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AUDIT REPORT AND FINANCIAL STATEMENTS  
OF  
**HUNTINGTON MUSEUM OF ART, INC.**  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Huntington Museum of Art, Inc.  
Huntington, West Virginia

### ***Opinion***

We have audited the accompanying financial statements of Huntington Museum of Art, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 Huntington Museum of Art, Inc. as of June 30, 2023 and 2022, 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 Huntington Museum of Art, Inc. 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 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 Huntington Museum of Art, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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## ***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 Huntington Museum of Art, Inc.'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 Huntington Museum of Art, Inc.'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.



Huntington, West Virginia

May 15, 2024

HUNTINGTON MUSEUM OF ART, INC.  
STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 476,588	\$ 469,934
Cash and cash equivalents - restricted	746,647	718,066
Investments - endowment funds (Note 5)	12,026,589	11,196,282
Investments - Museum Making Connections (Note 5)	2,547	2,502
Investments - other (Note 5)	1,970	1,970
Beneficial interest in perpetual trusts (Note 2.H.)	6,577,195	6,369,183
Grants receivable	172,811	143,550
Interest receivable	31,440	25,714
Unconditional promises to give (Note 7)	25,725	22,700
Inventory	41,531	71,397
Property, plant, and equipment, net (Note 8)	3,899,928	4,141,515
Operating lease right-of-use assets (Note 9)	19,050	-
Other assets	27,905	46,296
	<u>27,905</u>	<u>46,296</u>
Total Assets	<u>\$ 24,049,926</u>	<u>\$ 23,209,109</u>

LIABILITIES AND NET ASSETS

<b>Liabilities</b>		
Accounts payable	\$ 36,536	\$ 43,382
Accrued expenses	112,341	103,283
Accrued taxes	13,699	2,041
Deferred revenue	64,183	98,247
Notes payable (Note 10)	4,469	23,580
Operating lease liability (Note 9)	19,050	-
	<u>19,050</u>	<u>-</u>
Total Liabilities	<u>250,278</u>	<u>270,533</u>
<b>Net Assets</b>		
Without donor restrictions (Note 11)	5,021,476	4,940,337
With donor restrictions (Note 12)	18,778,172	17,998,239
	<u>18,778,172</u>	<u>17,998,239</u>
Total Net Assets	<u>23,799,648</u>	<u>22,938,576</u>
Total Liabilities and Net Assets	<u>\$ 24,049,926</u>	<u>\$ 23,209,109</u>

The accompanying notes are an integral part of these financial statements.

HUNTINGTON MUSEUM OF ART, INC.  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2023

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenues and Support			
Annual giving	\$ 398,166	\$ -	\$ 398,166
Donations and gifts	251,020	119,470	370,490
Fund raising events, net of direct expenses of \$67,983	119,992	-	119,992
Government support	149,885	-	149,885
Fees and tuition	86,349	6,940	93,289
Perpetual trust distributions	275,813	84,207	360,020
Investment income, net	1,062,345	309,288	1,371,633
Change in value of perpetual trusts	208,012	-	208,012
General support	26,785	-	26,785
Facility and loan fees	24,368	-	24,368
Museum shop	128,255	-	128,255
	<u>2,730,990</u>	<u>519,905</u>	<u>3,250,895</u>
Total Revenues and Support			
Net Assets Released			
From Restrictions	<u>528,319</u>	<u>(528,319)</u>	<u>-</u>
Total Increase (Decrease)	<u>3,259,309</u>	<u>(8,414)</u>	<u>3,250,895</u>
Expenses			
Program services			
Curatorial	300,811	-	300,811
Museum Making Connections	298,488	-	298,488
Conservatory	170,124	-	170,124
Library	19,929	-	19,929
Exhibitions and Programs	129,610	-	129,610
Audience Services	372,905	-	372,905
Supporting services			
Administration	299,986	-	299,986
Development	340,581	-	340,581
	<u>1,932,434</u>	<u>-</u>	<u>1,932,434</u>
Total Expenses			
Net Increase (Decrease)	1,326,875	(8,414)	1,318,461
Depreciation	(332,224)	-	(332,224)
Reclassifications	<u>(788,347)</u>	<u>788,347</u>	<u>-</u>
Change in Net Assets Before Changes			
Related to Collection Items Not Capitalized	206,304	779,933	986,237
Collection items purchased	<u>(125,165)</u>	<u>-</u>	<u>(125,165)</u>
Change in Net Assets	81,139	779,933	861,072
Net Assets at Beginning of Year	<u>4,940,337</u>	<u>17,998,239</u>	<u>22,938,576</u>
Net Assets at End of Year	<u>\$ 5,021,476</u>	<u>\$ 18,778,172</u>	<u>\$ 23,799,648</u>

The accompanying notes are an integral part of these financial statements.

