

**FITCHBURG ART MUSEUM**

FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023  
AND  
INDEPENDENT AUDITORS' REPORT



SULLIVAN BILLE PC  
CERTIFIED PUBLIC ACCOUNTANTS



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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Fitchburg Art Museum

### Opinion

We have audited the accompanying financial statements of Fitchburg Art Museum (a nonprofit organization) (the Museum), which comprise the statement of financial position as of June 30, 2024 and 2023, and the related statements 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 present fairly, in all material respects, the financial position of Fitchburg Art Museum as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Museum and to meet our other ethical responsibilities in accordance with the relevant 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum'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 the 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 the 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.

*Sullivan Bille, P.C.*

October 31, 2024

**FITCHBURG ART MUSEUM**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2024 AND 2023**

	2024	2023
<b>ASSETS</b>		
<b>CASH AND CASH EQUIVALENTS</b>	\$ 1,125,650	\$ 1,302,174
<b>OPERATING INVESTMENTS</b>	18,680,552	17,228,933
<b>CONTRIBUTIONS RECEIVABLE</b>	17,745	15,750
<b>UNCONDITIONAL PROMISES TO GIVE - Net</b>	40,000	548,904
<b>PREPAID EXPENSES AND OTHER ASSETS</b>	29,430	34,860
<b>PROPERTY AND EQUIPMENT - Net</b>	3,245,782	2,988,561
<b>HISTORICAL COLLECTIONS - See Note 2</b>		
<b>ENDOWMENT INVESTMENTS</b>	1,508,000	1,453,000
<b>TOTAL</b>	<u>\$ 24,647,159</u>	<u>\$ 23,572,182</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>ACCOUNTS PAYABLE AND ACCRUED LIABILITIES</b>	\$ 47,271	\$ 65,261
<b>DEFERRED REVENUE</b>	2,500	
Total liabilities	<u>49,771</u>	<u>65,261</u>
<b>NET ASSETS:</b>		
Without donor restrictions	20,714,693	19,565,397
With donor restrictions	3,882,695	3,941,524
Total net assets	<u>24,597,388</u>	<u>23,506,921</u>
<b>TOTAL</b>	<u>\$ 24,647,159</u>	<u>\$ 23,572,182</u>

See notes to financial statements

**FITCHBURG ART MUSEUM**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	2024	2023
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>		
Revenue, gains and other support:		
Grants	\$ 47,630	\$ 132,705
Contributions	177,338	139,921
Memberships	74,762	75,424
Admissions	19,769	24,656
Functions	5,753	5,885
Education income	48,872	4,350
Special events revenue:		
Ticket sales and sponsors	12,409	12,209
In-kind contributions	1,475	
Less cost of direct benefit to donors	(9,271)	(4,960)
Special events revenue - net	4,613	7,249
Other Income	6,187	16,932
Investment return - net	1,998,557	1,701,186
Net assets released from restrictions	863,274	691,009
Total revenue, gains and other support	3,246,755	2,799,317
Expenses:		
Program services	1,347,029	1,219,653
Management and general	477,394	384,391
Fundraising	273,036	285,919
Total expenses	2,097,459	1,889,963
<b>INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>1,149,296</b>	<b>909,354</b>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:</b>		
Contributions and grants received	579,628	286,910
Investment return - net	224,817	166,836
Net assets released from restrictions	(863,274)	(691,009)
<b>DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>(58,829)</b>	<b>(237,263)</b>
<b>INCREASE IN NET ASSETS</b>	1,090,467	672,091
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>23,506,921</b>	<b>22,834,830</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 24,597,388</b>	<b>\$ 23,506,921</b>

