

**The Newark Museum Association
(d/b/a The Newark Museum of the Art)**

Financial Statements
December 31, 2020 and 2019

Independent Auditors' Report

Board of Trustees

The Newark Museum Association (d/b/a The Newark Museum of the Art)

We have audited the accompanying financial statements of The Newark Museum Association, (d/b/a The Newark Museum of the Art) which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees
The Newark Museum Association (d/b/a The Newark Museum of the Art)
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Newark Museum Association (d/b/a The Newark Museum of the Art) as of December 31, 2020 and 2019, 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.

PKF O'Connor Davies, LLP

March 24, 2021

**The Newark Museum Association
(d/b/a The Newark Museum of the Art)**

Statements of Financial Position

	December 31	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 4,974,246	\$ 4,570,303
Grants receivable	559,213	561,557
Contributions receivable, net (Note 3)	811,207	388,722
Prepaid expenses and other assets	296,662	860,324
Investments (Notes 4 and 8)	42,955,731	41,740,469
Property and equipment, net (Note 5)	14,773,833	15,691,653
Museum collections (Note 2)	-	-
	<u>\$ 64,370,892</u>	<u>\$ 63,813,028</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,661,874	\$ 1,583,205
Refundable advances	246,688	57,572
Total Liabilities	<u>1,908,562</u>	<u>1,640,777</u>
Net Assets		
Without donor restrictions (Note 6)	45,329,030	44,647,670
With Donor Restrictions (Notes 7 and 8)		
Time or purpose restricted	3,424,115	3,825,396
Held in perpetuity	13,709,185	13,699,185
Total Net Assets	<u>62,462,330</u>	<u>62,172,251</u>
	<u>\$ 64,370,892</u>	<u>\$ 63,813,028</u>

See notes to financial statements

**The Newark Museum Association
(d/b/a The Newark Museum of the Art)**

**Statement of Activities
Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose Restricted	Held in Perpetuity	
OPERATING ACTIVITIES				
Operating Revenues, Gains, and Other Support				
Governmental grants and appropriations	\$ 5,645,368	\$ -	\$ -	\$ 5,645,368
Paycheck protection program	1,458,200	-	-	1,458,200
Contributions and pledges	1,272,402	1,927,556	10,000	3,209,958
Membership and tours	438,388	-	-	438,388
Educational	58,457	-	-	58,457
Investment return designated for operations	1,745,837	1,167,911	-	2,913,748
Other revenue	92,745	-	-	92,745
Net assets released from restriction	3,885,158	(3,885,158)	-	-
Total Operating Revenues, Gains, and Other Support	<u>14,596,555</u>	<u>(789,691)</u>	<u>10,000</u>	<u>13,816,864</u>
Operating Expenses				
Program services	9,449,725	-	-	9,449,725
General and administrative	1,608,657	-	-	1,608,657
Fundraising and development	2,861,423	-	-	2,861,423
Total Operating Expenses	<u>13,919,805</u>	<u>-</u>	<u>-</u>	<u>13,919,805</u>
Change in Net Assets from Operations	<u>676,750</u>	<u>(789,691)</u>	<u>10,000</u>	<u>(102,941)</u>
NON-OPERATING ACTIVITIES				
Investment return less amounts designated for current operations	950,697	388,410	-	1,339,107
Sale of collection items	65,339	-	-	65,339
Collections purchased	(600,000)	-	-	(600,000)
Data security incident	(411,426)	-	-	(411,426)
Total Non-Operating Activities	<u>4,610</u>	<u>388,410</u>	<u>-</u>	<u>393,020</u>
Change in Net Assets	681,360	(401,281)	10,000	290,079
NET ASSETS				
Beginning of year	<u>44,647,670</u>	<u>3,825,396</u>	<u>13,699,185</u>	<u>62,172,251</u>
End of year	<u>\$ 45,329,030</u>	<u>\$ 3,424,115</u>	<u>\$ 13,709,185</u>	<u>\$ 62,462,330</u>

See notes to financial statements

**The Newark Museum Association
(d/b/a The Newark Museum of the Art)**

**Statement of Activities
Year Ended December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose Restricted	Held in Perpetuity	
OPERATING ACTIVITIES				
Operating Revenues, Gains, and Other Support				
Governmental grants and appropriations	\$ 5,091,177	\$ -	\$ -	\$ 5,091,177
Contributions and pledges, net of refund	1,519,363	1,804,601	10,000	3,333,964
Membership and tours	740,205	-	-	740,205
Educational	296,543	-	-	296,544
Investment return designated for operations	1,745,837	667,292	-	2,413,129
Other revenue	887,390	-	-	887,392
Net assets released from restriction	<u>3,225,466</u>	<u>(3,225,466)</u>	<u>-</u>	<u>-</u>
Total Operating Revenues, Gains, and Other Support	<u>13,505,981</u>	<u>(753,573)</u>	<u>10,000</u>	<u>12,762,408</u>
Operating Expenses				
Program services	9,876,664	-	-	9,876,664
General and administrative	2,176,574	-	-	2,176,574
Fundraising and development	<u>2,927,164</u>	<u>-</u>	<u>-</u>	<u>2,927,164</u>
Total Operating Expenses	<u>14,980,402</u>	<u>-</u>	<u>-</u>	<u>14,980,402</u>
Change in Net Assets from Operations	<u>(1,474,421)</u>	<u>(753,573)</u>	<u>10,000</u>	<u>(2,217,994)</u>
NON-OPERATING ACTIVITIES				
Investment return less amounts designated for current operations	1,780,099	1,365,279	-	3,145,378
Sale of collection items	79,726	-	-	79,726
Collections purchased	<u>(74,650)</u>	<u>-</u>	<u>-</u>	<u>(74,650)</u>
Total Non-Operating Activities	<u>1,785,175</u>	<u>1,365,279</u>	<u>-</u>	<u>3,150,454</u>
Change in Net Assets	310,754	611,706	10,000	932,460
NET ASSETS				
Beginning of year	<u>44,336,916</u>	<u>3,213,690</u>	<u>13,689,185</u>	<u>61,239,791</u>
End of year	<u>\$ 44,647,670</u>	<u>\$ 3,825,396</u>	<u>\$ 13,699,185</u>	<u>\$ 62,172,251</u>