HUNTINGTON MUSEUM OF ART, INC.  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2022

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenues and Support			
Annual giving	\$ 360,621	\$ -	\$ 360,621
Donations and gifts	219,579	440,200	659,779
Fund raising events, net of direct expenses of \$25,937	47,358	-	47,358
Government support	273,475	-	273,475
Fees and tuition	40,702	4,300	45,002
Perpetual trust distributions	269,401	79,632	349,033
Investment income, net	(1,556,158)	209,969	(1,346,189)
Change in value of perpetual trusts	(1,109,702)	-	(1,109,702)
General support	19,504	-	19,504
Facility and loan fees	39,288	-	39,288
Museum shop	71,909	-	71,909
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Revenues and Support	(1,324,023)	734,101	(589,922)
Net Assets Released From Restrictions	<u>385,658</u>	<u>(385,658)</u>	<u>-</u>
Total Increase (Decrease)	<u>(938,365)</u>	<u>348,443</u>	<u>(589,922)</u>
Expenses			
Program services			
Curatorial	257,537	-	257,537
Museum Making Connections	295,471	-	295,471
Conservatory	179,556	-	179,556
Library	18,751	-	18,751
Exhibitions and Programs	129,354	-	129,354
Audience Services	220,782	-	220,782
Supporting services			
Administration	241,722	-	241,722
Development	351,820	-	351,820
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Expenses	1,694,993	-	1,694,993
Net Increase (Decrease)	(2,633,358)	348,443	(2,284,915)
Depreciation	(336,072)	-	(336,072)
Reclassifications	420,920	(420,920)	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Change in Net Assets Before Changes Related to Collection Items Not Capitalized	(2,548,510)	(72,477)	(2,620,987)
Collection items purchased	<u>(55,600)</u>	<u>-</u>	<u>(55,600)</u>
Change in Net Assets	(2,604,110)	(72,477)	(2,676,587)
Net Assets at Beginning of Year	<u>7,544,447</u>	<u>18,070,716</u>	<u>25,615,163</u>
Net Assets at End of Year	<u>\$ 4,940,337</u>	<u>\$ 17,998,239</u>	<u>\$ 22,938,576</u>

The accompanying notes are an integral part of these financial statements.

HUNTINGTON MUSEUM OF ART, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2023

	Program Services							Supporting Services		Total
	Curatorial	Museum Making Connections	Conservatory	Library	Exhibitions and Programs	Audience Services	Sub- Total	Administration	Development	
Salaries and wages	\$ 155,768	\$ 148,308	\$ 82,551	\$ 6,042	\$ 11,587	\$ 145,658	\$ 549,914	\$ 127,729	\$ 209,765	\$ 887,408
Employee benefits	15,392	13,308	19,945	-	159	20,470	69,274	20,986	41,590	131,850
Payroll taxes	12,726	11,609	6,956	591	91	13,729	45,702	11,511	18,231	75,444
Awards/assistance	-	500	-	-	-	-	500	-	-	500
Membership dues	424	90	265	-	-	317	1,096	4,784	41	5,921
Miscellaneous	-	2,044	-	-	125	5,560	7,729	6,638	1,494	15,861
Occupancy	86,867	18,815	44,237	10,189	46,846	6,064	213,018	41,249	33,026	287,293
Postage and shipping	281	768	7	48	16,583	1,943	19,630	1,049	1,957	22,636
Printing/advertising/publications	-	1,374	-	241	8,798	20,684	31,097	1,524	5,737	38,358
Professional fees and contract services	5,862	70,213	4,132	-	19,582	5,773	105,562	23,922	5,566	135,050
Rental/maintenance of equipment	2,421	-	1,410	2,818	-	12,228	18,877	27,630	11,442	57,949
Sponsored events	2,626	3,231	-	-	7,134	468	13,459	7,715	1,783	22,957
Supplies	5,841	27,801	10,621	-	17,532	126,972	188,767	15,378	9,700	213,845
Telephone/communications	-	-	-	-	-	13,039	13,039	7,747	-	20,786
Travel and vehicles	12,603	427	-	-	1,173	-	14,203	2,124	249	16,576
<b>Totals</b>	<b>\$ 300,811</b>	<b>\$ 298,488</b>	<b>\$ 170,124</b>	<b>\$ 19,929</b>	<b>\$ 129,610</b>	<b>\$ 372,905</b>	<b>\$ 1,291,867</b>	<b>\$ 299,986</b>	<b>\$ 340,581</b>	<b>\$ 1,932,434</b>

The accompanying notes are an integral part of these financial statements.



