

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

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

**December 31, 2024
(with summarized financial information
for the preceding year)**

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Farmer & 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, 2024, 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, 2024, 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.

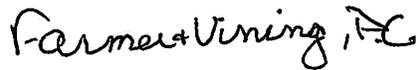
Auditors' Responsibilities for the Audit of the Financial Statements

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.



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

November 10, 2025

Newport Art Museum and Art Association
STATEMENT OF FINANCIAL POSITION

December 31, 2024

(with summarized financial information for the preceding year)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 142,564	\$ 196,414	\$ 338,978	\$ 154,174
Marketable securities - acquisition fund	176,796	-	176,796	157,079
Grant receivable			-	-
Pledge receivable			-	-
Accounts receivable	10,487	-	10,487	1,685
Prepaid expenses	32,455	-	32,455	50,689
Total current assets	362,302	196,414	558,716	363,627
PROPERTY AND EQUIPMENT:				
Buildings and improvements	9,102,617	-	9,102,617	9,101,367
Furniture and equipment	425,848	-	425,848	417,602
Website and software	166,121	-	166,121	166,121
Total property and equipment	9,694,586	-	9,694,586	9,685,090
Less: accumulated depreciation	6,607,580	-	6,607,580	6,396,093
Property and equipment, net	3,087,006	-	3,087,006	3,288,997
OTHER ASSETS:				
Investments	6,102,204	2,145,438	8,247,642	8,254,204
TOTAL ASSETS	\$ 9,551,512	\$ 2,341,852	\$ 11,893,364	\$ 11,906,828

The accompanying notes are an integral part of these statements.

Newport Art Museum and Art Association
STATEMENT OF FINANCIAL POSITION (continued)
December 31, 2024
(with summarized financial information for the preceding year)

	<u>2024</u>			<u>2023</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	\$ 58,770	\$ -	\$ 58,770	\$ 198,279
Mortgage payable - current	8,746	-	8,746	8,397
Notes payable - current	-	-	-	2,402
Line of credit	455,982	-	455,982	507,178
Accrued expenses	75,637	-	75,637	53,383
Deferred revenue	101,421	-	101,421	23,011
Total current liabilities	<u>700,556</u>	<u>-</u>	<u>700,556</u>	<u>792,650</u>
LONG-TERM LIABILITIES:				
Notes payable, less current portion	151,225	-	151,225	152,529
Mortgage payable, less current portion	121,821	-	121,821	129,081
Total long-term liabilities	<u>273,046</u>	<u>-</u>	<u>273,046</u>	<u>281,610</u>
Total liabilities	<u>973,602</u>	<u>-</u>	<u>973,602</u>	<u>1,074,260</u>
NET ASSETS:				
Without donor restrictions		-	-	
Board restricted	176,796	-	176,796	157,079
Other	8,401,114	-	8,401,114	8,705,002
With donor restrictions	-	2,341,852	2,341,852	1,970,487
Total net assets	<u>8,577,910</u>	<u>2,341,852</u>	<u>10,919,762</u>	<u>10,832,568</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,551,512</u>	<u>\$ 2,341,852</u>	<u>\$ 11,893,364</u>	<u>\$ 11,906,828</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, 2024
(with summarized financial information for the preceding year)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT & REVENUE:				
Foundation and corporate grants	\$ -	\$ 175,174	\$ 175,174	\$ 119,896
Government grants	15,500	5,000	20,500	-
Contributions	278,697	56,788	335,485	281,990
Sponsorships	-	-	-	-
Membership	63,684	-	63,684	77,240
Admission	64,346	-	64,346	75,147
Tuition	183,619	-	183,619	175,964
Educational program fees	62,909	-	62,909	56,851
Special events - net of expenses	238,993	-	238,993	255,852
Rental income	110,633	-	110,633	84,703
Gift Shop	8,268	-	8,268	8,744
Program income	48,211	-	48,211	45,841
Other income	95,976	-	95,976	118,012
In-kind donations	-	-	-	15,000
Interest and dividend income	147,143	50,055	197,198	196,854
Net assets released from restrictions	90,237	(90,237)	-	-
Total support and revenue	<u>1,408,216</u>	<u>196,780</u>	<u>1,604,996</u>	<u>1,512,094</u>
EXPENSES:				
Program services:				
Education/Outreach	406,128	-	406,128	460,110
Curatorial	686,009	-	686,009	621,596
Other program and museum shop	263,316	-	263,316	156,154
Total program services	<u>1,355,453</u>	<u>-</u>	<u>1,355,453</u>	<u>1,237,860</u>
Supporting services				
Administrative	520,805	-	520,805	453,614
Development	372,168	-	372,168	398,871
Total supporting services	<u>892,973</u>	<u>-</u>	<u>892,973</u>	<u>852,485</u>
Total expenses	<u>2,248,426</u>	<u>-</u>	<u>2,248,426</u>	<u>2,090,345</u>
OTHER GAINS & LOSSES				
Unrealized & realized capital gain (loss) in market value of investments	556,039	174,585	730,624	896,461
Total investing income	<u>556,039</u>	<u>174,585</u>	<u>730,624</u>	<u>896,461</u>
Change in net assets	(284,171)	371,365	87,194	318,210
Net assets, January 1,	<u>8,862,081</u>	<u>1,970,487</u>	<u>10,832,568</u>	<u>10,514,358</u>
Net assets, December 31,	<u>\$ 8,577,910</u>	<u>\$ 2,341,852</u>	<u>\$ 10,919,762</u>	<u>\$ 10,832,568</u>