See notes to financial statements

**The Newark Museum Association
(d/b/a The Newark Museum of the Art)**

Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services				Supporting Services		Total
	Exhibitions	Education and Public Programs	Registrar and Curatorial	Total	General and Administrative	Fundraising and Development	
Salaries and wages	\$ 814,010	\$ 1,261,570	\$ 1,972,368	\$ 4,047,948	\$ 897,052	\$ 1,865,883	\$ 6,810,883
Employee benefits and taxes	456,254	456,254	735,917	1,648,425	176,592	456,254	2,281,271
Professional fees and consultants	277,258	83,010	286,574	646,842	200,548	132,336	979,726
Program supplies	41,157	26,549	77,978	145,684	28,360	53,602	227,646
Office expenses	52,533	2,627	209	55,369	49,156	6,605	111,130
Travel, conference and meetings	10,884	18,002	37,460	66,346	49,820	20,915	137,081
Marketing expenses	23,336	-	41,063	64,399	35,686	174,869	274,954
Occupancy and building maintenance	799,868	281,148	178,529	1,259,545	61,006	85,187	1,405,738
Insurance	159,706	107,236	25,661	292,603	5,630	8,320	306,553
Other general and administrative	5,000	4,750	5,938	15,688	79,399	19,340	114,427
Depreciation	825,757	254,079	127,040	1,206,876	25,408	38,112	1,270,396
Total Expenses	<u>\$ 3,465,763</u>	<u>\$ 2,495,225</u>	<u>\$ 3,488,737</u>	<u>\$ 9,449,725</u>	<u>\$ 1,608,657</u>	<u>\$ 2,861,423</u>	<u>\$ 13,919,805</u>

See notes to financial statements

**The Newark Museum Association
(d/b/a The Newark Museum of the Art)**

Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services				Supporting Services		Total
	Exhibitions	Education and Public Programs	Registrar and Curatorial	Total	General and Administrative	Fundraising and Development	
Salaries and wages	\$ 844,050	\$ 1,751,902	\$ 1,229,176	\$ 3,825,128	\$ 866,248	\$ 1,874,181	\$ 6,565,557
Employee benefits and taxes	423,389	581,933	410,668	1,415,990	226,682	410,668	2,053,340
Professional fees and consultants	253,148	232,060	192,518	677,726	283,552	91,867	1,053,145
Program supplies	143,417	111,780	68,143	323,340	26,643	29,880	379,863
Office expenses	28,404	15,820	144,718	188,942	11,817	18,576	219,335
Travel, conference and meetings	23,447	160,745	27,437	211,629	92,066	67,254	370,949
Marketing expenses	177,143	99,411	66,511	343,065	1,385	149,041	493,491
Occupancy and building maintenance	866,566	172,445	289,156	1,328,167	58,240	71,023	1,457,430
Insurance	144,041	23,281	102,434	269,756	5,167	7,623	282,546
Other general and administrative	44,274	8,816	2,752	55,842	578,730	167,985	802,557
Depreciation	846,422	130,219	260,438	1,237,079	26,044	39,066	1,302,189
Total Expenses	\$ 3,794,301	\$ 3,288,412	\$ 2,793,951	\$ 9,876,664	\$ 2,176,574	\$ 2,927,164	\$ 14,980,402

See notes to financial statements

The Newark Museum Association
(d/b/a The Newark Museum of the Art)

Statements of Cash Flows

	Year Ended	
	December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 290,079	\$ 932,460
Adjustments to reconcile change in net assets to net cash from operating activities		
Endowment funds gifts	(10,000)	(10,000)
Depreciation	1,270,396	1,302,189
Present value discount on contributions receivable	6,182	(19,881)
Realized and unrealized gain on investments	(3,610,515)	(4,666,703)
Purchase of collections	600,000	74,650
Proceeds from sale of collections	(65,339)	(79,726)
Changes in operating assets and liabilities		
Grants receivable	2,344	(57,508)
Contributions receivable	(428,667)	954,836
Prepaid expenses and other assets	563,662	(80,914)
Accounts payable and accrued expenses	78,669	434,259
Refundable advances	189,116	19,815
Net Cash from Operating Activities	(1,114,073)	(1,196,523)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(352,576)	(1,203,378)
Purchase of investments	(11,222,582)	(18,271,686)
Proceeds from sale of investments	13,617,835	17,739,604
Purchase of collections	(600,000)	(74,650)
Proceeds from sale of collections	65,339	79,726
Net Cash from Investing Activities	1,508,016	(1,730,384)
CASH FLOWS FROM FINANCING ACTIVITIES		
Endowment funds gifts received	10,000	10,000
Net Change in Cash and Cash Equivalents	403,943	(2,916,907)
CASH AND CASH EQUIVALENTS		
Beginning of year	4,570,303	7,487,210
End of year	\$ 4,974,246	\$ 4,570,303

