

FITCHBURG ART MUSEUM
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
JUNE 30, 2022



FITCHBURG ART MUSEUM

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INDEPENDENT AUDITORS' REPORT

July 27, 2023

The Board of Trustees
Fitchburg Art Museum

Opinion

We have audited the accompanying financial statements of Fitchburg Art Museum (a Massachusetts Not-For-Profit Corporation), which comprise the statement of financial position as of June 30, 2022, and the related statement of activities, functional expenses and cash flows for the years 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 Fitchburg Art Museum as of June 30, 2022, 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fitchburg Art Museum and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fitchburg Art Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fitchburg Art Museum's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

O'Connor, Maloney and Company

Certified Public Accountants

FITCHBURG ART MUSEUM
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

Current	2022
Cash and Cash Equivalents	1,201,818
Accounts Receivable, Net	41,593
Pledges Receivable - Current	299,573
Prepaid Expenses	<u>34,944</u>
Total	<u>1,577,928</u>
Property, Plant and Equipment, Net	<u>2,650,568</u>
Other Assets	
Investments	17,976,027
Pledges Receivable, Net	276,496
Other Assets	5,000
Collections	<u>1</u>
Total	<u>18,257,524</u>
Total Assets	<u><u>22,486,020</u></u>

LIABILITIES AND NET ASSETS

Current	
Accounts Payable	8,949
Accrued Expenses	<u>30,675</u>
Total	<u>39,624</u>
Net Assets	
Without Donor Restrictions	18,493,229
With Donor Restrictions	<u>3,953,167</u>
Total	<u>22,446,396</u>
Total Liabilities and Net Assets	<u><u>22,486,020</u></u>

See accompanying notes to financial statements.

**FITCHBURG ART MUSEUM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Public Support			
Programs and Functions	98,774		98,774
Memberships	65,690		65,690
Grants and Contributions	1,259,231	1,038,825	2,298,056
Other Income	5,886		5,886
Net Assets Released from Restrictions	331,460	(331,460)	-
Total Support and Revenue	<u>1,761,041</u>	<u>707,365</u>	<u>2,468,406</u>
Expenses			
Program Services	1,326,203		1,326,203
General and Administrative	269,691		269,691
Fundraising	285,480		285,480
Total Expenses	<u>1,881,374</u>	<u>-</u>	<u>1,881,374</u>
Change in Net Assets from Operations	(120,333)	707,365	587,032
Investment Return, Net	<u>(3,239,399)</u>	<u>(406,558)</u>	<u>(3,645,957)</u>
Change in Net Assets	(3,359,732)	300,807	(3,058,925)
Net Assets, Beginning	<u>21,852,961</u>	<u>3,652,360</u>	<u>25,505,321</u>
Net Assets, Ending	<u><u>18,493,229</u></u>	<u><u>3,953,167</u></u>	<u><u>22,446,396</u></u>

See accompanying notes to financial statements.

FITCHBURG ART MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and Wages	443,806	147,445	214,331	805,582
Exhibitions	199,379			199,379
Occupancy	123,845	13,760		137,605
Fringe Benefits	67,402	21,665	31,293	120,360
Collection Items	102,964			102,964
Office and Other Expenses	65,402	12,263	4,088	81,753
Payroll Taxes	36,366	11,689	16,884	64,939
Community Service	37,726			37,726
Insurance	24,606	6,151		30,757
Outside Contract Services	29,227			29,227
Development, Marketing, and Rebranding	2,417	1,978	17,580	21,975
Professional Fees		21,454		21,454
Printing	11,477	2,152	717	14,346
Education Programs	13,654			13,654
Advertising	8,977			8,977
Collection Management	8,235			8,235
Licenses and Dues	5,739	1,076	359	7,174
Lectures	7,101			7,101
Special Events	6,219			6,219
Telephone	3,646	684	228	4,558
Travel and Entertainment	4,154			4,154
School and Scholarships	3,945			3,945
Functions	2,419			2,419
Total Expenses Before Depreciation	1,208,706	240,317	285,480	1,734,503
Depreciation	117,497	29,374		146,871
Total	1,326,203	269,691	285,480	1,881,374

See accompanying notes to financial statements.

FITCHBURG ART MUSEUM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	2022
Cash Flows from Operating Activities	
Change in Net Assets	<u>(3,058,925)</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	146,871
Net Realized and Unrealized Losses on Investments	3,888,385
Increase in Accounts Receivable, Net	(29,593)
Increase in Pledges Receivable	(576,069)
Increase in Prepaid Expenses	(10,918)
Increase in Accounts Payable	3,250
Increase in Accrued Expenses	<u>15,328</u>
Total Adjustments	<u>3,437,254</u>
Net Cash Provided by Operating Activities	<u>378,329</u>
Cash Flows from Investing Activities	
Net Proceeds from Sale of Investments	4,219,342
Purchases of Investments	(3,804,697)
Capital Expenditures	<u>(245,533)</u>
Net Cash Provided by Investing Activities	<u>169,112</u>
Net Increase in Cash and Cash Equivalents	547,441
Cash and Cash Equivalents, Beginning	<u>654,377</u>
Cash and Cash Equivalents, Ending	<u><u>1,201,818</u></u>

See accompanying notes to financial statements.

