
Equipment	1,642,291	937,072
Building	27,701,879	27,694,721
Construction in progress	<u>281,780</u>	<u>173,505</u>
	31,125,285	30,304,633
Accumulated depreciation	<u>(8,544,176)</u>	<u>(7,851,186)</u>
	<u>\$ 22,581,109</u>	<u>\$ 22,453,447</u>

Depreciation expense on property and equipment was \$760,920 and \$745,057 for the years ended June 30, 2020 and 2019, respectively.

**New Britain Museum of American Art, Inc.**

**Notes to Financial Statements  
June 30, 2020 and 2019**

**Note 9 - Contributions and grants receivable**

Contributions and grants receivable as of June 30, 2020 and 2019 are comprised of the following:

	<u>2020</u>	<u>2019</u>
Pledges receivable	\$ 720,458	\$ 270,293
Assets held in trust by others	299,485	356,410
Pledge discount	<u>(6,470)</u>	<u>(2,058)</u>
	<u>\$ 1,013,473</u>	<u>\$ 624,645</u>
Contributions receivable consist of receivable due in		
Less than one year	\$ 787,313	\$ 283,566
One to five years	232,630	299,600
Greater than five years	<u>-</u>	<u>43,537</u>
	1,019,943	626,703
Less allowance	-	-
Less pledge discount	<u>(6,470)</u>	<u>(2,058)</u>
	<u>\$ 1,013,473</u>	<u>\$ 624,645</u>

**Note 10 - Restricted net assets**

Net assets with donor restrictions to be held in perpetuity are available for the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Endowment		
Operations	\$ 1,659,024	\$ 1,659,024
Collections	2,522,683	2,522,683
Education	<u>110,886</u>	<u>110,886</u>
	4,292,593	4,292,593
Beneficial trusts	<u>1,120,052</u>	<u>1,128,934</u>
	<u>\$ 5,412,645</u>	<u>\$ 5,421,527</u>

**New Britain Museum of American Art, Inc.**

**Notes to Financial Statements  
June 30, 2020 and 2019**

Net assets with donor restrictions to time or purpose are available for the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Endowment		
Operations	\$ 1,110,120	\$ 1,244,771
Collections	3,039,623	2,944,475
Education	<u>10,192</u>	<u>10,772</u>
	4,159,935	4,200,018
Time restrictions	801,416	356,410
Purpose restrictions	<u>576,664</u>	<u>-</u>
	<u><u>\$ 5,538,015</u></u>	<u><u>\$ 4,556,428</u></u>

Board-designated net assets are available for the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Operations	\$ 13,229,651	\$ 14,005,992
Collections	<u>1,230,174</u>	<u>1,229,195</u>
	<u><u>\$ 14,459,825</u></u>	<u><u>\$ 15,235,187</u></u>

**Note 11 - Endowment**

The Museum's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Trustees has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Museum classifies as net assets restricted in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets restricted in perpetuity is classified as net assets restricted for time or purpose until those amounts are appropriated for expenditure by the Board of Trustees in a manner consistent with the standard of prudence prescribed by CTUPMIFA.

In accordance with CTUPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Museum and the donor-restricted endowment fund.

**New Britain Museum of American Art, Inc.**

**Notes to Financial Statements  
June 30, 2020 and 2019**

3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Museum.
7. The investment policies of the Museum.

Endowment net asset composition by type of is as follows:

<u>June 30, 2020</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 8,452,528	\$ 8,452,528
Board-designated endowment funds	14,459,825	-	14,459,825
<b>Total funds</b>	<b>\$ 14,459,825</b>	<b>\$ 8,452,528</b>	<b>\$ 22,912,353</b>

  

<u>June 30, 2019</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 8,492,611	\$ 8,492,611
Board-designated endowment funds	15,235,187	-	15,235,187
<b>Total funds</b>	<b>\$ 15,235,187</b>	<b>\$ 8,492,611</b>	<b>\$ 23,727,798</b>

Changes in endowment net assets are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, July 1, 2018	\$ 15,132,833	\$ 8,013,183	\$ 23,146,016
Investment income, net	1,327,296	674,135	2,001,431
Contributions/other revenue	614,745	216,000	830,745
Net realized and unrealized losses	(419,990)	(206,196)	(626,186)
Amounts appropriated for expenditures	(1,419,697)	(204,511)	(1,624,208)
<b>Endowment net assets, June 30, 2019</b>	<b>15,235,187</b>	<b>8,492,611</b>	<b>23,727,798</b>
Investment income, net	823,312	414,711	1,238,023
Contributions/other revenue	-	125,000	125,000
Net realized and unrealized losses	(795,429)	(405,783)	(1,201,212)
Amounts appropriated for expenditures	(803,245)	(174,006)	(977,251)
<b>Endowment net assets, June 30, 2020</b>	<b>\$ 14,459,825</b>	<b>\$ 8,452,533</b>	<b>\$ 22,912,358</b>

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or CTUPMIFA requires the Museum to retain as a fund of perpetual duration. As of both June 30, 2020 and 2019, there were no funds for which the value was less than the original value when the gift was made.