HUNTINGTON MUSEUM OF ART, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2022

	Program Services							Supporting Services		Total
	Curatorial	Museum Making Connections	Conservatory	Library	Exhibitions and Programs	Audience Services	Sub- Total	Administration	Development	
Salaries and wages	\$ 124,304	\$ 171,436	\$ 84,271	\$ 7,320	\$ -	\$ 99,040	\$ 486,371	\$ 98,570	\$ 220,261	\$ 805,202
Employee benefits	14,588	16,616	25,782	107	-	18,793	75,886	19,392	38,597	133,875
Payroll taxes	10,127	13,642	7,355	701	-	8,836	40,661	9,548	18,869	69,078
Awards/assistance	-	575	-	-	-	-	575	-	-	575
Membership dues	646	90	340	-	-	310	1,386	5,417	70	6,873
Miscellaneous	-	815	-	-	29	2,014	2,858	5,765	21,034	29,657
Occupancy	71,689	11,431	54,692	7,794	39,287	4,640	189,533	33,449	30,199	253,181
Postage and shipping	3,970	173	-	21	7,218	6,162	17,544	921	2,027	20,492
Printing/advertising/publications	18,265	-	-	196	8,030	14,606	41,097	3,638	1,019	45,754
Professional fees and contract services	3,340	50,005	4,143	-	43,275	164	100,927	19,136	6,296	126,359
Rental/maintenance of equipment	5,202	-	-	1,922	-	9,347	16,471	17,748	8,773	42,992
Sponsored events	1,969	1,644	-	-	5,531	-	9,144	7,611	880	17,635
Supplies	3,437	28,745	2,973	690	15,430	43,377	94,652	10,183	3,330	108,165
Telephone/communications	-	-	-	-	-	13,493	13,493	7,346	-	20,839
Travel and vehicles	-	299	-	-	10,554	-	10,853	2,998	465	14,316
<b>Totals</b>	<b>\$ 257,537</b>	<b>\$ 295,471</b>	<b>\$ 179,556</b>	<b>\$ 18,751</b>	<b>\$ 129,354</b>	<b>\$ 220,782</b>	<b>\$ 1,101,451</b>	<b>\$ 241,722</b>	<b>\$ 351,820</b>	<b>\$ 1,694,993</b>

The accompanying notes are an integral part of these financial statements.

HUNTINGTON MUSEUM OF ART, INC.

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in Net Assets	<u>\$ 861,072</u>	<u>\$ (2,676,587)</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	332,224	336,072
Collection items purchased	125,165	55,600
Loan forgiveness	-	(169,800)
Realized gain on investments	(146,199)	(636,199)
Unrealized (gain) loss on investments	(1,050,678)	2,126,016
Change in value of perpetual trusts	(208,012)	1,109,702
Uncollectible receivables	-	19,380
(Increase) Decrease in assets:		
Grants receivable	(29,261)	(98,392)
Interest receivable	(5,726)	(4,841)
Unconditional promises to give	(3,025)	(6,016)
Inventory	29,866	(18,198)
Operating lease right-of-use assets	(19,050)	-
Other assets	18,391	11,986
Increase (Decrease) in liabilities:		
Accounts payable	(6,846)	9,292
Accrued expenses	9,058	(6,235)
Accrued taxes	11,658	(1,067)
Deferred revenue	(34,064)	18,083
Operating lease liability	19,050	-
Total adjustments	<u>(957,449)</u>	<u>2,745,383</u>
Net Cash Provided By (Used In) Operating Activities	<u>(96,377)</u>	<u>68,796</u>
Cash Flows From Investing Activities		
Purchase of property, plant, and equipment	(90,637)	(333,482)
Purchase of collection items	(125,165)	(55,600)
Purchase of investments	(4,520,786)	(3,126,582)
Proceeds from sale of investments	4,887,311	3,741,247
Net Cash Provided By Investing Activities	<u>150,723</u>	<u>225,583</u>
Cash Flows From Financing Activities		
Principal payments on notes payable	(19,111)	(17,185)
Net Increase in Cash and Cash Equivalents	35,235	277,194
Cash and Cash Equivalents at Beginning of Year	<u>1,188,000</u>	<u>910,806</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,223,235</u>	<u>\$ 1,188,000</u>
Supplemental Disclosure of Cash Flows Information:		
Cash:		
Cash and cash equivalents	\$ 476,588	\$ 469,934
Cash and cash equivalents - restricted	746,647	718,066
Total	<u>\$ 1,223,235</u>	<u>\$ 1,188,000</u>
Cash Paid For:		
Interest	<u>\$ 345</u>	<u>\$ 774</u>

The accompanying notes are an integral part of these financial statements.