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, 2024
(with summarized financial information for the preceding year)

	2024							2023	
	Program Services				Supporting Services				
	Education/ Outreach	Curatorial	Other Program	Total Program Services	Administrative	Development	Total Support	Total Functional Expenses	Total Functional Expenses
Salaries	\$ 126,169	\$ 362,497	\$ 177,763	\$ 666,429	\$ 141,049	\$ 198,765	\$ 339,814	\$ 1,006,243	\$ 980,305
Payroll taxes	18,752	22,008	6,154	46,914	17,261	19,093	36,354	83,268	82,364
Employee benefits	14,982	17,584	4,917	37,483	13,792	15,255	29,047	66,530	54,160
Total payroll and related expenses	159,903	402,089	188,834	750,826	172,102	233,113	405,215	1,156,041	1,116,829
Professional fees & graphic design	61,026	11,963	17,124	90,113	123,384	26,005	149,389	239,502	236,870
Depreciation	51,074	59,935	14,297	125,306	40,775	45,385	86,160	211,466	128,294
Building maintenance and repairs	56,342	73,736	9,254	139,332	26,584	29,185	55,769	195,101	114,870
Utilities	26,527	49,341	3,535	79,403	10,082	11,222	21,304	100,707	101,574
Bank and investment fees	1,501	-	1,183	2,684	58,416	875	59,291	61,975	84,148
Program materials	12,804	18,633	13,436	44,873	2,930	33	2,963	47,836	60,402
Interest	-	-	-	-	45,272	-	45,272	45,272	59,390
Insurance	9,120	10,699	2,552	22,371	7,279	8,102	15,381	37,752	36,852
Exhibition	-	32,272	-	32,272	-	-	-	32,272	27,629
Telephone and computer	7,672	9,453	2,147	19,272	5,675	6,819	12,494	31,766	23,941
Equipment rental	6,995	3,345	798	11,138	2,504	2,533	5,037	16,175	15,592
Dues and fees	135	5,213	912	6,260	6,061	380	6,441	12,701	12,432
Advertising and promotion	495	3,359	821	4,675	7,349	-	7,349	12,024	12,280
Office supplies	2,961	3,201	740	6,902	807	2,106	2,913	9,815	11,130
Travel	4,164	1,338	3,381	8,883	-	237	237	9,120	10,726
Receptions	-	1,008	3,979	4,987	976	1,683	2,659	7,646	9,407
Cultivation and meeting expense	-	-	24	24	4,282	41	4,323	4,347	8,787
Elizabeth Conklin gift shop	59	-	-	59	3,896	-	3,896	3,955	6,392
Awards	2,400	-	-	2,400	-	-	-	2,400	6,205
Scholarships	2,250	-	-	2,250	-	-	-	2,250	2,018
Postage	19	27	-	46	1,492	683	2,175	2,221	1,807
Printing	137	397	149	683	59	1,114	1,173	1,856	752
Small equipment	544	-	-	544	880	-	880	1,424	-
Miscellaneous	-	-	150	150	-	2,652	2,652	2,802	2,018
Totals	<u>\$ 406,128</u>	<u>\$ 686,009</u>	<u>\$ 263,316</u>	<u>\$ 1,355,453</u>	<u>\$ 520,805</u>	<u>\$ 372,168</u>	<u>\$ 892,973</u>	<u>\$ 2,248,426</u>	<u>\$ 2,090,345</u>

