

**FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

**NEWPORT ART MUSEUM AND
ART ASSOCIATION
(A NON-PROFIT ORGANIZATION)**

**December 31, 2023
(with summarized financial information
for the preceding year)**

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Farmer, First & Vining, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

"Grow Your Business With Us"

Independent Auditors' Report

To the Board of Trustees
Newport Art Museum and Art Association (A Non-Profit Organization)
Newport, R.I.

Opinion

We have audited the accompanying financial statements of Newport Art Museum and Art Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Newport Art Museum and Art Association as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Newport Art Museum and Art Association and to meet our ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 Newport Art Museum and Art Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

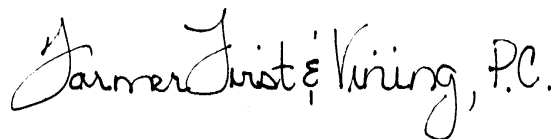
Auditors' Responsibilities for the Audit of the Financial Statements

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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Newport Art Museum and Art Association'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 Newport Art Museum and Art Association'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.

A handwritten signature in black ink that reads "Farmer, First & Vining, P.C." in a cursive, stylized script.

Farmer, First & Vining, P.C., CPA's
Warren, Rhode Island

November 14, 2024

Newport Art Museum and Art Association
STATEMENT OF FINANCIAL POSITION
December 31,
(with summarized financial information for the preceding year)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 114,278	\$ 39,896	\$ 154,174	\$ 53,108
Marketable securities - acquisition fund	157,079	-	157,079	168,063
Grant receivable			-	18,900
Pledge receivable			-	3,247
Accounts receivable	1,685	-	1,685	5,423
Prepaid expenses	50,689	-	50,689	24,880
Total current assets	323,731	39,896	363,627	273,621
PROPERTY AND EQUIPMENT:				
Buildings and improvements	9,101,367	-	9,101,367	8,809,769
Furniture and equipment	417,602	-	417,602	404,338
Website and software	166,121	-	166,121	166,121
Total property and equipment	9,685,090	-	9,685,090	9,380,228
Less: accumulated depreciation	6,396,093	-	6,396,093	6,159,221
Property and equipment, net	3,288,997	-	3,288,997	3,221,007
OTHER ASSETS:				
Investments	6,323,613	1,930,591	8,254,204	7,586,748
Total other assets	6,323,613	1,930,591	8,254,204	7,586,748
TOTAL ASSETS	\$ 9,936,341	\$ 1,970,487	\$ 11,906,828	\$ 11,081,376

The accompanying notes are an integral part of these statements.

Newport Art Museum and Art Association
STATEMENT OF FINANCIAL POSITION (continued)
December 31,
(with summarized financial information for the preceding year)

	<u>2023</u>			<u>2022</u>
	<u>Without Donor</u>	<u>With Donor</u>		
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>	<u>Total</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	\$ 198,279	\$ -	\$ 198,279	\$ 46,267
Mortgage payable - current	8,397	-	8,397	8,064
Notes payable - current	2,402	-	2,402	2,311
Line of credit	507,178	-	507,178	146,983
Accrued expenses	53,383	-	53,383	43,524
Deferred revenue	<u>23,011</u>	<u>-</u>	<u>23,011</u>	<u>30,612</u>
Total current liabilities	792,650	-	792,650	277,761
LONG-TERM LIABILITIES:				
Notes payable, less current portion	152,529	-	152,529	151,868
Mortgage payable, less current portion	<u>129,081</u>	<u>-</u>	<u>129,081</u>	<u>137,389</u>
Total long-term liabilities	<u>281,610</u>	<u>-</u>	<u>281,610</u>	<u>289,257</u>
Total liabilities	<u>1,074,260</u>	<u>-</u>	<u>1,074,260</u>	<u>567,018</u>
NET ASSETS:				
Without donor restrictions		-	-	
Board restricted	157,079	-	157,079	168,063
Other	8,705,002	-	8,705,002	8,591,612
With donor restrictions	<u>-</u>	<u>1,970,487</u>	<u>1,970,487</u>	<u>1,754,683</u>
Total net assets	<u>8,862,081</u>	<u>1,970,487</u>	<u>10,832,568</u>	<u>10,514,358</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,936,341</u>	<u>\$ 1,970,487</u>	<u>\$ 11,906,828</u>	<u>\$ 11,081,376</u>

The accompanying notes are an integral part of these statements.