HUNTINGTON MUSEUM OF ART, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

1. Organization and nature of operations:

Huntington Museum of Art, Inc. (the Museum) is a nonprofit Corporation incorporated in the State of West Virginia. The Museum administers major programs as described below.

Curatorial:

This program is responsible for the care, display, and interpretation of the art in the permanent collection and the coordination and supervision of all exhibitions and their attendant programming.

Museum Making Connections:

This program area includes the Museum Making Connections education outreach program. All workshops, classes, and camps are provided through this program. The Museum Making Connections Department is also responsible for the operation of the interactive Education Gallery, school tours, and training of the Docents.

Conservatory:

The Museum operates the C. Fred Edwards Conservatory and manages the subtropical and tropical plant collections and greenhouses.

Library:

Collections research and public research services are provided by the Museum Library.

Exhibitions and Programs:

This program includes all art exhibitions and their attendant programming and the nature trails. This program area also includes the music programming and the Gropius Master Artists Workshops.

Audience Services:

Public awareness of all Museum activities and audience development is provided by this department through print and media outlets, the Museum website, publication of the Members Magazine, and direct contact. The Museum Shop markets work of local artists, merchandise, and education materials related to the current Museum collection, programs, and exhibitions.

HUNTINGTON MUSEUM OF ART, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

1. Organization and nature of operations (Continued):

Supporting services of the Museum are grouped into categories as follows:

Administration:

The administration of the Museum provides executive management, financial accounting, clerical, and Board of Trustees support services.

Development:

Membership, fundraising, and long-range endowment growth are the primary responsibilities of Development.

2. Summary of significant accounting policies:

A. Stewardship policies:

The Museum operates under Board approved policies in providing good stewardship for its resources. The Collections Management Policy sets forth policies and procedures for accession, conservation, preservation, deaccession, and disposal of the permanent art collection. The Collections Development Plan sets forth the areas in which the Museum will expand its art collection and how it plans to hone and shape specific existing parts of the collection. The Guidelines for Professional Ethics set forth parameters for the actions and behavior of all trustees, staff, and volunteers as they relate to the Museum's operations. The Investment Policy is designed to provide a consistent long-term vision for the investment of the Museum's endowment funds and to assist the Board of Trustees in effectively supervising and monitoring these investments. The following Board approved policies further aid the Museum in providing good stewardship of its resources: Accessibility Policy, Emergency Preparedness Policy, Sexual Abuse Policy, and Personnel Policy.

B. Basis of accounting:

The Museum follows the accrual basis of accounting.

C. Cash and cash equivalents:

For the purposes of the Statements of Cash Flows, the Museum considers all cash accounts, short-term investments, and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

D. Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the Statements of Activities.

HUNTINGTON MUSEUM OF ART, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

2. Summary of significant accounting policies (Continued):

E. Promises to give:

Contributions are recognized when the donor makes a promise to give to the Museum that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without.

The fair value of promises to give that are due in more than one year is estimated by discounting the future cash flows by using current risk-free rates of return based on U.S. Treasury security yields with maturity dates similar to the expected collection period.

The Museum uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on management's analysis of specific promises made.

F. Inventory:

Inventories, comprised of the Museum Shop retail items, are stated at the latest invoice cost, which approximates the lower of cost (first-in, first-out method) or market.

G. Property, plant, and equipment:

The Museum observes a policy of capitalizing expenditures in excess of \$1,000 for property, plant, and equipment at cost. Contributed property and equipment is recorded at fair value at the date of donation. Depreciation is being provided over the estimated useful lives of the assets using the straight-line method as follows:

	<u>Range of Lives</u>
Office equipment and furniture	3 - 40 years
Grounds and driveways	7 - 20 years
Buildings and improvements	5 - 80 years
Conservatory	40 years

H. Beneficial interest in perpetual trusts:

Various donors have established perpetual trusts administered by various third parties for the benefit of the Museum. Under the terms of these trusts, the Museum has the irrevocable right to receive all or part of the income earned on the trust assets in perpetuity, but will never receive the assets held in trust.

HUNTINGTON MUSEUM OF ART, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

2. Summary of significant accounting policies (Continued):

H. Interest in perpetual trusts (Continued):

The Museum recognizes new trusts of these types as contribution revenue and as an asset when the Museum is notified of a trust's existence. The fair value of the contribution is estimated using the fair value of the assets contributed to the trust. The contribution is classified as net assets with restrictions, as the Museum does not have control of the trust. Annual distributions from the trust are reported as revenue. Annually, the Museum remeasures its beneficial interest based upon the fair market value of the trust assets.