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,

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 87,194	\$ 318,210
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation and amortization	211,466	236,870
Realized and unrealized (gains) losses in market value of investments	(730,624)	(896,461)
Decrease (increase) in operating assets:		
Pledges receivable	-	3,247
Accounts receivable	(8,802)	3,738
Grant receivable	-	18,900
Prepaid expenses	18,234	(25,809)
Increase (decrease) in operating liabilities:		
Accounts payable	(139,509)	152,012
Accrued expenses	22,254	9,859
Deferred revenue	78,410	(7,601)
	(461,377)	(187,035)
Net cash provided (used) by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net sales (purchases) of property and equipment	(9,475)	(304,860)
Realized and unrealized (gains) losses in market value of investments	730,624	896,461
Decrease (increase) in investments	(13,155)	(656,472)
	707,994	(64,871)
Net cash provided (used) by investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings (repayments) on notes, loans, and mortgage payable	(61,813)	352,972
	(61,813)	352,972
Net cash provided (used) by financing activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS	184,804	101,066
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	154,174	53,108
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 338,978	\$ 154,174
Interest paid during the year	\$ 45,272	\$ 59,390

The accompanying notes are an integral part of these statements.

Newport Art Museum and Art Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2024

(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, 2024

(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, 2024

(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, 2024 and 2023.

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, 2024 and 2023 amounted to approximately \$-0- and \$15,000, respectively.

Newport Art Museum and Art Association
NOTES TO FINANCIAL STATEMENTS

December 31, 2024

(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, 2024

(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 10, 2025 the date which the financial statements were available to be issued.

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

December 31, 2024

(with summarized financial information for the preceding year)

2. NET ACCOUNTS RECEIVABLE

The balance in the Organization's Accounts Receivable as of December 31, 2024 and 2023 consists of:

	2024	2023
Educational Fees	<u>\$ 10,487</u>	<u>\$ 1,685</u>
	<u><u>\$ 10,487</u></u>	<u><u>\$ 1,685</u></u>

The Organization uses the specific identification method in estimating for uncollectible accounts. There were no bad debts recorded for 2024 and 2023 and all receivables were considered collectible at December 31, 2024 and 2023.

3. PROPERTY AND EQUIPMENT

Changes in property and equipment accounts for the years ended December 31, 2024 are summarized as follows:

	<u>12/31/2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/2024</u>
Building and improvements	\$ 9,101,367	\$ 1,250	\$ -	\$ 9,102,617
Furniture and equipment	417,602	8,246	-	425,848
Website and software	166,121	-	-	166,121
	<u>9,685,090</u>	<u>9,496</u>	<u>-</u>	<u>9,694,586</u>
Less accumulated depreciation	<u>(6,396,093)</u>	<u>(211,487)</u>	<u>-</u>	<u>(6,607,580)</u>
	<u><u>\$ 3,288,997</u></u>	<u><u>\$ (201,991)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,087,006</u></u>

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

December 31, 2024

(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, 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>

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, 2024:

	<u>At fair value</u>	
<u>Level 1 Investments</u>	<u>Endowment Fund</u>	<u>Acquisition Fund</u>
Cash	\$ 247,099	\$ 11,062
Equities	6,292,948	130,744
Subtotal	<u>6,540,047</u>	<u>141,806</u>
<u>Level 2 Investments</u>		
Corporate and government bonds	1,386,526	28,448
Real estate and tangible assets	321,069	6,542
Subtotal	<u>1,707,595</u>	<u>34,990</u>
Total	<u>\$ 8,247,642</u>	<u>\$ 176,796</u>

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

December 31, 2024

(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, 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	6,372,422	121,373
<u>Level 2 Investments</u>		
Corporate and government bonds	1,535,612	28,962
Real estate and tangible assets	346,170	6,744
Subtotal	1,881,782	35,706
Total	\$ 8,254,204	\$ 157,079

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>	2024	2023
Marketable securities - acquisition fund	\$ 176,796	\$ 157,079
Endowment fund assets	8,247,642	8,254,2204
	\$ 8,424,438	\$ 8,411,283

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

December 31, 2024

(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, 2024 and 2023 were \$130,567 and \$137,478, respectively. Principal payments are due as follows:

December 31, 2025	\$	8,746
2026		9,107
2027		9,483
2028		9,874
2029		10,282
Thereafter		<u>83,075</u>
	\$	<u>130,567</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, 2024 and 2023 were \$150,000 and \$150,000, respectively. Deferred interest due at December 31, 2024 and 2023 were \$ 18,233 and \$14,108 respectively. Future principal payments will not begin until 2027:

December 31, 2025	\$	-0-
2026		-0-
2027		2,402
2028		3,686
2029		3,788
Thereafter		<u>140,124</u>
	\$	<u>150,000</u>

Newport Art Museum and Art Association
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6. LINES OF CREDIT

The Organization has negotiated a \$500,000 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 \$455,982 at December 31, 2024 and \$185,200 at December 31, 2023.