Newport Art Museum and Art Association
STATEMENT OF ACTIVITIES
For the Years Ended December 31,
(with summarized financial information for the preceding year)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT & REVENUE:				
Foundation and corporate grants	\$ 22,500	\$ 97,396	\$ 119,896	\$ 79,900
Government grants	-	-	-	36,250
Contributions	255,002	26,988	281,990	308,193
Sponsorships	-	-	-	64,098
Membership	77,240	-	77,240	89,491
Admission	75,147	-	75,147	117,140
Tuition	175,964	-	175,964	111,150
Educational program fees	56,851	-	56,851	47,365
Special events - net of expenses	255,852	-	255,852	213,001
Rental income	84,703	-	84,703	84,919
Gift Shop	8,744	-	8,744	7,437
Program income	45,841	-	45,841	38,841
Other income	118,012	-	118,012	2,567
In-kind donations	15,000	-	15,000	-
Interest and dividend income	151,469	45,385	196,854	204,416
Transfer from endowment to operating	28,477	(28,477)	-	-
Net assets released from restrictions	133,546	(133,546)	-	-
 Total support and revenue	 1,504,348	 7,746	 1,512,094	 1,404,768
 EXPENSES:				
Program services:				
Education/Outreach	460,110	-	460,110	401,675
Curatorial	621,596	-	621,596	707,741
Other program and museum shop	156,154	-	156,154	141,046
Total program services	1,237,860	-	1,237,860	1,250,462
Supporting services				
Administrative	453,614	-	453,614	405,585
Development	398,871	-	398,871	345,812
Total supporting services	852,485	-	852,485	751,397
Total expenses	2,090,345	-	2,090,345	2,001,859
 OTHER GAINS & LOSSES				
Write-off of prior project costs	-	-	-	(160,000)
Unrealized & realized capital gain (loss) in market value of investments	688,403	208,058	896,461	(1,551,492)
Total investing income	688,403	208,058	896,461	(1,711,492)
 Change in net assets	 102,406	 215,804	 318,210	 (2,308,583)
 Net assets, January 1, 2022	 8,759,675	 1,754,683	 10,514,358	 12,822,941
 Net assets, December 31, 2022	 \$ 8,862,081	 \$ 1,970,487	 \$ 10,832,568	 \$ 10,514,358

The accompanying notes are an integral part of these statements.

Newport Art Museum and Art Association
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2023
(with summarized financial information for the preceding year)

	2023							2022	
	Program Services				Supporting Services				
	Education/ Outreach	Curatorial	Other Program	Total Program Services	Administrative	Development	Total Support	Total Functional Expenses	Total Functional Expenses
Salaries	\$ 212,894	\$ 249,874	\$ 70,142	\$ 532,910	\$ 189,975	\$ 257,420	\$ 447,395	\$ 980,305	\$ 810,221
Payroll taxes	18,548	21,769	6,087	46,404	17,074	18,886	35,960	82,364	68,731
Employee benefits	12,198	14,314	4,002	30,514	11,227	12,419	23,646	54,160	46,115
Total payroll and related expenses	243,640	285,957	80,231	609,828	218,276	288,725	507,001	1,116,829	925,067
Depreciation	57,228	67,129	16,012	140,369	45,669	50,832	96,501	236,870	267,662
Professional fees & graphic design	58,721	11,574	13,677	83,972	39,920	4,402	44,322	128,294	108,145
Utilities	28,080	61,121	3,653	92,854	10,419	11,597	22,016	114,870	98,181
Exhibition	-	101,574	-	101,574	-	-	-	101,574	133,805
Building maintenance and repairs	19,006	30,241	4,967	54,214	14,166	15,768	29,934	84,148	98,396
Program materials	14,861	26,715	17,878	59,454	873	75	948	60,402	101,563
Bank and investment fees	-	-	-	-	59,390	-	59,390	59,390	65,683
Insurance	8,904	10,444	2,491	21,839	7,105	7,908	15,013	36,852	67,003
Telephone and computer	6,564	8,153	1,837	16,554	5,240	5,835	11,075	27,629	28,303
Interest	-	-	-	-	23,941	-	23,941	23,941	14,729
Equipment rental	6,363	3,448	822	10,633	2,348	2,611	4,959	15,592	12,254
Cultivation and meeting expense	-	3	-	3	7,721	4,708	12,429	12,432	15,457
Dues and fees	-	3,491	1,566	5,057	7,143	80	7,223	12,280	11,550
Travel	5,404	2,022	1,796	9,222	1,908	-	1,908	11,130	12,935
Receptions	425	-	10,301	10,726	-	-	-	10,726	9,123
Printing	1,752	3,298	371	5,421	629	3,357	3,986	9,407	8,504
Advertising and promotion	736	2,580	-	3,316	5,471	-	5,471	8,787	5,038
Office supplies	2,111	1,844	429	4,384	360	1,648	2,008	6,392	5,555
Scholarships	6,205	-	-	6,205	-	-	-	6,205	3,526
Postage	10	592	123	725	418	875	1,293	2,018	3,544
Small equipment	100	180	-	280	1,077	450	1,527	1,807	1,807
Elizabeth Conklin gift shop	-	-	-	-	752	-	752	752	1,884
Awards	-	-	-	-	-	-	-	-	1,800
Miscellaneous	-	1,230	-	1,230	788	-	788	2,018	315
Totals	\$ 460,110	\$ 621,596	\$ 156,154	\$ 1,237,860	\$ 453,614	\$ 398,871	\$ 852,485	\$ 2,090,345	\$ 2,001,829