See notes to financial statements

**The Newark Museum Association
(d/b/a The Newark Museum of the Art)**

Notes to Financial Statements
December 31, 2020 and 2019

1. The Museum

Founded in 1909, The Newark Museum Association (d/b/a The Newark Museum of the Art) (the “Museum”) is one of the most influential museums in the United States and the largest art and education institution in New Jersey. Its extensive collections, which include art from around the globe as well as significant holdings of science, technology and natural history, rank 12th in size nationally. The Museum is dedicated to artistic excellence, education and community engagement with an overarching commitment to broadening and diversifying participation in the arts.

A cultural anchor institution in Newark for over a century, the Museum advances its mission by operating in the public trust as a museum of service, and as a leader in connecting objects and ideas to the needs and wishes of its constituencies. The Museum’s renowned art collections have the power to educate, inspire and transform individuals of all ages, and the local, regional, national and international communities that it serves. In the words of founder John Cotton Dana, “a good museum attracts, entertains, arouses curiosity, leads to questioning and thus promotes learning.” The Museum responds to the evolving needs and interests of the diverse audiences it serves by providing exhibitions, programming, a research library, partnerships and resources designed to enrich people’s lives.

The Museum’s distinguished art collections are international in scope and include an Asian Art collection with the most important collection of Tibetan art in the West; one of the nation’s earliest and most comprehensive collections of African Art; a nationally and internationally recognized collection of 18th- to 21st-century American painting and sculpture; an acclaimed Decorative Arts collection; and Ancient Mediterranean collections featuring an unparalleled collection of ancient glass. The Museum’s collections reflect Dana’s belief that art can be found everywhere in the world, that the creative impulse can be expressed in any medium, and that art is for everyone.

The Museum’s collections are presented in 91 galleries housed on a seven-acre campus that encompasses the Ballantine House, a Victorian-era mansion which is a National Historic Landmark, the Dreyfuss Memorial Garden, and Horizon Plaza. The Museum also features the Dreyfuss Planetarium as well as the MakerSPACE, a dedicated maker studio and exhibition space that offers interactive, hands-on activities for visitors of all ages that integrate the arts with STEM learning.

Considered the birthplace of museum-based education, the Museum remains one of the leaders in arts education in the country. The Museum offers a wealth of on-site and off-site school programs for New Jersey students from Pre-K through 12th grade, as well as professional development training sessions for teachers, that support state curriculum standards in the arts, sciences and the humanities. In addition, the Museum serves as an educational resource for the entire community by providing varied programming for all ages that increases visitors’ engagement with works in the collections and promotes lifelong learning and creativity. Popular signature programs include: Late Thursdays, evening programming for adult audiences; Second Sundays, multicultural activities and experiences for all ages; Jazz in the Garden; the Martin Luther King Jr. Day Celebration; and the Newark Black Film Festival, which celebrated its 45th anniversary year in 2019.

**The Newark Museum Association
(d/b/a The Newark Museum of the Art)**

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), which 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. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Museum considers all liquid investments purchased with a remaining maturity of three months or less to be cash equivalents, with the exception of those money market funds which are included in investments.

Fair Value Measurements

The Museum follows US GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments Valuation and Investment Income

Investments in equity and fixed-income securities are carried at fair value, which is based on published unit values or quoted market prices. Investments in cash equivalents, consisting of money market funds, are carried at cost, which approximates fair value. Alternative investments are carried at fair value based on the Net Asset Value ("NAV") per share of the class of the Museum's investment, as determined by the investment manager. The Museum evaluates these valuations in several ways, including, but not limited to, verifying unit values or quoted market prices to published data, assessing the valuation methodologies employed by the investment manager, and, where applicable, comparing NAV to the audited financial statements. Investment receivable consists of a sale of a Museum investment pending settlement.

Income earned from net assets with donor restriction investments, including realized and unrealized gains and losses, is recorded as net assets without donor restriction or net assets with donor restriction based on donor stipulations.

**The Newark Museum Association
(d/b/a The Newark Museum of the Art)**

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Investments Risks and Uncertainties

Alternative investments consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, venture capital funds, hedge funds, private equity funds and common trust funds. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

Collections

The value of the Museum's collections has been excluded from the statements of financial position and gifts of art objects are excluded from revenue in the statements of activities. Purchases of art objects by the Museum are recorded as decreases in net assets in the statements of activities. The Museum's policy is to utilize board designated acquisition funds to acquire new objects for its collections. Proceeds from the sale of collection items are reflected as increases in net assets in the statements of activities.

Property and Equipment

The land occupied by the Museum's building was appropriated and reserved by the City of Newark for the Museum's collections, which are maintained for public exhibition, education, and research in the furtherance of public service. The land had a de minimus value and the original buildings were fully depreciated at that time. Accordingly, no value has been assigned for such land and buildings in the accompanying financial statements.

