

FITCHBURG ART MUSEUM

Financial Statements

Years Ended June 30, 2025 and 2024

(With Independent Auditors' Report Thereon)

FITCHBURG ART MUSEUM

FINANCIAL STATEMENTS

Years Ended June 30, 2025 and 2024

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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 not-for-profit organization) (the Museum), which comprise the statement of financial position as of June 30, 2025, 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 Fitchburg Art Museum as of June 30, 2025, 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 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.

Prior Period Financial Statements

The financial statements as of June 30, 2024 were audited by Sullivan Bille, P.C., who merged with Kahn, Litwin, Renza & Co., Ltd. as of January 1, 2025, and whose report, dated October 31, 2024, expressed an unmodified opinion on those statements.

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 for 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.

Kahn, Litwin, Renga & Co, Ltd.

October 23, 2025

FITCHBURG ART MUSEUM
STATEMENTS OF FINANCIAL POSITION
June 30, 2025 and 2024



	<u>2025</u>	<u>2024</u>
Assets		
Cash and cash equivalents	\$ 964,079	\$ 1,125,650
Operating investments	20,146,286	18,680,552
Grants and contributions receivable	5,085	57,745
Prepaid expenses and other assets	38,247	29,430
Property and equipment, net	3,197,926	3,245,782
Historical collections (Note 2)	-	-
Endowment investments	<u>1,508,000</u>	<u>1,508,000</u>
Total Assets	<u>\$ 25,859,623</u>	<u>\$ 24,647,159</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 64,902	\$ 47,271
Deferred revenue	<u>-</u>	<u>2,500</u>
Total liabilities	<u>64,902</u>	<u>49,771</u>
Net Assets:		
Without donor restrictions	21,867,746	20,714,693
With donor restrictions	<u>3,926,975</u>	<u>3,882,695</u>
Total net assets	<u>25,794,721</u>	<u>24,597,388</u>
Total Liabilities and Net Assets	<u>\$ 25,859,623</u>	<u>\$ 24,647,159</u>

FITCHBURG ART MUSEUM
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2025 and 2024



	2025	2024
Change in Net Assets Without Donor Restrictions:		
Revenue and other support:		
Grants	\$ 291,475	\$ 47,630
Contributions	713,029	177,338
Memberships	69,111	74,762
Admissions	31,160	19,769
Education income	21,000	48,872
Special events:		
Ticket sales and sponsors	16,147	12,409
Contributed nonfinancial assets	2,955	1,475
Less cost of direct benefit to donors	(8,206)	(9,271)
Special events, net	10,896	4,613
Other income	13,963	11,940
Net investment return	1,852,673	1,998,557
Net assets released from restrictions	309,902	863,274
Total revenue and other support	3,313,209	3,246,755
Expenses:		
Program services	1,346,292	1,347,029
Management and general	517,006	477,394
Fundraising	296,858	273,036
Total expenses	2,160,156	2,097,459
Change in net assets without donor restrictions	1,153,053	1,149,296
Change in Net Assets With Donor Restrictions:		
Grants and contributions received	99,663	579,628
Net investment return	254,519	224,817
Net assets released from restrictions	(309,902)	(863,274)
Change in net assets with donor restrictions	44,280	(58,829)
Change in Net Assets	1,197,333	1,090,467
Net Assets, beginning of year	24,597,388	23,506,921
Net Assets, end of year	\$ 25,794,721	\$ 24,597,388

See accompanying notes to the financial statements and independent auditors' report.

FITCHBURG ART MUSEUM
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2025 and 2024