The accompanying notes are an integral part of these statements.

Newport Art Museum and Art Association
STATEMENT OF CASH FLOWS
For the Years Ended December 31,

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 318,210	\$ (2,308,583)
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation and amortization	236,870	267,662
Realized and unrealized (gains) losses in market value of investments	(896,461)	1,551,492
Loss on abandonment of assets	-	160,000
Decrease (increase) in operating assets:		
Pledges receivable	3,247	1,611
Accounts receivable	3,738	(1,493)
Grant receivable	18,900	(18,900)
Prepaid expenses	(25,809)	1,614
Increase (decrease) in operating liabilities:		
Accounts payable	152,012	(108,859)
Accrued expenses	9,859	(26,691)
Deferred revenue	<u>(7,601)</u>	<u>(30,330)</u>
Net cash provided (used) by operating activities	<u>(187,035)</u>	<u>(512,477)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net sales (purchases) of property and equipment	(304,860)	(78,792)
Realized and unrealized (gains) losses in market value of investments	896,461	(1,551,492)
Decrease (increase) in investments	<u>(656,472)</u>	<u>2,004,486</u>
Net cash provided (used) by investing activities	<u>(64,871)</u>	<u>374,202</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings (repayments) on notes, loans, and mortgage payable	<u>352,972</u>	<u>139,533</u>
Net cash provided (used) by financing activities	<u>352,972</u>	<u>139,533</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	101,066	1,258
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>53,108</u>	<u>51,850</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 154,174</u>	<u>\$ 53,108</u>
Interest paid during the year	<u>\$ 15,592</u>	<u>\$ 14,729</u>

The accompanying notes are an integral part of these statements.

**Newport Art Museum and Art Association
NOTES TO FINANCIAL STATEMENTS**

December 31, 2023

(with summarized financial information for the preceding year)

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Newport Art Museum, (the Organization) was founded in 1912 on the belief that art is a civilizing influence and an essential component to creating vibrant communities. By 1915, the Organization's enterprising leaders had purchased a suitable building for their art classes and exhibitions: the former John N.A. Griswold House on Bellevue Avenue designed by acclaimed architect Richard Morris Hunt. This was Hunt's first commission in Newport, and was completed in 1864 for the Griswold family and has been awarded National Historic Landmark status. Art classes for people of all ages, backgrounds and experience levels were held in the Griswold House, as were temporary art exhibitions and public programs.

In 1920, a second gallery building designed by the New York architectural firm Delano and Aldrich opened just to the south of the Griswold House. The Sarah Rives lobby and Morris Gallery were added in 1990 providing the Organization additional climate-controlled gallery spaces as well as a collection storage area.