The Museum capitalizes all building improvements and other property and equipment expenditures or additions in excess of \$2,000, which are recorded at cost or, if donated, at fair value as of the date of receipt. Major renewals and betterments are capitalized. Maintenance and repairs, which do not extend the lives of the respective assets, are expensed. Depreciation is computed on a straight-line basis over the estimated useful life of the asset ranging from 7 to 25 years.

When assets are retired or disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected as an increase or decrease in net assets without donor restrictions.

**The Newark Museum Association
(d/b/a The Newark Museum of the Art)**

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Asset Recoverability

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. No impairment charge has been recognized for the years ended December 31, 2020 and 2019.

Net Asset Classifications

The Museum reports information regarding financial position and activities according to two classes of net assets: without and with donor restrictions.

Without donor restrictions - Resources that are fully available at the discretion of management and the Board of Trustees (the Board), for use in activities within the Museum's charter and mission. The Board has designated a portion of the Museum's net assets for various purposes. Board-designated net assets consist of endowments within the Museum's institutional funds that donors do not require to be held in perpetuity, proceeds from the sale of de-accessioned collections and related investment income, or asset appreciation, that have been designated by the Board for the purchase of collections and other purposes. (See Note 6)

With donor restrictions – represent amounts restricted by donors to be used for specific activities or at some future date, or which require the Museum to maintain in perpetuity, including funds that are subject to restrictions or gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Income and gains earned on endowment fund investments are available to be used in the “without donor restrictions” or “with donor restrictions” net asset classes based upon stipulations by the donors.

Governmental Grants and Appropriations

Other government grants that the Museum deems have no commensurate value being exchanged, are recognized as without or with donor restricted contributions based on the terms of the grant.

No allowance for non-collectability was required on grants receivable as of December 31, 2020 and 2019.

**The Newark Museum Association
(d/b/a The Newark Museum of the Art)**

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (*continued*)

Measure of Operations

Operations include all revenues and expenses that are an integral party of the Museum's programs and supporting activities. The measure of operations includes investment income equal to a 4% spending rate and excludes investment return in excess of, or less than, the 4% spending rate (see Notes 6 and 8), purchase and sale of Museum collection items and a data security incident.

Contributions

All unconditional contributions are recorded as revenue when received at their net realizable value. The value of contributions expected to be received in more than one year are measured based on the present value of future cash flows, with consideration given to possible variations in the amount and/or timing of the cash flows and other specific factors that would be considered by market participants. The measurement also considers donors' credit risk. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. All contributions are considered available for general use, unless specifically restricted by the donor. The Museum records contributions within its endowment fund if the donor stipulates that the resources be held in perpetuity or, as time or purpose restricted if they are received with donor stipulations that limit their use either by purpose or by the passage of time. When donor restrictions expire (i.e., when a purpose or time restriction is fulfilled), net assets with donor restrictions are reclassified to net assets without donor restricted and reported in the statements of activities as net assets released from restrictions.

Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction in receivables.

Legacies and bequests are recognized when the right to the gift has been established by the probate court and the proceeds are measurable.

Contributed Services

A substantial number of volunteers have made significant contributions of their time in support of the Museum's mission. The value of such contributed services is not recorded in the accompanying financial statements as these services do not require specialized skills and are not susceptible to objective measurement or valuation.

Membership Dues

Membership dues are assessed and recognized as revenue on a calendar year basis.

**The Newark Museum Association
(d/b/a The Newark Museum of the Art)**

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Refundable Advances

Advances received for which goods or services have yet to be provided are reported as refundable advances.

Advertising Expense

Advertising is recorded as expense in the period incurred. Advertising expense for the years ended December 31, 2020 and 2019 was \$153,080 and \$180,037.

Functional Allocation of Expenses

The financial statements report categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Program expenses include Exhibitions, Registrar and Curatorial, and Education and Public Programs. Supporting services include General and Administrative and Fundraising and Development. Expenses are allocated to the above mentioned activities based on three metrics, projects worked during the applicable fiscal year, square footage, and personnel head count.

Accounting for Uncertainty in Income Taxes

The Museum recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Museum has no uncertain tax positions that would require financial statement recognition or disclosure. The Museum is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2017.

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 24, 2021.

3. Contributions Receivable

Contributions receivable consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Due less than one year	\$ 537,873	\$ 214,998
Due between one year and five years	<u>333,334</u>	<u>204,542</u>
Total	871,207	419,540
Less: Allowance for uncollectible accounts	(44,000)	(21,000)
Discount for present value at 5%	<u>(16,000)</u>	<u>(9,818)</u>
	<u>\$ 811,207</u>	<u>\$ 388,722</u>

**The Newark Museum Association
(d/b/a The Newark Museum of the Art)**

Notes to Financial Statements
December 31, 2020 and 2019

4. Fair Value Measurements

The following table provides the fair value hierarchy of the Museum's investments as of December 31:

	2020		
	Level 1	Level 2	Total
Equities			
US Large Cap	\$ 8,844,071	\$ -	\$ 8,844,071
US Mid Cap	4,755,604	-	4,755,604
US Small Cap	4,607,267	-	4,607,267
International Developed	5,020,326	-	5,020,326
Emerging Markets	1,814,642	-	1,814,642
Commodities	912,182	-	912,182
Fixed income securities	-	10,273,208	10,273,208
Hedge funds	5,273,225	-	5,273,225
Total Investments Measured at Fair Value	<u>\$ 31,227,317</u>	<u>\$ 10,273,208</u>	41,500,525
Money market funds, at cost			1,455,206
Total Investments			<u>\$ 42,955,731</u>
	2019		
	Level 1	Level 2	Total
Equities			
US Large Cap	\$ 9,085,904	\$ -	\$ 9,085,904
US Mid Cap	4,138,730	-	4,138,730
US Small Cap	3,319,541	-	3,319,541
International Developed	3,764,202	-	3,764,202
Emerging Markets	1,905,271	-	1,905,271
Commodities	1,452,846	-	1,452,846
Fixed income securities	-	8,790,464	8,790,464
Hedge funds	4,874,132	-	4,874,132
Total Investments Measured at Fair Value	<u>\$ 28,540,626</u>	<u>\$ 8,790,464</u>	37,331,090
Money market funds, at cost			4,409,379
Total Investments			<u>\$ 41,740,469</u>

**The Newark Museum Association
(d/b/a The Newark Museum of the Art)**

Notes to Financial Statements
December 31, 2020 and 2019

5. Property and Equipment

Property and equipment consisted of the following at December 31:

	2020	2019
Building improvements	\$ 60,220,237	\$ 60,123,929
Furniture, fixtures and equipment	3,119,061	3,077,892
Information technology	855,596	682,176
	64,194,894	63,883,997
Less: Accumulated depreciation	(49,690,958)	(48,420,562)
	14,503,936	15,463,435
Construction in progress	269,897	228,218
	\$ 14,773,833	\$ 15,691,653

6. Net Assets without Donor Restrictions

As of December 31, 2020 and 2019, net assets without donor restrictions consisted of the following:

	2020	2019
Undesignated - operations	\$ 18,128,812	\$ 17,871,382
Board Designated:		
Endowment funds	3,679,035	5,414,910
Deaccession funds	21,291,533	19,336,463
Purpose restricted	2,229,650	2,024,915
	\$ 45,329,030	\$ 44,647,670

Included in board-designated net assets is art acquisition funds, which include proceeds from the sale of de-accessioned collections and related investment income, or asset appreciation (collectively "Deaccession Funds"). The amounts of Deaccession Fund included in the Board-designated net assets were \$21,291,533 and \$19,336,463, as of December 31, 2020 and 2019. Under the guideline by Association of Art Museum Directors ("AAMD"), the Deaccession Funds can only be used for the purchase of collections as allowed by the AAMD. In April 2020, AAMD approved a resolution to provide additional financial flexibility to art museums during the pandemic. During this period, AAMD is allowing for use of deaccession funds to pay for expenses associated with the direct care of collections ("collections care"). Additionally, AAMD is allowing investment income generated from deaccession funds, using the board approved allowable draw percentage, to cover operating expenses. The resolution expires on April 10, 2022. For the year ended December 31, 2020, \$97,060 and \$763,101 of deaccession funds were used for collections care and operating expenses, respectively.

**The Newark Museum Association
(d/b/a The Newark Museum of the Art)**

Notes to Financial Statements
December 31, 2020 and 2019

6. Net Assets without Donor Restrictions (continued)

Additionally, some Board designated net assets have specific internally-imposed purpose restrictions which were \$2,229,650 and \$2,024,915, as of December 31, 2020 and 2019.

7. Net Assets with Donor Restrictions

Net assets with time or purpose restrictions at December 31 are restricted for the following purposes:

	2020	2019
Capital projects	\$ 820,025	\$ 1,414,255
Exhibitions	39,600	-
Education and other program services	499,285	734,346
Operating, trustees' room and gallery maintenance	<u>2,065,205</u>	<u>1,676,795</u>
	<u>\$ 3,424,115</u>	<u>\$ 3,825,396</u>

Net assets were released from donor restrictions (by incurring expenses satisfying the restrictions) as follows for the years ended December 31:

	2020	2019
Capital projects	\$ 1,594,230	\$ 875,463
Exhibitions	30,650	314,090
Education and other program services	1,092,367	1,368,621
Operating, trustees' room and gallery maintenance	<u>1,167,911</u>	<u>667,292</u>
	<u>\$ 3,885,158</u>	<u>\$ 3,225,466</u>

Endowment fund net assets, classified by purpose for which the income thereon is available for use, are as follows at December 31:

	2020	2019
Education and other program services	\$ 8,870,338	\$ 8,870,338
Operating, trustees' room and gallery maintenance	4,738,847	4,728,847
Art acquisition	<u>100,000</u>	<u>100,000</u>
	<u>\$ 13,709,185</u>	<u>\$ 13,699,185</u>

**The Newark Museum Association
(d/b/a The Newark Museum of the Art)**

Notes to Financial Statements
December 31, 2020 and 2019

7. Net Assets with Donor Restrictions (*continued*)

Accumulated income and appreciation of assets underlying investments held in perpetuity that have not yet been appropriated by the Board for expenditure amounted to \$2,147,757 and \$1,759,347 as of December 31, 2020 and 2019, and are included within time and purpose restricted net assets.

Endowment fund net assets include cumulative matching contributions from the New Jersey Cultural Trust that totaled \$1,014,622 at December 31, 2020 and 2019. A cumulative total of as of December 31, 2020 and 2019 of \$5,138,115 of the Museum's contributions represents donations which have been certified by the New Jersey Cultural Trust. Endowment fund net assets also include cumulative contributions from the National Endowment for the Humanities that totaled \$125,000 as of December 31, 2020 and 2019.