During January 2015, the Organization negotiated a 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, 2024 and 2023, the outstanding balances on both lines of credit amounted to \$-0- and \$321,978 respectively.

7. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at December 31, 2024 and 2023 were composed of the following:

	2024	2023
Operating deficits	\$ (868,791)	\$ (770,810)
Board designated funds for acquisition	176,796	157,759
Endowment fund	6,102,204	6,323,613
Property and equipment, net of related debt	3,167,701	3,151,519
	<hr/>	<hr/>
Total	\$ 8,577,910	\$ 8,862,081

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

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7. NET ASSETS WITHOUT DONOR RESTRICTIONS - (continued)

Activity in the board designated funds for acquisition for the years ended December 31, 2024 and 2023 was as follows:

	2024	2023
Funds for acquisition, beginning of year	\$ 157,079	\$ 168,063
Additions and investment income	6,727	24,042
Gain (loss) on market value of investments	13,905	18,245
Investment fees	(915)	(862)
Purchase/Restoration of artwork	-	(52,475)
Funds for acquisition, end of year	\$ 176,796	\$ 157,079

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2024 and 2023 were composed of the following grants or funds:

	2024	2023
Endowment Fund	\$2,145,437	\$1,930,591
School Improvements	67,997	-
Artist in Residence Program	12,000	-
Education outreach for John Clarke Senior Center	36,686	6,500
Scholarship Fund	8,238	-
Museum Exhibition Support	10,000	-
ADA project	61,494	33,396
	\$2,341,852	\$1,970,487

**Newport Art Museum and Art Association
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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, 2024 and 2023, none of which were held for trading purposes. The Organization estimates that the fair market value of all financial instruments at December 31, 2024 and 2023 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, 2024 consisted of:

	Income	Expenses	Net
Summer Soiree	\$ 332,999	\$ 131,809	\$ 201,190
Wet Paint	42,214	4,411	37,803
	<u>\$ 375,213</u>	<u>\$ 136,220</u>	<u>\$ 238,993</u>

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>

Newport Art Museum and Art Association
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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

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(with summarized financial information for the preceding year)

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 2024, the Organization approved an additional withdrawal of \$550,000. 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 a total of \$873,436, \$323,436 annual draw and \$550,000 additional draw, from the endowment fund for operations during the year ended December 31, 2024, and \$334,000 during the year ended December 31, 2023.

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

December 31, 2024

(with summarized financial information for the preceding year)

12. ENDOWMENT – (continued)

Changes in endowment net assets as of December 31, 2024 and 2023 are as follows:

	2024	2023
Endowment net assets, beginning of year	\$ 8,254,204	\$ 7,586,748
Additions and investment income	192,486	192,673
Gain (loss) on market value of investments	718,821	878,448
Investment fees	(44,433)	(41,188)
Amounts appropriated for operations	(873,436)	(334,000)
Amounts appropriated for property and equipment	-	(28,477)
TOTAL	\$ 8,247,642	\$ 8,254,204

Part of the endowment fund at December 31, 2024 and 2023 consists of the van Beuren Charitable Foundation and the McBean Charitable Trust. The US Department of Labor CPI for 2024 and 2023 was 2.9% and 3.3%, respectively. Taking this figure into account, the adjusted historical value of the Griswold Major Maintenance endowment was as follows:

2024

Historical Value	Market Value	Accumulated Increase
\$ 848,283	\$ 1,122,349	\$ 274,066

2023

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

The Organization must maintain the historical value of the fund. The difference between the market and historical values as of the years ended 2024 and 2023 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 \$9,115 and \$7,255 for the years ended December 31, 2024 and 2023, 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 line of credit in the amount of \$500,000, 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. 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 \$77,289 and \$111,067 during the years ended December 31, 2024 and 2023, respectively. This is included in other income on the statement of activities.