Today, the Organization's beautiful 3-acre campus includes the Griswold House, the Cushing Gallery and the Coleman Center for Creative Studies, a vibrant center for Museum Education and extensive community arts outreach initiatives.

The Organization's mission is to share a diversity of art and experiences that spark reflection, inspiration, discovery and connection within our Newport community and beyond.

The Organization cares for a collection of over 2,750 art objects, acquires new collection pieces each year, and serves its community through exhibitions, public programs, studio arts education, arts outreach, and preserves its historic buildings, all of which have received regional and national recognition.

Basis of Accounting

The Organization recognizes income on the accrual method of accounting in accordance with the accounting principles generally accepted in the United States of America.

Newport Art Museum and Art Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2023

(with summarized financial information for the preceding year)

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

The financial statements of Newport Art Museum and Art Association have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of trustees.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature and those restrictions will be met by the actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Investments

The Organization follows the provisions of FASB ASC 958-320-35 which requires that investments in all equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the balance sheet. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the change in net assets without restrictions unless the income or loss is restricted by donor or law.

**Newport Art Museum and Art Association
NOTES TO FINANCIAL STATEMENTS**

December 31, 2023

(with summarized financial information for the preceding year)

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are stated at cost except for donated property and equipment which is stated at its fair market value at the date of donation. Depreciation is calculated for financial statement purposes using the straight-line method based on the property's estimated life. Additions and improvements that add materially to productive capacity or extend the life of an asset are capitalized.

Normal repairs and maintenance are charged against income. When facilities are retired or sold, their cost and accumulated depreciation are removed from the accounts and related gains or losses are included in income. In case of trade items, any remaining book value increases the basis of the new acquisition.

Building and building improvements	5 – 40 yrs.
Furniture and equipment	5 – 10 yrs.

Income Taxes

The Organization is a not-for-profit organization that is generally exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Income that is not related to exempt purposes, less applicable deductions, is subject to Federal and state corporate income taxes. The Organization did not have any unrelated business income for the years ended December 31, 2023 and 2022.

Fair Value of Financial Instruments

Cash, marketable securities, accounts receivable, accounts payable, accrued liabilities and debt are reflected in the financial statements at carrying amounts which approximate fair value.

Donated Services and Equipment

The Organization records significant donated goods and services at fair market value at the date of donation. Donated goods and services for the years ended December 31, 2023 and 2022 amounted to approximately \$15,000 and \$895, respectively.

Newport Art Museum and Art Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2023

(with summarized financial information for the preceding year)

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statements of financial position and cash flows, the Organization considers all unrestricted highly liquid investments, with an initial maturity of three months or less, to be considered cash.

Restricted and Unrestricted Revenue

Contributions received are recorded as unrestricted or restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Promises to Give

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Revenue Recognition

All public support and revenue are considered to be available for unrestricted use unless specifically restricted by grant or donor.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Newport Art Museum and Art Association
NOTES TO FINANCIAL STATEMENTS**

December 31, 2023

(with summarized financial information for the preceding year)

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Actual results could differ from those estimates.

Collections

Collection items acquired either through a purchase or donation are not capitalized. Purchases of collection items are recorded as decreases in unrestricted net assets if purchased with unrestricted net assets and as decreases in temporarily restricted or permanently restricted net assets if purchased with donor-restricted funds. Contributions of collection items are not recognized in the statement of activities. The Organization's collections are categorized as inexhaustible and under accounting guidelines are not capitalized in the financial statements.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Subsequent Events

Management has evaluated subsequent events through November 14, 2024 the date which the financial statements were available to be issued.

Newport Art Museum and Art Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2023

(with summarized financial information for the preceding year)

2. NET ACCOUNTS RECEIVABLE

The balance in the Organization's Accounts Receivable as of December 31, 2023 and 2022 consists of:

	2023	2022
Educational Fees	\$ 1,685	\$ 4,993
Other	-	430
	<u>\$ 1,685</u>	<u>\$ 5,423</u>

The Organization uses the specific identification method in estimating for uncollectible accounts. There were no bad debts recorded for 2023 and 2022 and all receivables were considered collectible at December 31, 2023 and 2022.