I. Leases:

Leases are evaluated at inception to determine if an arrangement is or contains a lease. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities in the Statements of Financial Position. The Museum has no finance leases. Short-term leases (i.e. leases with an initial term of twelve months or less that do not contain a purchase option that is likely to be exercised) are not recorded in the Statements of Financial Position. Operating lease ROU assets represent the Museum's right to use an underlying asset for the lease term, and operating lease liabilities represent the Museum's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of the future lease payments over the lease term.

The leases do not provide an implicit rate, so the Museum uses the estimated borrowing rate at commencement date as the discount rate in determining the present value of lease payments. The discount rate is reevaluated upon lease modification. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised.

If lease agreements have both lease and non-lease components, lease and non-lease components are accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices. Variable lease payments, which are not determinable at lease commencement, are not included in the measurement of lease assets and liabilities.

J. Contribution and grant revenue:

Contributions and grants are either recorded as contributions or exchange transactions based on criteria contained in the award. Contributions and grant awards that qualify as contributions are recorded as invoiced to the funding sources in accordance with the terms of the award and Accounting Standards Codification (ASC) Subtopic 958-605. Revenue is recognized in the account period when the related allowable expenses or asset acquisition costs are incurred. Amounts received in excess of expenses or asset acquisitions are reflected as refundable advances. Exchange transactions are reimbursed based on a predetermined rate for service performed. The revenue is recognized in the period the service is performed.

HUNTINGTON MUSEUM OF ART, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

2. Summary of significant accounting policies (Continued):

J. Contribution and grant revenue (Continued):

Contributions, including promises to give, and grants are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

K. Net assets:

The Museum presents its net assets and all balances and transactions based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Museum and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the Museum. These net assets may be used at the discretion of the Museum's management and Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Museum or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

L. Income taxes:

The Museum is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state statutes relating to not-for-profit organizations.

M. Functional expense and cost allocation:

The costs of providing programs and other activities have been listed on a function basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among program services and supporting services. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and wages	Time and effort
Employee benefits	Time and effort
Facility expenses	Square footage and usage

HUNTINGTON MUSEUM OF ART, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

2. Summary of significant accounting policies (Continued):

N. Accounting for uncertain tax positions:

The Museum follows the provisions of ASC Topic 740, *Income Taxes*, relating to unrecognized tax benefits. This standard requires an entity to recognize a liability for tax positions when there is a 50% or greater likelihood that the position will not be sustained upon examination. The Museum is liable for taxes to the extent of any unrelated business income as defined by IRS regulations. The Museum believes that it has not engaged in any unrelated business income as defined by IRS regulations and that it is more likely than not that this position would be sustained upon examination. As such, there were no liabilities recorded for uncertain tax positions as of June 30, 2023 and 2022.

O. Accounting estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Museum 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.

P. Advertising costs:

Advertising costs are expensed as incurred.

3. Liquidity and availability:

Financial assets available for general expenditure, that is, without donor restrictions limiting their use within one year of the Statements of Financial Position date, consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 476,588	\$ 469,934
Grants receivable	172,811	143,550
Interest receivable	31,440	25,714
Unconditional promises to give	<u>25,725</u>	<u>22,700</u>
	<u>\$ 706,564</u>	<u>\$ 661,898</u>

The Museum's endowment funds consist of donor-restricted endowments. Donor-restricted endowment funds are not available for general expenditure.

As part of the Museum's liquidity management plan, cash in excess of daily requirements is invested in money market funds, short-term investments, and long-term investments.



HUNTINGTON MUSEUM OF ART, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

4. Cash, cash equivalents, and restricted cash:

The table below provides a reconciliation of cash, cash equivalents, and restricted cash reported on the Statements of Financial Position that sum to the total of those same amounts shown on the Statements of Cash Flows at June 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 476,588	\$ 469,934
Cash and cash equivalents - restricted	<u>746,647</u>	<u>718,066</u>
	<u>\$ 1,223,235</u>	<u>\$ 1,188,000</u>

5. Investments:

Investments are carried at fair value at June 30, 2023 and 2022 as follows:

<u>June 30, 2023</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Money market funds	\$ 195,803	\$ 195,803	\$ -
Equity securities	4,491,381	7,870,168	3,378,787
Fixed income	4,028,593	3,847,057	(181,536)
Municipal bonds	<u>138,122</u>	<u>118,078</u>	<u>(20,044)</u>
	<u>\$ 8,853,899</u>	<u>\$ 12,031,106</u>	<u>\$ 3,177,207</u>