	2025				2024			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 589,173	\$ 197,423	\$ 196,366	\$ 982,962	\$ 542,912	\$ 189,214	\$ 165,032	\$ 897,158
Payroll taxes	49,710	16,657	16,568	82,935	44,941	15,663	13,661	74,265
Fringe benefits	71,872	24,083	23,955	119,910	59,978	20,903	18,231	99,112
Total payroll and related expenses	710,755	238,163	236,889	1,185,807	647,831	225,780	196,924	1,070,535
Exhibitions	111,316	-	-	111,316	166,559	-	-	166,559
Occupancy	126,907	15,864	16,074	158,845	109,530	13,691	14,595	137,816
Collection items	66,082	-	-	66,082	80,609	-	-	80,609
Office expense	11,313	22,627	11,313	45,253	15,043	30,086	15,042	60,171
Community service	-	-	-	-	35,256	-	-	35,256
Insurance	20,781	20,781	-	41,562	17,493	17,492	-	34,985
Outside contract services	4,890	17,116	2,444	24,450	2,294	8,029	1,147	11,470
Development, marketing and advertising	19,811	-	19,810	39,621	30,185	-	30,186	60,371
Professional fees	52,548	157,643	-	210,191	15,562	140,062	-	155,624
Printing	12,124	1,347	-	13,471	12,726	1,414	-	14,140
Education programs	21,110	-	-	21,110	31,386	-	-	31,386
Collection management	16,885	-	-	16,885	20,293	-	-	20,293
Licenses and dues	3,969	2,976	2,976	9,921	5,733	4,300	4,300	14,333
Special events	-	-	5,891	5,891	-	-	8,250	8,250
Cost of direct benefit to donors	-	-	8,206	8,206	-	-	9,271	9,271
Telephone	5,803	725	725	7,253	5,976	747	747	7,470
Travel and entertainment	5,884	736	736	7,356	14,756	1,844	1,845	18,445
Total operating expenses	1,190,178	477,978	305,064	1,973,220	1,211,232	443,445	282,307	1,936,984
Depreciation	156,114	39,028	-	195,142	135,797	33,949	-	169,746
Total expenses by function	1,346,292	517,006	305,064	2,168,362	1,347,029	477,394	282,307	2,106,730
Less expense included with revenue and other support on the statements of activities - cost of direct benefits to donors	-	-	8,206	8,206	-	-	9,271	9,271
Total functional expenses	\$ 1,346,292	\$ 517,006	\$ 296,858	\$ 2,160,156	\$ 1,347,029	\$ 477,394	\$ 273,036	\$ 2,097,459

FITCHBURG ART MUSEUM
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2025 and 2024



	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,197,333	\$ 1,090,467
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	195,142	169,746
Gain on sale of investments	(458,253)	(209,860)
Unrealized gain on investments	(973,517)	(1,533,724)
Bond amortization	2,557	3,009
Interest reinvested	(9,611)	(3,757)
Changes in operating assets and liabilities:		
Grants and contributions receivable	52,660	506,909
Prepaid expenses and other assets	(8,817)	5,430
Accounts payable and accrued liabilities	17,631	(17,990)
Deferred revenue	(2,500)	2,500
Net cash provided by operating activities	<u>12,625</u>	<u>12,730</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	7,857,444	3,677,348
Purchase of investments	(7,884,354)	(3,439,635)
Additions to property and equipment	(147,286)	(426,967)
Net cash used by investing activities	<u>(174,196)</u>	<u>(189,254)</u>
Net Decrease in Cash and Cash Equivalents	(161,571)	(176,524)
Cash and Cash Equivalents, beginning of year	<u>1,125,650</u>	<u>1,302,174</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 964,079</u></u>	<u><u>\$ 1,125,650</u></u>

**FITCHBURG ART MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

1. Nature of 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, offers programs for learners of all ages, supports public art projects, invites community participation and partnerships, and stimulates 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 its operations and endowment; grants from foundations, corporations, and government agencies; and individual and corporate memberships, admissions, and events.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Museum is presented to assist the reader in understanding the Museum's financial statements. The financial statements and notes are representations of the Museum's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The Museum prepares its financial statements on the accrual basis of accounting and, in accordance with authoritative guidance, reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are 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.

FITCHBURG ART MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024



Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. Donor-restricted contributions are reported 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 same reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is satisfied, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalents

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

Investments and Fair Value

The Museum's investments, excluding certificates of deposit, are reported at fair value. Certificates of deposit are recorded at cost plus accrued interest, which approximates fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by authoritative guidance, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets the Museum has the ability to access.

Level 2 inputs are other than quoted prices in active markets that are observable either directly or indirectly for the asset. Such inputs are derived principally from or corroborated by observable market data by correlation or other means, over substantially the full contractual term of the asset, if applicable.

Level 3 inputs are unobservable and significant to the fair value measurement. Such inputs generally rely on the Museum's own assumptions about the assumptions that market participants would use in pricing the asset.

The Museum reports investments at fair value on a recurring basis. These investments are classified as levels 1 and 2 within the fair value hierarchy.

**FITCHBURG ART MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**



Level 1 investments owned by the Museum are listed on a National Securities Exchange and are valued at the last recorded sales price as of the financial statement reporting date or, in the absence of recorded sales, at the last quoted bid price reported as of the financial statement reporting date.

Level 2 investment values are determined by obtaining nonbinding market prices from the Museum's third-party portfolio managers as of the financial statement reporting date. These investments are less actively traded in the market, but quoted market prices exist for similar instruments held that are actively traded.