8. Endowments

The Museum's endowment consists of approximately 100 individual funds established for various purposes. The endowment includes both donor-restricted endowment funds as well as funds designated by the Board to function as endowments. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of the Museum has interpreted the State of New Jersey Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as endowment fund net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) 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. The remaining portion of the donor-restricted endowment fund that is not classified in endowment fund net assets is classified as time or purpose restricted net assets until those amounts are appropriated for expenditure by the Museum's Board in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, 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.

**The Newark Museum Association
(d/b/a The Newark Museum of the Art)**

Notes to Financial Statements
December 31, 2020 and 2019

8. Endowments (continued)

Return Objectives and Risk Parameters

The primary objective of the Museum's investment and spending strategies is to provide a stable stream of funds to support its operations while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of the donor-restricted funds that the Museum must hold in perpetuity or for donor-specific periods as well as Board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested and diversified with a goal of producing an annual real return of approximately 6%, net of inflation, and investment management costs. Actual returns in any given year may vary from this amount.

In 2019, the Museum updated its Investment Policy. The Museum designated its spending policy for Endowment Funds as up to 4% annually, calculated using the prior 12-quarter average of the investment portfolio's market value.

During 2020, in response to the COVID-19 pandemic (Note 13) financial uncertainty, the Board of Trustees has increased the spending rate from the endowment to 8% for 2021 (see Note 9). This increase may remain in place for years past 2021, pending board approval. This increase, paired with the AAMD deaccession allowances (Note 6), significantly increases the projected draw from the endowment for operating purposes in 2021.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Museum to retain as a fund of perpetual duration. There were no deficiencies as of December 31, 2020 and 2019.

The following table summarizes the changes in the endowment funds in 2020 and 2019:

	2020			Total
	Board Designated	Time or Purpose Restricted	Held in Perpetuity	
Endowment net assets, beginning of year	\$ 26,776,288	\$ 1,759,347	\$ 13,699,185	\$ 42,234,820
Contributions received	65,339	-	10,000	75,339
Investment return	2,698,178	1,556,321	-	4,254,499
Release from restrictions	1,167,911	(1,167,911)	-	-
Transfer of board-designated assets to operating fund	(1,668,740)	-	-	(1,668,740)
Appropriation for operating activities	(1,767,911)	-	-	(1,767,911)
Other adjustments	(70,847)	-	-	(70,847)
Endowment net assets, end of year	<u>\$ 27,200,218</u>	<u>\$ 2,147,757</u>	<u>\$ 13,709,185</u>	<u>\$ 43,057,160</u>

**The Newark Museum Association
(d/b/a The Newark Museum of the Art)**

Notes to Financial Statements
December 31, 2020 and 2019

8. Endowments (continued)

	2019			
	Board Designated	Time or Purpose Restricted	Held in Perpetuity	Total
Endowment net assets, beginning of year	\$ 24,334,936	\$ 394,066	\$ 13,689,185	\$ 38,418,187
Contributions received	79,726	-	10,000	89,726
Investment return	3,516,658	2,032,573	-	5,549,231
Release from restrictions	667,292	(667,292)	-	-
Transfer of Board-designated assets to operating fund	(1,003,895)	-	-	(1,003,895)
Appropriation for operating activities	(741,942)	-	-	(741,942)
Other adjustments	(76,487)	-	-	(76,487)
Endowment net assets, end of year	<u>\$ 26,776,288</u>	<u>\$ 1,759,347</u>	<u>\$ 13,699,185</u>	<u>\$ 42,234,820</u>

The Museum's endowment consisted of the following at December 31:

	2020	2019
Cash and cash equivalents	\$ 91,150	\$ 473,181
Investments	42,955,731	41,740,469
Accrued interest	10,279	21,170
	<u>\$ 43,057,160</u>	<u>\$ 42,234,820</u>

In 2017, the Museum's Board of Trustees voted and approved an internal loan of \$3,656,853 to finance the Washington Street Entry and Accessibly Project (the "Project"). The project consists of Americans with Disabilities Act ("ADA") compliance for the front doors of the main building of the Museum, and major improvements to additional galleries. These funds were removed from the endowment. The Project was completed in 2018. As of December 31, 2020 and 2019, the outstanding principal to the endowment is \$2,109,245. The Museum is paying interest on the unpaid balance at the federal mid-term rate of 1.58% (the rate as of April 2017) to be compounded annually for the 9 years of the loan. This amount can be paid over time or as a single balloon payment on April 1, 2026.

9. Liquidity and Available Resources

The following reflect the Museum's financial assets and available resources as of December 31, reduced by amounts not available for general use within one year of that date because of contractual or donor-imposed restrictions or internal designations. Amounts available include the Board-approved appropriations from the endowment fund for the following year. Amounts not available include amounts set aside for operating and other revenues that could be drawn upon with Board approval.