<u>June 30, 2022</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Money market funds	\$ 63,991	\$ 63,991	\$ -
Equity securities	4,607,454	7,010,865	2,403,411
Fixed income	4,185,162	3,919,700	(265,462)
Municipal bonds	<u>222,685</u>	<u>206,198</u>	<u>(16,487)</u>
	<u>\$ 9,079,292</u>	<u>\$ 11,200,754</u>	<u>\$ 2,121,462</u>

Investment return for the years ended June 30, 2023 and 2022 is summarized as follows:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 241,003	\$ 217,338
Realized gain	146,199	636,199
Unrealized gain (loss)	1,050,678	(2,126,016)
Investment management fees	<u>(66,247)</u>	<u>(73,710)</u>
Total investment income (loss), net	<u>\$ 1,371,633</u>	<u>\$ (1,346,189)</u>

HUNTINGTON MUSEUM OF ART, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

5. Investments (Continued):

FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB ASC 958-205 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of West Virginia enacted UPMIFA effective March 5, 2008, the provisions of which apply to endowment funds existing on or established after that date. The Museum adopted FASB ASC 958-205 for the year ended June 30, 2009. The Board of Trustees determined that certain Museum net assets with restrictions meet the definition of endowment funds under UPMIFA.

The Museum's endowment consists of funds established for a variety of purposes. Its endowment includes donor-restricted funds. 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 restrictions.

The Museum's Board of Trustees has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as net assets with restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Museum, and (7) the Museum's investment policies.

*Investment Return Objectives, Risk Parameters, and Strategies.* The Museum has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5.50% (4.75% designated for art), while growing the funds if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

HUNTINGTON MUSEUM OF ART, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

5. Investments (Continued):

*Endowment with Deficiencies.* From time to time, the fair value of assets associated with individual donor-restricted endowments may fall below the level that the donor or UPMIFA requires the Museum to retain as a fund of perpetual duration. In addition, the Museum's Board of Trustees interprets UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law, and the Museum has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater.

At June 30, 2023, the Museum held endowment funds with original gift values of \$18,238,188 (investments of \$11,546,882 and beneficial interest in perpetual trusts of \$6,691,306), fair value of \$18,603,784 (investments of \$12,026,589 and beneficial interest in perpetual trusts of \$6,577,195), providing a net surplus of \$365,596.

*Spending Policy.* The Museum has a policy of appropriating for distribution each year 5.50% of its endowment fund's fair value (4.75% designated for art). In establishing this policy, the Museum considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Museum's objective is to maintain the purchasing power of the endowment assets. In years when the overall endowment is underwater, the Board may permit continued spending from principal in accordance with its policies for spending from underwater endowments.

6. Fair value measurements:

Fair values of assets measured on a recurring basis at June 30, 2023 and 2022 are as follows:

	<u>Fair Value Measurements at Reporting Date</u>			
		<u>Using:</u>		
	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>June 30, 2023</u>				
Money market funds	\$ 195,803	\$ 195,803	\$ -	\$ -
Equity securities	7,870,168	7,870,168	-	-
Fixed income	3,847,057	3,847,057	-	-
Municipal bonds	118,078	118,078	-	-
Beneficial interest in perpetual trusts	<u>6,577,195</u>	<u>-</u>	<u>-</u>	<u>6,577,195</u>
Total	<u>\$ 18,608,301</u>	<u>\$ 12,031,106</u>	<u>\$ -</u>	<u>\$ 6,577,195</u>

HUNTINGTON MUSEUM OF ART, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

6. Fair value measurements (Continued):

	<u>Fair Value Measurements at Reporting Date</u>			
	<u>Using:</u>			
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2022</u>	<u>Fair Value</u>			
Money market funds	\$ 63,991	\$ 63,991	\$ -	\$ -
Equity securities	7,010,865	7,010,865	-	-
Fixed income	3,919,700	3,919,700	-	-
Municipal bonds	206,198	206,198	-	-
Beneficial interest in perpetual trusts	<u>6,369,183</u>	<u>-</u>	<u>-</u>	<u>6,369,183</u>
Total	<u>\$ 17,569,937</u>	<u>\$ 11,200,754</u>	<u>\$ -</u>	<u>\$ 6,369,183</u>

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using Level 3 inputs are based on unobservable inputs. There were no Level 2 inputs for the years ended June 30, 2023 and 2022. The following table presents a reconciliation of the activities for Level 3 financial instruments:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 6,369,183	\$ 7,478,885
Earnings on underlying investment accounts, net	568,032	(760,669)
Distributions	<u>(360,020)</u>	<u>(349,033)</u>
	<u>\$ 6,577,195</u>	<u>\$ 6,369,183</u>