Realized and unrealized gains and losses are included as a component of net investment return in the statements of activities. Gains and losses on investments are reported as changes in net assets without donor restrictions, unless gains and losses on investments are restricted by a donor's explicit stipulation or by a law that extends a donor's restriction.

Dividends and interest on investments are recorded as earned and reported as part of net investment return. Purchases and sales of securities are recorded on the trade date.

Grants and Contributions Receivable

Grants and contributions receivable represent unconditional promises to give that are expected to be collected in less than one year. Management has determined that no allowance was necessary at June 30, 2025.

Property and Equipment

Expenditures for property and equipment in excess of \$2,500 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, ranging from 3 to 50 years. Expenditures for repairs and maintenance are expensed as incurred.

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 in the financial statements. Proceeds from deaccessions are reflected as increases in the appropriate net asset classes.

FITCHBURG ART MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024



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 have determined that the Museum's endowment funds meet the definition under UPMIFA. (Note 8).

Revenue and Revenue Recognition

Grants and contributions – Grants and contributions 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.

Admissions, education, and memberships - Revenue from admissions and education is recognized when services are provided. Memberships are recognized in full when received. The effect of not recording membership revenue ratably over the membership period is not material to the financial statements.

Special events - Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Museum recognizes special event revenue equal to the cost of direct benefits 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.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. 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.

FITCHBURG ART MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024



Contributed Nonfinancial Assets

Contributed nonfinancial assets include donated printing services and auction items which are recorded at the respective fair value of the goods received (Note 7).

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.

Estimates and Assumptions

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.

Income Taxes

The Museum is exempt from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Museum operates in a manner consistent with its tax-exempt status at both the state and federal levels.

The Museum annually files IRS Form 990 – *Return of an Organization Exempt from Income Tax*, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. The Museum also annually files the Massachusetts Form PC as required by Massachusetts state law.

These informational tax returns are subject to review by the taxing authorities generally for a period of three years after they were filed. The Museum currently has no tax examinations in progress.

Reclassifications

Certain amounts in the 2024 financial statements have been reclassified to conform to the 2025 financial statement presentation.

Subsequent Events

In preparing its financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 23, 2025, the date the financial statements were available to be issued.

FITCHBURG ART MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024



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 at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Current financial assets:		
Cash and cash equivalents	\$ 964,079	\$ 1,125,650
Operating investments	20,146,286	18,680,552
Grants and contributions receivable	<u>5,085</u>	<u>57,745</u>
Current financial assets, end of year	21,115,450	19,863,947
Less financial assets unavailable for general expenditure within one year:		
Net assets with board designations	1,364,607	770,250
Net assets with donor restrictions	<u>2,418,975</u>	<u>2,374,695</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 17,331,868</u>	<u>\$ 16,719,002</u>

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

4. Investments

The Museum's investments, excluding certificates of deposit of \$765,852 and \$756,240 at June 30, 2025 and 2024, respectively, are reported in the statements of financial position at their aggregate fair value and consisted of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Operating investments	\$ 19,380,434	\$ 17,924,312
Endowment investments	<u>1,508,000</u>	<u>1,508,000</u>
Total	<u>\$ 20,888,434</u>	<u>\$ 19,432,312</u>

FITCHBURG ART MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024



Investments reported at fair value at June 30, 2025 and 2024 consisted of the following:

	<u>2025</u>	<u>2024</u>
<u>Level 1</u>		
Equities	\$ 17,530,963	\$ 13,904,368
Exchange traded funds	811,500	2,090,451
Commodities	-	33,351
Hedge funds	-	192,663
Total Level 1	<u>18,342,463</u>	<u>16,220,833</u>
 <u>Level 2</u>		
Fixed Income	<u>2,545,971</u>	<u>3,211,479</u>
 Total investments	<u><u>\$ 20,888,434</u></u>	<u><u>\$ 19,432,312</u></u>

The composition of net investment return for the years ended June 30, 2025 and 2024 was as follows:

	<u>2025</u>	<u>2024</u>
Investment income	\$ 764,422	\$ 568,882
Amortization of bond discounts and premiums	(2,557)	(3,009)
Realized gain on sale of investments	458,253	209,860
Unrealized gain on investments	<u>973,517</u>	<u>1,533,724</u>
	2,193,635	2,309,457
Less investment fees	<u>86,443</u>	<u>86,083</u>
Net investment return	<u><u>\$ 2,107,192</u></u>	<u><u>\$ 2,223,374</u></u>