3. PROPERTY AND EQUIPMENT

Changes in property and equipment accounts for the years ended December 31, 2023 are summarized as follows:

	12/31/2022	Additions	Disposals	12/31/2023
Building and improvements	\$ 8,809,769	\$ 291,598	\$ -	\$ 9,101,367
Furniture and equipment	404,338	13,264	-	417,602
Website and software	166,121	-	-	166,121
	9,380,228	304,862	-	9,685,090
Less accumulated depreciation	(6,159,221)	(236,872)	-	(6,396,093)
	<u>\$ 3,221,007</u>	<u>\$ (67,990)</u>	<u>\$ -</u>	<u>\$ 3,288,997</u>

**Newport Art Museum and Art Association
NOTES TO FINANCIAL STATEMENTS**

December 31, 2023

(with summarized financial information for the preceding year)

3. PROPERTY AND EQUIPMENT - (continued)

Changes in property and equipment accounts for the years ended December 31, 2022 are summarized as follows:

	12/31/2021	Additions	Disposals	12/31/2022
Building and improvements	\$ 8,898,821	\$ 70,948	\$ (160,000)	\$ 8,809,769
Furniture and equipment	396,494	7,844	-	404,338
Website and software	166,121	-	-	166,121
	9,461,436	78,792	-	9,380,228
Less accumulated depreciation	(5,891,559)	(267,662)	-	(6,159,221)
	<u>\$ 3,569,877</u>	<u>\$ (188,870)</u>	<u>\$ (160,000)</u>	<u>\$ 3,221,007</u>

4. MARKETABLE SECURITIES

The Organization's investments have been recorded at fair value in the financial statements. The following represents the Organization's fair value hierarchy for its investments measured at fair value on a recurring basis at December 31, 2023:

	<u>At fair value</u>	
<u>Level 1 Investments</u>	<u>Endowment Fund</u>	<u>Acquisition Fund</u>
Cash	\$ 352,373	\$ 5,250
Equities	6,020,049	116,123
Subtotal	<u>6,372,422</u>	<u>121,373</u>
 <u>Level 2 Investments</u>		
Corporate and government bonds	1,535,612	28,962
Real estate and tangible assets	346,170	6,744
Subtotal	<u>1,881,782</u>	<u>35,706</u>
 Total	<u>\$ 8,254,204</u>	<u>\$ 157,079</u>

Newport Art Museum and Art Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2023

(with summarized financial information for the preceding year)

4. MARKETABLE SECURITIES - (continued)

The following represents the Organization's fair value hierarchy for its investments measured at fair value on a recurring basis at December 31, 2022:

	<u>At fair value</u>	
<u>Level 1 Investments</u>	<u>Endowment Fund</u>	<u>Acquisition Fund</u>
Cash	\$ 625,488	\$ 17,675
Equities	5,143,392	110,866
Subtotal	<u>5,768,880</u>	<u>128,541</u>
 <u>Level 2 Investments</u>		
Corporate and government bonds	1,453,194	31,437
Real estate and tangible assets	364,674	8,085
Subtotal	<u>1,817,868</u>	<u>39,522</u>
 Total	<u>\$ 7,586,748</u>	<u>\$ 168,063</u>

Investments are split between marketable securities and investments held for long-term purposes but are held in one investment account. The split is as follows:

<u>Description</u>	2023	2022
Marketable securities - acquisition fund	\$ 157,079	\$ 168,063
Endowment fund assets	8,254,204	7,586,748
	<u>\$ 8,411,283</u>	<u>\$ 7,754,811</u>

**Newport Art Museum and Art Association
NOTES TO FINANCIAL STATEMENTS**

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(with summarized financial information for the preceding year)

5. LONG TERM DEBT

During November 2011, the Organization renegotiated a secured twenty-five-year loan for \$350,000 through a local bank maturing November 2036. Principal and interest shall be paid in equal installments of \$1,150.09 through November 2026. Interest on the loan is fixed at 4.05% and is to be adjusted every five years based on an amount equal to 2.50% above the Federal Home Loan rate at the time. The balances due at December 31, 2023 and 2022 were \$137,478 and \$145,453, respectively. Principal payments are due as follows:

December 31, 2024	\$	8,397
2025		8,743
2026		9,104
2027		9,480
2028		9,874
Thereafter		<u>91,880</u>
	\$	<u>137,478</u>