7. Unconditional promises to give:

A summary of unconditional promises to give at June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Open door membership campaign (without restrictions)	<u>\$ 25,725</u>	<u>\$ 22,700</u>

HUNTINGTON MUSEUM OF ART, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

8. Property, plant, and equipment, net:

A summary of property, plant, and equipment at June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 116,154	\$ 116,154
Grounds and driveways	226,179	169,642
Buildings and improvements	7,969,780	7,930,116
Conservatory	1,982,401	1,972,205
Office equipment and furniture	559,822	559,822
Vehicles	36,849	32,849
Construction in progress	<u>-</u>	<u>19,759</u>
	10,891,185	10,800,547
Less accumulated depreciation	<u>(6,991,257)</u>	<u>(6,659,032)</u>
	<u>\$ 3,899,928</u>	<u>\$ 4,141,515</u>

Depreciation expense charged to operations for the years ended June 30, 2023 and 2022 amounted to \$332,224 and \$336,072, respectively.

9. Leasing activities:

The Museum leases office equipment under leases through May 2028. Rent expense under this operating lease under prior accounting guidance was \$5,430 for the year ended June 30, 2022. As disclosed in Note 2, the Museum adopted ASC 842 and changed the accounting policy related to leases.

As of June 30, 2023, the operating lease right-of-use (ROU) asset had a balance of \$19,050 and the operating lease liability had a balance of \$19,050. The operating lease asset and liability were calculated utilizing the estimated incremental borrowing rate available at lease commencement (or implementation), according to the Museum's elected policy. Leases may include one or more options to renew, with renewal terms that can extend the lease term for up to two five year periods. Any options to renew are not considered in the lease term unless the Museum is reasonably certain that it will exercise its option to renew the lease. No leases contain non-lease components or variable payments. For the year ended June 30, 2023, the Museum recognized operating lease expense totaling \$3,772 and is included on the Statements of Functional Expenses as rental/maintenance of equipment.

Other Information

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 3,425
ROU assets obtained in exchange for new operating lease liabilities	\$ 21,790
Weighted-average remaining lease term in years for operating leases	4.43
Weighted-average discount rate for operating leases	6.50%

HUNTINGTON MUSEUM OF ART, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

9. Leasing activities (Continued):

The maturities of lease liabilities as of June 30, 2023 were as follows:

Year ending June 30:		
2024	\$	6,071
2025		4,164
2026		4,164
2027		4,164
2028		3,301
Thereafter		<u>-</u>
Total undiscounted cash flows		21,864
Less present value discount		<u>(2,814)</u>
Total operating lease liabilities	\$	<u>19,050</u>

10. Notes payable:

The Museum's outstanding notes payable indebtedness at June 30, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
WesBanco Bank, Inc. – 2.15% note payable, due \$1,496 per month, including interest until October 2023, secured by checking account.	\$ 4,469	\$ 23,580
Less current portion	<u>(4,469)</u>	<u>(17,627)</u>
Long-term debt	<u>\$ -</u>	<u>\$ 5,953</u>

Scheduled maturities of notes payable indebtedness in each of the next five years and thereafter are as follows:

2024	\$	4,469
2025		-
2026		-
2027		-
2028		-
Thereafter		<u>-</u>
Total	\$	<u>4,469</u>

HUNTINGTON MUSEUM OF ART, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

11. Net assets without donor restrictions:

Net assets without donor restrictions at June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 820,296	\$ 521,150
Board designated restrictions for Museum Making		
Connections endowment fund	301,252	301,252
Invested in property and equipment, net of related debt	<u>3,899,928</u>	<u>4,117,935</u>
	<u>\$ 5,021,476</u>	<u>\$ 4,940,337</u>

12. Net assets with donor restrictions:

Net assets with donor restrictions at June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Endowment funds	\$ 11,245,630	\$ 11,137,243
Interest in perpetual trusts	6,691,306	6,691,305
Restricted for Gropius funds	-	23,540
Restricted for acquisitions	197,237	196,212
Restricted for conservation	7,609	6,666
Restricted for Winslow Anderson	56,365	51,292
Restricted for Don Harper/Fitzpatrick Society	37,449	28,878
Restricted for Museum Making Connections	192,049	72,769
Restricted for technology	30,900	35,300
Restricted for trails	319,627	319,369
Underwater endowments	<u>(-)</u>	<u>(564,335)</u>
	<u>\$ 18,778,172</u>	<u>\$ 17,998,239</u>