See notes to financial statements

**FITCHBURG ART MUSEUM**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	2024				2023			
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
<b>OPERATING EXPENSES:</b>								
Salaries and wages	\$ 542,912	\$ 189,214	\$ 165,032	\$ 897,158	\$ 500,743	\$ 125,621	\$ 177,251	\$ 803,615
Payroll taxes	44,941	15,663	13,661	74,265	45,648	11,452	16,159	73,259
Fringe benefits	59,978	20,903	18,231	99,112	63,884	16,027	22,613	102,524
Total payroll and related expenses	647,831	225,780	196,924	1,070,535	610,275	153,100	216,023	979,398
Exhibitions	166,559			166,559	136,166			136,166
Occupancy	109,530	13,691	13,692	136,913	116,057	14,507	14,507	145,071
Collection items	80,609			80,609	61,562			61,562
Office expense	15,043	30,086	15,042	60,171	9,670	19,308	9,654	38,632
Community service	35,256			35,256	59,837			59,837
Insurance	17,493	17,492		34,985	20,219	20,220		40,439
Outside contract services	2,294	8,029	1,147	11,470	7,269	25,441	3,634	36,344
Development, marketing and advertising	30,185		30,186	60,371	8,952		35,079	44,031
Professional fees	15,562	140,062		155,624	12,972	116,753		129,725
Printing	12,726	1,414		14,140	8,864	985		9,849
Education programs	30,477			30,477	15,576			15,576
Collection management	20,293			20,293	4,956			4,956
Licenses and dues	5,733	4,300	4,300	14,333	2,745	2,058	2,059	6,862
Lectures	909			909	10,029			10,029
Special events			8,250	8,250			1,805	1,805
Cost of direct benefit to donors			9,271	9,271			4,960	4,960
Telephone	5,976	747	747	7,470	4,233	529	529	5,291
Travel and entertainment	14,756	1,844	1,845	18,445	8,618	1,077	1,077	10,772
Functions			903	903			1,552	1,552
Total operating expenses	1,211,232	443,445	282,307	1,936,984	1,098,000	353,978	290,879	1,742,857
Depreciation	135,797	33,949		169,746	121,653	30,413		152,066
Total expenses by function	1,347,029	477,394	282,307	2,106,730	1,219,653	384,391	290,879	1,894,923
Less expense included with revenue, gains and other support on the statement of activities - cost of direct benefit to donors			9,271	9,271			4,960	4,960
Total functional expenses	<u>\$ 1,347,029</u>	<u>\$ 477,394</u>	<u>\$ 273,036</u>	<u>\$ 2,097,459</u>	<u>\$ 1,219,653</u>	<u>\$ 384,391</u>	<u>\$ 285,919</u>	<u>\$ 1,889,963</u>

See notes to financial statements

**FITCHBURG ART MUSEUM**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 1,090,467	\$ 672,091
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Non-cash charges (credits) to increase in net assets:		
Depreciation	169,746	152,066
Gain on sale of investments	(209,860)	(377,820)
Unrealized gain on investments	(1,533,724)	(1,031,606)
Bond amortization	3,009	10,106
Changes in operating assets and liabilities:		
Contributions receivable	(1,995)	25,843
Unconditional promises to give	508,904	415,599
Prepaid expenses and other assets	5,430	5,085
Accounts payable and accrued liabilities	(17,990)	25,637
Deferred revenue	2,500	
Net cash provided by (used in) operating activities	<u>16,487</u>	<u>(102,999)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	4,179,831	5,685,927
Purchase of investments	(3,945,875)	(4,992,513)
Additions to property and equipment	<u>(426,967)</u>	<u>(490,059)</u>
Net cash provided by (used in) investing activities	<u>(193,011)</u>	<u>203,355</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(176,524)</b>	<b>100,356</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b><u>1,302,174</u></b>	<b><u>1,201,818</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u><u>\$ 1,125,650</u></u></b>	<b><u><u>\$ 1,302,174</u></u></b>

See notes to financial statements

# FITCHBURG ART MUSEUM

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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### 1. OPERATIONS

The mission of the Fitchburg Art Museum (the Museum) is to inspire creativity and learning, and to contribute to the well-being of diverse communities in Fitchburg, North Central Massachusetts, and New England.

To accomplish this mission, the Museum organizes exhibitions of the work of New England contemporary artists and artworks from art historical collections, offer programs for learners of all ages, support public art projects, invite community participation and partnerships, and stimulate the creative economy, all in the spirit of inclusivity.

The Museum is the leading cultural institution in North Central Massachusetts. Founded in 1925, it plays a vital role in the cultural life of the region and is committed to community access and service. The Museum uses its artistic and educational resources to aid in the economic revitalization of Fitchburg, and the Museum maintains active educational partnerships with the local school systems, as well as Fitchburg State University. The Museum's support comes from individual contributions to operations and endowment; grants from foundations, corporations, and government agencies; individual and corporate memberships, admissions, and events.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting and Presentation

The accounts of the Museum are maintained on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Subsequent Events

In preparing its financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 31, 2024, the date the financial statements were available to be issued.



## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial Statement Presentation

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

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions. These net assets may be used at the discretion of management and the Board of Trustees.

Net assets with donor restrictions – Net assets subject to donor imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events as specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Museum reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, 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.

### Cash and Cash Equivalents

For financial statement purposes, the Museum considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

### Investments

Investments consist of equity securities, exchange traded funds, commodities, hedge funds, fixed income and bank certificates of deposit. The Museum records investments at fair value with unrealized holding gains and losses reported as a change in net assets in the accompanying statement of activities.

The Museum's investments are exposed to various risks, such as interest rate and credit risks, as well as overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes would materially affect the amounts reported in the financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Museum has adopted accounting standards regarding fair value measurements applicable for all financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis. These standards define fair value, establish a framework for measuring fair value in generally accepted accounting principles and expand disclosure about fair value measurements. In accordance with the standards, fair value measurements are classified and disclosed in one of the following three categories:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the Museum has the ability to access at the measurement date.

Level 2 – Inputs other than quoted priced in active markets that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs that reflect the Museum's own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

### Contributions Receivable

Contributions receivable are stated at the amount the Museum expects to collect from outstanding balances. The Museum provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual amounts. Balances that are still outstanding after the Museum has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to contributions receivable. No valuation allowance was needed at June 30, 2024.

### Unconditional Promises to Give

Unconditional promises to give are recorded as revenue measured at the present value of the estimated future cash flows using a risk-adjusted rate. Unconditional promises to give expected to be collected over periods longer than one year have been recorded as temporarily restricted based on an implied time restriction unless there is explicit donor stipulations or circumstances surrounding the receipt of the promise of the donors intended purpose. Amortization of discounts is recorded as additional contribution revenue reflecting donor imposed restrictions and/or passage of time. The Museum considers all unconditional promises to give at June 30, 2024 to be fully collectible; accordingly, no allowance for doubtful accounts is required.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property and Equipment

Expenditures for property and equipment are capitalized at cost, or in the case of donated property, at fair value at the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Expenditures for repairs and maintenance are expensed as incurred.

### Leases

The Museum has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) 842, Leases, using the prospective approach with certain practical expedients available. The standard aims to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. Overall, the changes implemented in ASC 842 affect lessees more significantly than lessors. However, the new standard requires lessors to adopt new terminology and enhance disclosures. ASC 842 did not have any impact on the Museum's financial position, results of operations or cash flows.

### Historical Collections

The collections, which were acquired through purchases and contributions since the Museum's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired and paid for, or as decreases in net assets with donor restrictions if the assets used to purchase the items were restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions are reflected as increases in the appropriate net asset classes.

The Museum's collections are made up of artifacts of historical significance and art objects that are held for educational, research and curatorial purposes. Each of the items is cataloged, preserved, and cared for. Collection items are subject to a policy that requires proceeds from their sales to be used to acquire other items for collections or for the direct care of the collection. Direct care includes expenditures that provide a direct benefit to the collection by enhancing its life, usefulness, or quality and excludes expenditures for the routine maintenance of the collection.

### Endowment Funds

Accounting standards regarding endowment funds provide guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The standards also require additional disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds).

The Commonwealth of Massachusetts adopted the provisions of UPMIFA for endowment funds existing on or established after the adoption. The Board of Trustees and management has determined that the Museum's endowment funds meet the definition under UPMIFA. See Note 9.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue and Revenue Recognition

Contributions and grants are recognized when cash, other assets, or unconditional promises to give are received. Conditional contributions, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Revenue from admissions and education are recognized when services are provided. Memberships are recognized in full when received.

Lease income is generated from the lease of Museum's facilities under one-time use agreements, which have been classified as operating leases. There are no variable lease payments, no options that allow the lessee to purchase the underlying asset and no non-lease components. All amounts are recognized at the time the lease takes place.

Special events revenue is comprised of an exchange element based upon the direct benefit donors receive and a contribution element for the difference. The Museum recognizes special event revenue equal to the cost of direct benefit to donors when the event takes place and the contribution element immediately, unless there is a right of return if the event does not take place. All goods and services are transferred at a point in time.

### Functional Expenses

The costs of program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by functions. Accordingly, certain costs have been allocated among program and supporting services. Such allocations are determined by management. The expenses that are allocated include payroll and related expenses which are allocated on the basis of time and effort, as well as other operating expenses and depreciation which are allocated on the basis of use.