**New Britain Museum of American Art, Inc.**

**Notes to Financial Statements  
June 30, 2020 and 2019**

**Note 12 - Retirement plan**

The Museum has adopted a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. Under the plan, the Museum contributes 3% of gross salary for employees who meet the eligibility requirements. The Museum also matches the first 2% of all contributions made by eligible plan participants. The cost recognized for this plan for the years ended June 30, 2020 and 2019 was \$57,964 and \$52,087, respectively.

**Note 13 - Lease commitments**

**Operating lease**

The Museum leases office equipment with expirations through 2021. Total lease expense for the years ended June 30, 2019 and 2018 was \$8,933 and \$5,897, respectively. Future minimum lease payments as of June 30, 2020 are as follows:

2021	<u>\$</u>	<u>362</u>
	<u>\$</u>	<u>362</u>

**Capital lease**

The Museum leases certain equipment under capital lease arrangements. The economic substance of the leases is that the Museum is financing the acquisition of the assets through the leases and, accordingly, it is recorded in the Museum's assets and liabilities.

The following reflects the leased assets included in property and equipment as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Equipment	\$ 38,380	\$ 38,380
Less accumulated depreciation	<u>(37,927)</u>	<u>(34,989)</u>
	<u>\$ 453</u>	<u>\$ 3,391</u>

The lease agreement contains a bargain purchase option at the end of the lease term.



**New Britain Museum of American Art, Inc.**

**Notes to Financial Statements  
June 30, 2020 and 2019**

**Note 14 - Commitments and contingencies**

The Museum has entered into an Assistance Agreement ("Agreement") with the State of Connecticut Department of Economic and Community Development ("DECD") which provides for an Urban Act Grant ("UAG") in support of the expansion of the Museum. The Agreement prohibits the Museum from relocating outside the State of Connecticut for 10 years or the Museum is subject to the repayment of the bond funds used as source of funds for the UAG plus a one-time interest charge of 7.5% of the total amount of assistance received. In addition, the Agreement provides for certain provisions to be met if relocating within the State of Connecticut. Mortgages on the land and building are held as collateral for the Agreement.

	<u>Not to exceed</u>	<u>Lien expiration</u>
Bond	\$4 million	September 2025

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. Through the date that this report was issued, there has not been a significant impact to the Museum's operations. The Museum is not able to reliably estimate the length or severity of the outbreak. If the length of the outbreak and related effects on the Museum's operations continues for an extended period of time, there could be a loss of revenue and other adverse effects to the Museum's financial position, results of operations, and cash flows.

**Note 15 - Line of credit**

The Museum arranged a line of credit with a bank to temporarily finance, as needed, the construction of the art and education wing. The line allows borrowings up to \$1 million. The interest rate is variable at the bank's prime rate less 1% (2.25% at June 30, 2020). The line of credit matures in January 2022. The Museum has pledged a portion of its investments as collateral and is required to maintain certain financial ratios. The outstanding balance as of June 30, 2020 and 2019 was \$110,708 and \$129,046, respectively.

The Museum arranged a commercial demand note with a bank on June 15, 2016 for \$200,000 to temporarily finance, as needed, the operations of the Museum. The interest rate is variable at the bank's prime rate less 1% (2.25% at June 30, 2020). The commercial demand note matures on January 25, 2022. All tangible and intangible assets of the Museum are pledged as collateral and the Museum is required to maintain certain financial ratios. There was no outstanding balance as of June 30, 2020 and 2019.

**Note 16 - Refundable advance**

In April 2020, the Museum received a loan in the amount of \$331,000 through their bank to cover eligible costs during a 24-week period. The loan was obtained through the Paycheck Protection Program and is guaranteed by the Small Business Administration. Subject to certain guidelines, some or all of the loan may be forgiven. Interest on the portion of the loan that is not forgiven is charged at 1%. Principal and interest payments on the portion that will not be forgiven will be paid over an 18-month period beginning ten months after the end of the 24-week period. Interest payments are deferred for the first 10 months. The proceeds of the loan are recognized as a refundable advance, based on Accounting Standards Codification 958-605, and are included in current liabilities on the Museum's statement of financial position.



**Independent Member of Nexia International**

**[cohnreznick.com](http://cohnreznick.com)**