FITCHBURG ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1. Organization

The Fitchburg Art Museum (the Organization) is located in Fitchburg, Massachusetts, and serves a wide regional population with its permanent collection, visiting collections, and adult and youth classes.

Note 2. Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual method of accounting.

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or passage of time.

Net assets without donor restrictions – Net assets not subject to donor-imposed stipulations.

Grants and contributions of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statement of activities as net assets released from restrictions. Grants and contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as support without donor restrictions.

Contributions, including unconditional promises to give, are recognized as support in the period received. Unconditional promises to give with due dates scheduled after the statement of financial position date are shown as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the related purpose or time restrictions are met. Promises to give, subject to donor-imposed stipulations that the corpus be maintained permanently, are recognized as increases in net assets with donor restrictions.

Expenditures made for additions to or restoration of the Organization's permanent art collection are usually made from collection funds maintained in the endowment fund and charged off in the year of acquisition or expense. The Organization carries on its books a nominal amount of all its art possessions whether purchased by or donated to the Organization.

FITCHBURG ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 2. Summary of Significant Accounting Policies (cont.)

Membership and event revenue is recognized as it is received. Any differences between this method and systematically recognizing membership revenue by month and event revenue as the events occur are immaterial.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted at rates commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Cash and cash equivalents include cash on-hand and highly liquid investments with maturities of three months or less that are readily convertible to cash.

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

Contributions and grants received are recorded as net assets with donor restrictions or net assets without donor restrictions depending upon the existence and nature of any donor restrictions. Contribution may include actual gifts or promises to give. Such contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Contributions of assets other than cash are recorded at their fair value on the date of the gift. Restricted gifts or promises to give are required to be reported as restricted support in the period received and are then reclassified to net assets without donor restrictions upon satisfaction of the donor restriction. Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met.

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support and revenues and expenses. Actual results could vary from the estimates that were used.

Investments in marketable equity securities are stated at fair value, and, accordingly, realized and unrealized gains or losses are recognized in the period in which the fluctuations occur. Purchased investments are initially recorded at cost as of the trade date and donated investments at fair value at the date of receipt.

FITCHBURG ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 2. Summary of Significant Accounting Policies (cont.)

Property, Plant and Equipment are stated at cost, or in the case of donated property, at fair value at the date of gift, and depreciated on the straight-line method over the estimated useful lives of the assets.

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax is required. Donors may deduct contributions made to the Organization within the Internal Revenue Code regulations. Management does not believe the Organization's financial statements include any uncertain tax positions. Generally, the Organization's tax returns are subject to examination for a period of three years.

The Organization's significant financial instruments for which disclosure of estimated fair value is required by certain accounting standards consisted of grants and contributions receivable, program revenue receivable, prepaid expenses, investments in marketable securities, accounts payable, and accrued liabilities. The carrying values of grants and contributions receivable, program revenue receivable, prepaid expenses, accounts payable, and accrued liabilities approximate fair value due to the relatively short maturities of these instruments. Investments in marketable securities are presented in the financial statements at fair value. The fair value of investments is determined predominantly based on quoted market prices.

The Organization assesses the classification of financial instruments at each measurement date, and any transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Organization's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy.

Advertising costs for the current year are expensed as incurred.

The Organization has received several conditional promises-to-give from a state granting agency to help fund various capital improvements to the Organization's building and grounds. Under the terms of these grant agreements, should ownership of the building ever be transferred or sold to a for-profit entity or another non-profit entity that no longer uses the property as a "cultural facility", as defined in the contracts, then all funds disbursed to the Organization may become payable in full, back to the state granting agency.

Note 3. Pledges Receivable

	2022
Pledges Receivable consist of:	
Unconditional promises scheduled to be received in:	
One to five years	593,000
Unamortized Discount to Present Value	(16,931)
Net	576,069
Less: Current Portion	299,573
Net Long-Term	<u><u>276,496</u></u>

FITCHBURG ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 4. Investments

Investments are recorded at fair value determined from quoted market prices. Unrealized gains and losses are allocated to unrestricted assets. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Organization uses various valuation approaches. U.S. generally accepted accounting principles establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in the markets that are not active or for which all significant inputs are observable, either directly or indirectly. The Organization held no Level 2 investments at June 30, 2022.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The Organization held no Level 3 investments at June 30, 2022.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

All investments are valued under Level 1 hierarchy of fair value measurement.

FITCHBURG ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 4. Investments (cont.)