In July 2020, the Organization received a \$150,000 Economic Injury Disaster Loan under the CARES Act. The loan bears interest at a rate of 2.75% per annum and will be due in July 2051. Payments of principal and interest in amounts of \$641 are due monthly and will begin 30 months from issuance of the loan payable to deferred interest first then principal. The balances due at December 31, 2023 and 2022 were \$150,000 and \$150,000, respectively. Deferred interest due at December 31, 2023 and 2022 were \$ 14,108 and \$9,983 respectively. Future principal payments will not begin until 2024:

December 31, 2024	\$	2,402
2025		3,686
2026		3,788
2027		3,894
2028		3,690
Thereafter		<u>132,540</u>
	\$	<u>150,000</u>

**Newport Art Museum and Art Association
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6. LINES OF CREDIT

The Organization has negotiated a \$350,000 line of credit with a local bank. This line of credit bears interest at the bank base rate plus .50% adjusted daily. The line is secured by a second mortgage on the building and a security interest in the Organization's business assets. The balance on the line of credit was \$185,2005 at December 31, 2023 and \$-0- at December 31, 2022.

During January 2015, the Organization negotiated a second line of credit with an investment company for \$200,000. This line of credit bears interest at the bank's daily floating rate plus 2.75% adjusted daily. The line is secured by the Organization's business assets. At December 31, 2023 and 2022, the outstanding balances on both lines of credit amounted to \$321,978 and \$146,983 respectively.

7. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at December 31, 2023 and 2022 were composed of the following:

	2023	2022
Operating deficits	\$ (770,810)	\$ (355,325)
Board designated funds for acquisition	157,759	168,063
Endowment fund	6,323,613	5,871,383
Property and equipment, net of related debt	3,151,519	3,075,554
	<hr/>	<hr/>
Total	<u>\$ 8,862,081</u>	<u>\$ 8,759,675</u>

Newport Art Museum and Art Association
NOTES TO FINANCIAL STATEMENTS

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(with summarized financial information for the preceding year)

7. NET ASSETS WITHOUT DONOR RESTRICTIONS - (continued)

Activity in the board designated funds for acquisition for the years ended December 31, 2023 and 2022 was as follows:

	2023	2022	
Funds for acquisition, beginning of year	\$ 168,063	\$ 186,635	
Additions and investment income	24,042	20,471	
Gain (loss) on market value of investments	18,311	18,245	(28,
Investment fees	(862)	(856)	
Purchase/Restoration of artwork	(52,475)	(9,600)	
Funds for acquisition, end of year	<u>\$ 157,079</u>	<u>\$ 168,063</u>	

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2023 and 2022 were composed of the following grants or funds:

	2023	2022
Endowment Fund	\$1,930,591	\$1,715,365
Audio Video Equipment	-	184
Cushing HVAC Project	-	10,300
Artist in Residence Program	-	11,984
Education outreach for John Clarke Senior Center	6,500	-
Scholarship Fund	-	6,850
Museum Exhibition Support	-	10,000
ADA project	33,396	-
	<u>\$1,970,487</u>	<u>\$1,754,683</u>

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9. CONTINGENCIES

The Organization has received funding under certain Government funding contracts which obligate it to keep its contract records available for inspection or audit three to five years following the submission of the final contract report. These audits take place at the discretion of the funding source.

10. FAIR MARKET VALUE OF INSTRUMENTS

The Organization values its investments held for long-term purposes at market value in the financial statements. The Organization had a number of other financial instruments at December 31, 2023 and 2022, none of which were held for trading purposes. The Organization estimates that the fair market value of all financial instruments at December 31, 2023 and 2022 did not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position.