FITCHBURG ART MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024



5. Property and Equipment

Property and equipment at June 30, 2025 and 2024 consisted of the following:

	<u>2025</u>	<u>2024</u>
Building and improvements	\$ 5,570,230	\$ 5,549,209
Land and land improvements	685,407	685,407
Equipment	368,970	367,578
Construction in progress:		
Permanent collection storage project	55,901	3,938
Basement waterproofing	<u>48,363</u>	
	6,728,871	<u>6,606,132</u>
Less accumulated depreciation	<u>3,530,945</u>	<u>3,360,350</u>
Property and equipment, net	<u>\$ 3,197,926</u>	<u>\$ 3,245,782</u>

6. Net Assets

Net assets without donor restrictions at June 30, 2025 and 2024 are as follows:

	2025	2024
Board designated	\$ 1,359,607	\$ 765,250
Board designated endowment fund	<u>5,000</u>	<u>5,000</u>
Total board designated	1,364,607	770,250
Undesignated	<u>20,503,139</u>	<u>19,944,443</u>
Total net assets without donor restrictions	<u>\$ 21,867,746</u>	<u>\$ 20,714,693</u>

FITCHBURG ART MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024



Net assets with donor restrictions at June 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Subject to expenditure for a specific time period or purpose:		
Collections	\$ 449,960	\$ 405,251
Centennial Campaign	330,929	330,115
Scholarships	29,735	26,836
Programs and projects	1,608,351	1,612,493
Total	<u>2,418,975</u>	<u>2,374,695</u>
Subject to restriction in perpetuity:		
Endowments (Note 8)	<u>1,508,000</u>	<u>1,508,000</u>
 Total net assets with donor restrictions	 <u><u>\$ 3,926,975</u></u>	 <u><u>\$ 3,882,695</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the passage of time.

7. Contributed Nonfinancial Assets

For the years ended June 30, 2025 and 2024, contributed nonfinancial assets recognized in the statements of activities were as follows:

	<u>2025</u>	<u>2024</u>
Printing services	\$ 1,560	\$ 1,475
Auction items	<u>1,395</u>	<u>-</u>
 Total	 <u><u>\$ 2,955</u></u>	 <u><u>\$ 1,475</u></u>

Printing services are recognized at fair value based on current rates for similar products and are used in fundraising.

Donated auction items were sold at the Night at the Museum special event. Auction items were valued at the gross selling price received during the events and were used in fundraising.

FITCHBURG ART MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

8. 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 accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed or legal restrictions.

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, 2025 and 2024 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>June 30, 2025</u>			
Donor restricted funds	\$ -	\$ 1,877,101	\$ 1,877,101
Board designated funds	5,000	-	5,000
Total endowment funds	<u>\$ 5,000</u>	<u>\$ 1,877,101</u>	<u>\$ 1,882,101</u>
<u>June 30, 2024</u>			
Donor restricted funds	\$ -	\$ 1,833,729	\$ 1,833,729
Board designated funds	5,000	-	5,000
Total endowment funds	<u>\$ 5,000</u>	<u>\$ 1,833,729</u>	<u>\$ 1,838,729</u>

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Endowment net assets with donor restrictions includes \$1,508,000 restricted in perpetuity at June 30, 2025 and 2024.

Changes in endowment net assets for the years ended June 30, 2025 and 2024 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
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	-	(22,181)	(22,181)
Endowment net assets at June 30, 2024	\$ 5,000	\$ 1,833,729	\$ 1,838,729
Contributions received	-	-	-
Net investment return	-	75,907	75,907
Appropriated for expenditure	-	(32,535)	(32,535)
Endowment net assets at June 30, 2025	<u>\$ 5,000</u>	<u>\$ 1,877,101</u>	<u>\$ 1,882,101</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 accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of June 30, 2025 and 2024.

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.

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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.

9. 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 years ended June 30, 2025 and 2024 were \$20,085 and \$16,922, 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.

10. Concentration of Credit Risk

Financial instruments that potentially subject the Museum to concentrations of credit risk consist principally of cash and cash equivalents and investments.

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, 2025. The Museum has not experienced any losses and monitors the credit-worthiness of the financial institution with which it conducts business. At year-end, management does not believe that the Museum is exposed to any significant credit risk with respect to its cash balance.

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in values of investments could occur in the near term and that such changes could materially affect investment balances and activity included in the financial statements. The Museum has a diversified portfolio of all of its investments and retains an investment advisor to attain a prudent level of diversification in an attempt to minimize potential risk associated with investments to the extent possible.