HUNTINGTON MUSEUM OF ART, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

13. Net assets released from restrictions:

Net assets were released throughout the years ended June 30, 2023 and 2022 from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

	<u>2023</u>	<u>2022</u>
Satisfaction of acquisitions	\$ 85,590	\$ 33,000
Satisfaction of Gropius funds	35,973	-
Satisfaction of conservation	4,400	2,953
Satisfaction of Winslow Anderson	25,725	22,000
Satisfaction of Don Harper/Fitzpatrick Society	21,356	13,036
Satisfaction of Museum Making Connections	239,062	167,431
Satisfaction of exhibitions	70,374	106,277
Satisfaction of landscaping/gardens/grounds	1,073	3,176
Satisfaction of library	8,019	7,008
Satisfaction of nature and education	24,873	9,557
Satisfaction of technology	7,584	6,482
Satisfaction of trails	<u>4,290</u>	<u>14,738</u>
	<u>\$ 528,319</u>	<u>\$ 385,658</u>

14. Endowments:

Changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	<u>With Donor Restrictions</u>	
	<u>2023</u>	<u>2022</u>
Endowment net assets, beginning of year	\$ 11,196,282	\$ 13,300,764
Contributions	108,387	162,617
Investment income, net	1,359,966	(1,351,713)
Amounts appropriated for expenditure	<u>(638,046)</u>	<u>(915,386)</u>
Endowment net assets, end of year	<u>\$ 12,026,589</u>	<u>\$ 11,196,282</u>



HUNTINGTON MUSEUM OF ART, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

15. Pension plan:

The Museum has a defined contribution 401(k) plan covering all eligible full-time personnel. The Museum contributed 5% of eligible compensation during the years ended June 30, 2023 and 2022.

Employer contributions to the above plans for the years ended June 30, 2023 and 2022 were \$30,799 and \$32,831, respectively.

16. Contributed services and assets:

Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of these contributed services has not been determined and is not reflected in the accompanying financial statements.

The Museum receives a significant amount of skilled, contributed volunteered time, which does not meet the two (2) recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

The Museum, from time to time, receives investments and capital assets from donors. These assets are recorded at the approximate fair value at the date of donation.

17. Endowment spending policy:

The spending policy of the Museum for endowments is calculated by multiplying a percentage by a base. This computation is made at the beginning of each fiscal year.

The yearly distribution, which is calculated as of December 31, is based on a trailing three (3) year average of the Endowment's semi-annual market value, with the understanding that this spending rate plus inflation will not normally exceed total return from investments. It is understood that this total return basis for calculating spending is sanctioned by the UPMIFA, as described in Note 5, under which guidelines the Museum is permitted to spend an amount in excess of the current yield (interest and dividends earned), including realized and unrealized appreciation.

The determination of the percentage factor for spending is reviewed annually in light of evolving trends with respect to investment returns, the rate of inflation, and the Museum's needs. It was the Museum's judgment that for the fiscal year ended June 30, 2023, an annual percentage factor of 5.50% for operating endowments, 5.50% for restricted endowments, and 4.75% for art and conservation was appropriate.

HUNTINGTON MUSEUM OF ART, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

18. Collections:

The value of art at the Museum has been excluded from the Statements of Financial Position. The art collection is insured for \$24,000,000.

The cost of objects purchased is reported as collection items purchased on the Statements of Activities. The proceeds from objects sold are reported as sale of collection items on the Statements of Activities. During the years ended June 30, 2023 and 2022, purchases of art objects amounted to \$125,165 and \$55,600, respectively, and the value of objects acquired by gift is unknown.

19. Credit risk:

Financial instruments that are exposed to concentrations of credit risk consist of cash, accounts receivable, and investments. The cash and investments are in high quality institutions and companies with high credit ratings. Accounts receivable are principally with museum members and various individuals within the community. Cash and investments are based on quoted market prices. Accounts receivable are carried at estimated net realizable values.

Financial instruments that potentially subject the Museum to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC). The Museum's cash and cash equivalent accounts exceeded the FDIC limits at various times during the year ended June 30, 2023. Cash and cash equivalents exceeding federally insured limits totaled \$211,192 and \$263,885 at June 30, 2023 and 2022, respectively.

20. Commitments and contingencies:

Funding:

The Museum receives funding from state and local sources. Certain funding sources are subject to additional audit procedures completed by various state agencies, which could result in disallowed costs.

21. Reclassifications:

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

22. Subsequent events:

The Museum has evaluated all subsequent events through May 15, 2024, the date the financial statements were available to be issued.