11. FUNDRAISING EVENTS

The Organization's fundraising events for the year ended December 31, 2023 consisted of:

	Income	Expenses	Net
Summer Soiree	\$ 328,512	\$ 126,743	\$ 201,769
Wet Paint	69,026	14,943	54,083
	<u>\$ 397,538</u>	<u>\$ 141,686</u>	<u>\$ 255,852</u>

The Organization's fundraising events for the year ended December 31, 2022 consisted of:

	Income	Expenses	Net
Summer Soiree	\$ 296,210	\$ 118,856	\$ 177,354
Wet Paint	56,474	20,827	35,647
	<u>\$ 352,684</u>	<u>\$ 139,683</u>	<u>\$ 213,001</u>

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12. ENDOWMENT

The Organization's endowment consists of approximately fourteen individual funds established for a variety of purposes. The endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, 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 of the Organization has interpreted the State Prudent Management of Institutional Funds Act (UPMIFA) 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 the interpretation, the Organization classifies as permanently restricted net assets (a) the original value of the 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 is not classified in permanently restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of the inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Newport Art Museum and Art Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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12. ENDOWMENT – (continued)

Investment Return Objectives, Risk Parameters and Strategies: The Organization has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities and other investments, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5% while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 4% to 6% above the rate of inflation as measured by the consumer price index annually. Actual returns in any given year may vary. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending policy: The Organization has a policy of appropriating the distribution each year of 5% of its endowment fund's average fair value of the prior three years through the calendar year-end proceeding the fiscal year in which the distribution is planned. In certain years, the Board of Trustees may approve additional appropriations for distribution of its endowment fund as necessary. In 2022, the Organization approved an additional withdrawal of \$150,000. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects current spending policy to allow its endowment funds to grow at a normal average rate of 4% to 6% above the rate of inflation as measured by the consumer price index annually. This is consistent with the Organization's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

The Museum withdrew \$334,000 from the endowment fund for operations during the year ended December 31, 2023, and a total of \$492,400, \$342,400 annual draw and \$150,000 additional draw, during the year ended December 31, 2022.

**Newport Art Museum and Art Association
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December 31, 2023

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12. ENDOWMENT – (continued)

Changes in endowment net assets as of December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Endowment net assets, beginning of year	\$ 7,586,748	\$ 9,572,662
Additions and investment income	196,672	201,283
Gain (loss) on market value of investments	878,448	(1,522,912)
Investment fees	(41,188)	(42,846)
Amounts appropriated for operations	(334,000)	(492,400)
Amounts appropriated for property and equipment	<u>(28,477)</u>	<u>(129,039)</u>
TOTAL	<u><u>\$ 8,254,204</u></u>	<u><u>\$ 7,586,748</u></u>

Part of the endowment fund at December 31, 2023 and 2022 consists of the van Beuren Charitable Foundation and the McBean Charitable Trust. The US Department of Labor CPI for 2023 and 2022 was 3.3% and 6.5%, respectively. Taking this figure into account, the adjusted historical value of the Griswold Major Maintenance endowment was as follows:

2022

Historical Value	Market Value	Accumulated Increase
\$ 828,693	\$ 1,008,516	\$ 179,823

2022

Historical Value	Market Value	Accumulated Increase
\$ 886,819	\$ 905,310	\$ 18,491

The Organization must maintain the historical value of the fund. The difference between the market and historical values as of the years ended 2023 and 2022 would be the maximum the Organization could draw for major maintenance.

Newport Art Museum and Art Association
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13. PENSION PLAN

The Organization has a qualified tax-sheltered annuity pension plan for its eligible employees. Eligible employees earn 2% match of their salary after 1000 hours of services. Pension expense was \$7,255 and \$5,271 for the years ended December 31, 2023 and 2022, respectively.

14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts for memberships and a concentration of contributions received near calendar year-end and being in a summer town where the population increases from May through September.

To manage unanticipated liquidity needs the Organization has committed lines of credit in the amount of \$550,000, which it could draw upon. In addition, the Organization has an unrestricted endowment it draws appropriated amounts from each year for general expenditures as part of its annual budget.

15. RESTATEMENT

During the year ended December 31, 2022 the Organization performed additional analysis and identified and reclassified net assets without donor restrictions that had been previously reported as net assets with donor restrictions. This correction had no effect on total net assets at December 31, 2023 or 2022 or on total change in net assets for the years then ended.

15. EMPLOYEE RETENTION CREDIT

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "Cares ACT") signed into law on March 27, 2020 and the subsequent extension of the CARES Act, the Organization was eligible for a refundable employee retention credit subject to certain criteria. The Organization recognized a refundable employee retention credit of \$111,067 during the year ended December 31, 2023. This is included in other income on the statement of activities.