**The Newark Museum Association
(d/b/a The Newark Museum of the Art)**

Notes to Financial Statements
December 31, 2020 and 2019

9. Liquidity and Available Resources (continued)

	2020	2019
Financial Assets:		
Cash and cash equivalents	\$ 4,974,246	\$ 4,570,303
Grants receivable	559,213	561,557
Contributions receivable, net	811,207	388,722
Investments	42,955,731	41,740,469
Total Financial Assets	49,300,397	47,261,051
Less: Contractual, donor or internally restricted amounts		
Contributions receivable, net - Due in future years	273,334	173,724
Restricted by donor with time or purpose restrictions	1,003,024	1,892,325
Endowment funds:		
Board designated reserve fund	27,200,218	26,776,288
Donor restricted endowment funds	15,856,942	15,458,532
Financial assets available within one year	44,333,518	44,300,869
Add: Endowment fund appropriation for following year (Notes 6 and 8)	2,710,089	653,084
Financial assets available within one year including endowment fund appropriation	7,676,968	2,960,182
Liquidity Resources		
Line of credit available	2,000,000	2,000,000
Total financial assets and liquidity resources	\$ 9,676,968	\$ 4,960,182

The Museum's endowment funds consist of funds designated by the Board as endowments and donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes. As part of the Museum's liquidity management, the Museum strives to maintain funds in accessible accounts to cover operating expenses.

As discussed further in Note 13, the Museum is temporarily closed to the public due to the spread of the COVID-19 virus. Although the impact on the Museum cannot be reasonably estimated at this point, this will have an impact on the Museum's liquidity and availability of resources to meet general expenditures in the next twelve months. In the event of an unanticipated liquidity need, the Museum could draw upon its line of credit (as further discussed in Note 11) or available income on board designated endowment funds, as allowable. The Museum's board-designated endowment of \$27,200,218 is subject to the board approved annual spending rate as described in Note 8. The Museum does not intend to spend from the board-designated endowment, other than amounts appropriated for general expenditure as part of the annual budget approval and appropriation.

**The Newark Museum Association
(d/b/a The Newark Museum of the Art)**

Notes to Financial Statements
December 31, 2020 and 2019

10. Retirement Plans

The Museum is a participant in the multi-employer benefit plans (collectively, the Plans) administered by The Cultural Institutions Retirement System (“CIRS”). Due to negotiations in 2016 that included the approval of the Cultural Institution and Day Care Council Management Group, the three unions involved in the Bargaining (District Council 37, District Council 1707 and the Council of Supervisors and Administrators), and the City of New York, a new Collective Bargaining Agreement (“CBA”) was reached. The five-year CBA covers the period from July 1, 2015 to June 30, 2020. Changes to the Pension and 401(k) Savings Plans were deemed effective July 1, 2015 and affected all CIRS Members (whether or not covered by a collective bargaining agreement) as described below in each section.

The risk of participating in a multi-employer plan is different from a single-employer plan in the following aspects:

- a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If an employer chooses to stop participating in some of its multi-employer plans, the employer may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Pension Plan

The Museum participates in The Cultural Institutions Pension Plan (“Pension Plan”), a multi-employer defined benefit plan funded by the participating employers for the fiscal years ended June 30, 2020 and 2019. To be eligible under the Pension Plan, employees must be over 21 years of age and be employed for a period of one year. Participants become 100% vested after five years of service. There are no partial vesting provisions.

CIRS is responsible for administering all aspects of the Pension Plan, including investments of the Pension Plan assets. The fiscal year of the Pension Plan is from July 1 to June 30.

The Museum’s participation for the Pension Plan’s fiscal years ended June 30, 2020 and 2019 is outlined in the table below:

Pension Fund	EIN/Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	The Museum Contributions		Surcharge Imposed	Collective Bargaining Agreement Exp. Date
		2020	2019		2020	2019		
The Cultural Institutions Pension Plan	11-2001170 001	Green	Green	N/A	\$ 589,944	\$ 609,520	No	6/30/2020*

* Under negotiation

The zone status is based on information that the Museum received from the plan and is certified by the Pension Plan’s actuary. Green zone status are for plans that are at least 80% funded. The Museum’s contributions to the Pension Plan did not exceed 5% of the plan’s total contributions for the years ended June 30, 2020 and 2019.

**The Newark Museum Association
(d/b/a The Newark Museum of the Art)**

Notes to Financial Statements
December 31, 2020 and 2019

10. Retirement Plans (continued)

Savings Plan

The Museum also participates in The Cultural Institutions Savings Plan (Savings Plan), a CIRS administered Section 401(k) defined contribution plan. Under the Savings Plan, employees make contributions and direct the investment of their funds based on the investment options offered.

CIRS is responsible for administering all aspects of the Savings Plan, including the selection of investment providers.

Group Life and Welfare Plan

The Museum also participates in The Cultural Institutions Group Life and Welfare Plan ("Group Life and Welfare Plan"), a plan administered by CIRS. Participating employers pay the premiums and costs for administration of the Group Life and Welfare Plan. To be eligible under the Group Life and Welfare Plan, full time employees are eligible for life insurance following three months of employment. The premiums provide a death benefit payable by the insurance carrier to designated beneficiaries upon the death of a member. Coverage is determined by the member's basic annual salary and years of service. The benefit is 200% of salary for members with 10 or more years of service and 100% of salary for members with less than 10 years of service. Coverage is subject to a maximum of \$500,000. At ages 70, 75, and 79, a member's amount of insurance is reduced.

The Museum's total contributions to the Plans for the years ended December 31, 2020 and 2019 totaled \$704,977 and \$646,811, which consisted of \$612,596 and \$558,937 for the Pension Plan, \$12,886 and \$12,845 for Group Life and Welfare Plan, and \$79,495 and \$75,029 for plan administration.