The following is a summary of cost and fair values of investments at June 30, 2022:

	Cost	Fair Value
Cash and Cash Equivalents	257,640	257,640
Mutual and Exchange Traded Funds:		
Equities	10,255,642	10,688,850
Fixed Income	6,646,940	5,969,075
Alternatives (ETF)	769,590	838,335
Hedge Funds	168,356	175,205
Other	80,780	46,922
Total	<u>18,178,948</u>	<u>17,976,027</u>

The following is a summary of the components of investment return:

Interest and Dividend Income	339,256
Realized Gain on Investments	1,112,738
Unrealized Loss on Investments	(5,001,123)
Investment Fees	(96,828)
Total	<u>(3,645,957)</u>

Note 5. Property, Plant and Equipment

Property, Plant and Equipment consists of:

Land	237,152
Buildings	2,275,238
Building Improvements	2,338,956
Land Improvements	448,255
Equipment	596,342
Construction in Progress	93,405
	<u>5,989,348</u>
Less: Accumulated Depreciation	<u>3,338,780</u>
Total	<u>2,650,568</u>

FITCHBURG ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 5. Property, Plant and Equipment (cont.)

A parcel of land sold to the Organization by the City of Fitchburg in a prior year is subject to an irrevocable option. This option gives the City of Fitchburg the right to repurchase the property only if the Organization sells any portion of the property or uses the property for purposes other than its stated mission. This option expires in 2035.

Note 6. Net Assets with Donor Restrictions

Net Assets with Donor Restrictions are restricted for:

Purpose Restrictions	
Collections	641,678
Lectures and Education	978,729
Capital, Guards, and Other	341,677
Scholarships	<u>22,474</u>
Subtotal	1,984,558
Time Restrictions	
Pledges Receivable	<u>576,609</u>
Total	<u>2,561,167</u>
Permanent Restrictions	
Collections	1,283,000
Capital, Guards, and Other	<u>109,000</u>
Total	<u>1,392,000</u>
Total	<u><u>3,953,167</u></u>

Note 7. Retirement Plan

The Organization has a noncontributory retirement plan for eligible employees, providing individual annuity contracts with the Teachers' Insurance and Annuity Association. Contributions made by the Organization to this plan are charged to operations as paid. Contributions amounted to \$19,937 for the year ended June 30, 2022. There are no unfunded past service costs under this plan.

A voluntary tax-deferred supplemental retirement annuity, funded solely by employee contributions, is available to a majority of employees.

FITCHBURG ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 8. Operating Leases

The Organization leases office equipment under noncancellable operating leases that expires in June 2026. The lease payments include the cost of maintenance and certain supplies.

The following is a schedule of minimum future lease payments required under the leases for each of the next three years:

Year Ending June 30:

2023	5,988
2024	5,988
2025	5,988
2026	5,489
Total	<u>23,453</u>

Rent expense under noncancellable operating leases totaled \$5,988 in 2022.

Note 9. Concentration

In the ordinary course of business, the Organization has, at various times, cash deposits with a bank that are in excess of federally insured limits.

A significant amount of the Organization's operations are dependent on appropriations of endowment earnings.

Note 10. Operating Liquidity

Financial assets available for use by the Organization within one year from the statement of financial position date are as follows:

	2022
Cash	1,201,818
Accounts and Pledges Receivable, Net	341,166
Marketable Securities	<u>17,976,027</u>
	19,519,011
Less: Net Assets with Donor Restrictions	<u>(3,953,167)</u>
Financial assets and liquidity resources available To be used within one year.	<u>15,565,844</u>

FITCHBURG ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 10. Operating Liquidity (cont.)

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 11. Endowments

Administration of the Organization's endowment is subject to the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Under the law, a governing board may appropriate for expenditure, for the uses and purposes for which an endowment fund is established, so much of the net appreciation as is deemed prudent based on standards established by UPMIFA.

While a governing board must exercise ordinary business care in the appropriation of such net appreciation, the provisions of UPMIFA do not mandate that institutions retain endowment gains permanently. Accordingly, generally accepted accounting principles require institutions that are subject to UPMIFA provisions to report gains on endowment assets as increases in net assets based on the absence or existence of donor-imposed restrictions. However, if a specified gift instrument explicitly requires the reinvestment of appreciation, or a portion thereof, such reinvested amounts shall be classified within net assets with donor restrictions. The original gift portion of endowment assets are classified within net assets with donor restrictions, pursuant to generally accepted accounting principles.

Under the Organization's spending policy for long-term investment return, 4% of the average market value of the portfolio of certain endowment investments at the end of the previous twelve quarters is appropriated for use in operations. Although the policy states 4%, the budget and finance committees are authorized to appropriate additional amounts when necessary.

FITCHBURG ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 11. Endowments (cont.)

Changes in endowment net assets for the year ended June 30, 2022, are as follows:

	Net Assets with Donor Restrictions
Endowment Net Assets, Beginning of Year	3,652,360
Investment Return:	
Investment Income and Realized Gains	141,769
Unrealized Losses	(548,327)
Total Investment Return	(406,558)
Contributions Received	462,216
Appropriation of Endowment Assets for Expenditure	(331,460)
Endowment Net Assets, End of Year	3,376,558

Note 12. Date Through Which Subsequent Events Have Been Evaluated

The Organization has evaluated all material subsequent events from the end of the fiscal year through July 27, 2023, the date the financial statements were available to be issued.