### In-kind Contributions

Contributed nonfinancial assets included donated flyers for a special event which is recorded at the respective fair value of the goods received.

In addition, a number of volunteers have donated a significant amount of time to the Museum on fundraising and special projects. No amounts have been reflected in the accompanying financial statements since there is not an objective basis available by which to measure the value of these services.

### Income Taxes

The Museum is a non-profit organization exempt from income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under section 170 and has been classified as an organization that is not a private foundation under section 509(a)(2).

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting standards provide detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an organization's financial statements. Under these standards, an organization is required to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. The Museum has evaluated its significant tax positions against the criteria established and believes there are no such tax positions requiring accounting recognition.

## 3. LIQUIDITY AND AVAILABILITY

The Museum's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

Financial assets at year end:	
Cash and cash equivalents	\$ 1,125,650
Operating investments	18,680,552
Contributions receivable, collected in less than one year	17,745
Unconditional promise to give, collected in less than one year	<u>40,000</u>
Total financial assets	19,863,947
Less amounts not available for general use within one year - net assets with donor restrictions subject to expenditure for a specific purpose	<u>2,292,695</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$17,571,252</u>

The Museum manages its financial assets to provide sufficient liquidity to meet current program and support expenditures.

## 4. INVESTMENTS

The Museum's equities, exchange traded funds, commodities, hedge funds and bank certificates of deposit are classified within Level 1 of the fair value hierarchy and are valued using quoted marked prices. The Museum's fixed income funds consisting of bonds and asset-backed securities are classified within Level 2 of the fair value hierarchy and are valued using independent pricing services.

Investments in the accompanying statement of financial position at June 30, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Operating investments	\$18,680,552	\$17,228,933
Endowment investments	<u>1,508,000</u>	<u>1,453,000</u>
Total	<u>\$20,188,552</u>	<u>\$18,681,933</u>

#### 4. INVESTMENTS (Continued)

Investments at June 30, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Level 1:		
Equities	\$13,904,368	\$12,659,574
Exchange traded funds	2,090,451	2,882,295
Commodities	33,351	27,579
Hedge funds	192,663	173,329
Bank certificates of deposit	756,240	502,483
Level 2 - Fixed income	<u>3,211,479</u>	<u>2,436,673</u>
Total	<u>\$20,188,552</u>	<u>\$18,681,933</u>

The following schedule summarizes investment return and its classification in the statement of activities for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Investment income	\$ 568,882	\$ 546,786
Amortization of bond discounts and premiums	(3,009)	(10,106)
Realized gain on sale of investments	209,860	377,820
Unrealized gain on investments	<u>1,533,724</u>	<u>1,031,606</u>
Total	2,309,457	1,946,106
Less investment fees	<u>86,083</u>	<u>78,084</u>
Net investment return	<u>\$2,223,374</u>	<u>\$1,868,022</u>

#### 5. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Expected to be collected in one to two years	\$40,000	\$580,000
Less unamortized discount	<u>                    </u>	<u>(31,096)</u>
Unconditional promises to give - net	<u>\$40,000</u>	<u>\$548,904</u>

## 6. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Buildings and improvements	\$5,549,209	\$4,728,567
Land and land improvements	685,407	685,407
Equipment	367,578	609,149
Construction in progress	<u>3,938</u>	<u>456,285</u>
Total	6,606,132	6,479,408
Less accumulated depreciation	<u>3,360,350</u>	<u>3,490,847</u>
Property and equipment – net	<u>\$3,245,782</u>	<u>\$2,988,561</u>

The parcel of land sold to the Museum 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 Museum sells any portion of the property or uses the property for purposes other than its stated mission. This option expired in 2023.

## 7. NET ASSETS

Net assets without donor restrictions at June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Board designated	\$ 765,250	\$ 716,897
Board designated endowment fund	<u>5,000</u>	<u>5,000</u>
Total board designated	770,250	721,897
Undesignated	<u>19,944,443</u>	<u>18,843,500</u>
Total net assets without donor restrictions	<u>\$20,714,693</u>	<u>\$19,565,397</u>

Net assets with donor restrictions at June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for a specific purpose	\$2,292,695	\$1,901,620
Time restrictions - unconditional promises to give	82,000	586,904
Endowments – not subject to appropriation – restricted by donors	<u>1,508,000</u>	<u>1,453,000</u>
Total net assets with donor restrictions	<u>\$3,882,695</u>	<u>\$3,941,524</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the passage of time. For the years ended June 30, 2024 and 2023, \$863,274 and \$691,009, respectively, was released from net assets with donor restrictions.