11. Commitments and Contingencies

Line of Credit

The Museum has a line of credit available in the amount of \$2,000,000, through February 2022. Borrowings under the line of credit are available in the form of advances and will bear interest at a per annum rate equal to the daily LIBOR rate plus 1.75%.

As of and for the years ended December 31, 2020 and 2019 the Museum did not have any borrowings against the line of credit agreement.

**The Newark Museum Association
(d/b/a The Newark Museum of the Art)**

Notes to Financial Statements
December 31, 2020 and 2019

11. Commitments and Contingencies (continued)

Leases

Annual minimum future rental payments on equipment under non-cancelable operating leases as of December 31, 2020 are as follows for the years ending December 31:

2021	\$ 18,060
2022	18,060
2023	18,060
2024	18,060
2025	9,030
Total	<u>\$ 81,270</u>

Total rent expense amounted to \$51,560 and \$66,407 in 2020 and 2019.

Data Security Incident

During 2020, the Museum recorded a \$411,426 loss from a data security incident caused by a compromised email account. The incident was committed through spoofing by external cyber criminals. Upon discovery, the Museum took immediate recovery and remediation actions, working with cyber security experts and law enforcement officials, including the FBI. Financial and cyber security internal controls were re-evaluated and additional controls were implemented for heightened and improved security. The incident is recorded as data security incident in the accompanying 2020 statement of activities. The operating expenses, including grant funded expenditures were not affected by the incident. The Museum continues to work with law enforcement officials to recover additional funds. After the Museum exhausts all options, the Museum intends to seek the appropriate insurance recovery and will recognize such recoveries in the financial statements when it is probable of receipt. The maximum insurance recovery the Museum can seek is \$250,000 which is not reflected in the current year financial statements.

12. Paycheck Protection Program

On April 15, 2020, the Museum received loan proceeds in the amount of \$1,458,200 under the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity.

On December 22, 2020 the Museum received confirmation from the Small Business Administration ("SBA") that the loan had been forgiven in full. The forgiven amount is included within the accompanying 2020 statement of activities.

**The Newark Museum Association
(d/b/a The Newark Museum of the Art)**

Notes to Financial Statements
December 31, 2020 and 2019

13. COVID-19

On March 14, 2020, the Museum was temporarily closed to the public. This was done in response to guidance provided by state and local governments regarding large public gatherings and as a precautionary measure to limit opportunities for the spread of the COVID-19 virus.

At the time these financial statements were issued, the Museum has plans to open to the public in the second quarter of 2021 with a limited capacity. The Museum plans to operate at a limited capacity for remainder of the year.

COVID-19 will continue to adversely affect the Museum's financial position and operating results in 2021 and beyond. With significant uncertainty and negative economic impact, the Museum may experience further decline in future contributions, government funding and the possibility of re-evaluating the collectability of its current receivable balances.

In addition, the COVID-19 pandemic has resulted in substantial volatility in the global financial markets. As a result, the Museum's investment portfolio has incurred fluctuations in its fair value since December 31, 2020. Because the value of the Museum's individual investments has and will fluctuate in response to changing market conditions, the amount of losses, if any, that will be recognized in subsequent periods cannot be determined.

14. Concentrations of Credit and Market Risks

Financial instruments, which potentially subject the Museum to concentrations of credit and market risk, primarily include cash and cash equivalents, and investments, which are carried at fair value. During the year, the cash balances in these institutions exceeded the Federal Deposit Insurance Corporation insurance level. Generally, these deposits may be redeemed upon demand, therefore, bear minimal risk. The Museum places its investments in equity and debt securities at the direction of its Board, while it monitors the credit risks associated with these institutions on an ongoing basis.

Grants receivable are due from governmental funding agencies and contributions receivable are primarily with foundations, corporations and individuals.

A concentration of credit risk existed with respect to grants receivable and contributions receivable as 99% of amounts receivable are from four donors as of December 31, 2020 and 95% from two donors as of December 31, 2019. Approximately 71% and 79% of the Museum's governmental grants and appropriation revenue was received from one governmental agency in 2020 and 2019.

**The Newark Museum Association
(d/b/a The Newark Museum of the Art)**

Notes to Financial Statements
December 31, 2020 and 2019

15. Museum Parc Project

In collaboration with L&M Development Partners, Inc. (“L&M”), the Museum and L&M will modernize and reactivate the Museum vicinity (“Project”). The Project will integrate, in two phases, the Museum with residential, retail and office components, together with parks and open space. It will be complementary to and for the enhancement of the mission of the Museum for the development of the arts, culture, and education. On December 16, 2020, L&M, through its wholly owned subsidiary, and the Museum signed a Purchase and Sale Agreement (“PSA”) for phase one of the Project. The PSA will allow L&M to purchase a certain parcel of property, subject to certain conditions and restrictions, for a value no less than \$7 million. The PSA expires on December 31, 2022. Upon consummation of sale of the property, the Museum will enter into a ground lease with L&M, for the common areas of the Project, for \$50,000 a year, for a term of ninety-eight (98) years.

16. Subsequent Event

Due to a more rigorous Collections Management Policy adopted for use in 2021, the Museum established a more robust deaccession plan. On March 15, 2021, the Museum announced that it will commence with this robust deaccession, mainly through auction.

* * * * *