## 8. IN-KIND CONTRIBUTIONS

Unrestricted contributed nonfinancial assets recognized in the statement of activities consisted of special event flyers. These flyers are provided by a vendor that provides printing services for the Museum and are recognized at fair value based on current rates for similar products and are used in fundraising. For the year ended June 30, 2024, contributed financial assets were \$1,475.

## 9. ENDOWMENT FUNDS

The Museum's endowments consist of donor restricted funds and a board designated fund established to provide long-term support to the Museum. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed or legal restrictions. Endowment funds have been invested in mutual funds, exchange traded funds and cash.

The Museum classifies as donor restricted endowment funds (a) the original value of initial and subsequent gift amounts donated to the endowment, and (b) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by state law.

In accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the Museum can consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization.

Endowment net asset composition by type of fund at June 30, 2024 and 2023 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>June 30, 2024:</u>			
Donor-restricted endowment funds		\$1,833,729	\$1,833,729
Board-designated endowment fund	<u>\$5,000</u>	_____	<u>5,000</u>
Total endowment funds	<u>\$5,000</u>	<u>\$1,833,729</u>	<u>\$1,838,729</u>



## 9. ENDOWMENT FUNDS (Continued)

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>June 30, 2023:</u>			
Donor-restricted endowment funds		\$1,734,428	\$1,734,428
Board-designated endowment fund	<u>\$5,000</u>	_____	<u>5,000</u>
Total endowment funds	<u>\$5,000</u>	<u>\$1,734,428</u>	<u>\$1,739,428</u>

Changes in endowment net assets for the year ended June 30, 2024 and 2023 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets at June 30, 2022	\$5,000	\$1,686,785	\$1,691,785
Contributions received		11,000	11,000
Net investment return		49,443	49,443
Appropriated for expenditure	_____	<u>(12,800)</u>	<u>(12,800)</u>
Endowment net assets at June 30, 2023	\$5,000	\$1,734,428	\$1,739,428
Contributions received		55,000	55,000
Net investment return		66,482	66,482
Appropriated for expenditure	_____	<u>(22,181)</u>	<u>(22,181)</u>
Endowment net assets at June 30, 2024	<u>\$5,000</u>	<u>\$1,833,729</u>	<u>\$1,838,729</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor imposed restrictions require the Museum to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of June 30, 2024 and 2023.

### Investment and Spending Policies

The Museum has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding for its programs while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the Museum's Finance Committee shall seek to invest the endowment fund in such a manner that the investments will provide a spendable return consistent with a long-term goal of preserving the fund in real terms.

To satisfy its long-term rate-of-return objectives, the Museum has appropriated for use in operations 4% of the average market value of the portfolio of certain endowment investments at the end of the previous twelve quarters. Although the policy states 4%, the budget and finance committees are authorized to appropriate additional amounts when necessary. The Museum has invested in a portfolio that targets a diversified asset allocation to achieve its long-term return objective with prudent risk constraints.

## **9. ENDOWMENT FUNDS (Continued)**

Unless otherwise directed by the donor, the Board of Trustees shall determine the spending policy of the funds on an annual basis according to provisions of pertinent federal and state regulations. For smoothing purposes, the spending target will be applied to the arithmetic average of the trailing 12 quarters.

## **10. RETIREMENT PLAN**

The Museum has a noncontributory retirement plan for eligible employees, providing individual annuity contracts with the Teachers' Insurance and Annuity Association. Contributions made by the Museum to this plan are charged to operations as paid. Contributions for the year ended June 30, 2024 and 2023 were \$16,922 and \$16,500, respectively. 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.

## **11. CONCENTRATION OF CREDIT RISK**

The Museum maintains its cash and cash equivalents including certificates of deposit at financial institutions which are insured either by the Federal Deposit Insurance Corporation (FDIC), the Depositors Insurance Fund (DIF), or the Massachusetts Credit Union Share Insurance Corporation (MSIC). There were no amounts over the insured limits at June 30, 2024.

The Museum has not experienced any losses and monitors the credit-worthiness of the financial institution with which it conducts business. Management believes that the Museum is not exposed to any significant credit risk with respect to its cash balances.

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