

Financial Statements

**FORT WAYNE MUSEUM OF ART, INC.**

*Years ended June 30, 2021 and 2020  
with Independent Auditor's Report*

Fort Wayne Museum of Art, Inc.

Financial Statements

Years ended June 30, 2021 and 2020

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## Independent Auditor's Report

The Board of Trustees  
Fort Wayne Museum of Art, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Fort Wayne Museum of Art, Inc. which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, 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.

### **Auditor's 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 auditor's 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.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fort Wayne Museum of Art, Inc. as of June 30, 2021 and 2020, 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.

*Haines, Asenbarger & Skiba, LLC*

Fort Wayne, Indiana  
October 7, 2021

Fort Wayne Museum of Art, Inc.

Statements of Financial Position

	June 30	
	2021	2020
<b>Assets</b>		
Cash and cash equivalents—operating	\$ 1,030,628	\$ 726,144
Cash and cash equivalents—endowment	82,387	111,721
Cash and cash equivalents—collections	34,603	59,784
Cash and cash equivalents—plant fund	-	-
	<u>1,147,618</u>	<u>897,649</u>
Certificates of deposit—operating	92,803	92,438
Accounts receivable	9,252	24,021
Pledges receivable	242,500	185,000
Accrued investment income receivable	6,413	7,220
Inventories	22,628	18,118
Prepaid expenses	77,801	84,482
Investments	7,352,995	6,443,981
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	260,890	197,348
Building and equipment:		
Building and improvements	8,316,488	8,261,354
Vehicles	17,500	17,500
Furnishings and equipment	1,057,095	1,024,215
Construction in progress	5,287	-
	<u>9,396,370</u>	<u>9,303,069</u>
Less accumulated depreciation	4,740,491	4,531,333
	<u>4,655,879</u>	<u>4,771,736</u>
Other assets	-	29,950
Collections ( <i>Note 1</i> )	-	-
Total assets	<u>\$ 13,868,779</u>	<u>\$ 12,751,943</u>
<b>Liabilities and net assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 126,949	\$ 106,038
Deferred revenue	38,878	110,604
Refundable advance	217,475	219,932
Art collection purchase liability	30,200	40,200
Total liabilities	<u>413,502</u>	<u>476,774</u>
Net assets:		
Without donor restrictions	9,545,825	8,110,464
With donor restrictions	3,909,452	4,164,905
Total net assets	<u>13,455,277</u>	<u>12,275,369</u>
Total liabilities and net assets	<u>\$ 13,868,779</u>	<u>\$ 12,752,143</u>

See accompanying notes.

Fort Wayne Museum of Art, Inc.

Statements of Activities and Changes in Net Assets

	Year ended June 30					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support, revenues, and gains</b>						
Individual memberships and support	\$ 313,717	\$ 18,134	\$ 331,851	\$ 259,334	\$ 8,100	\$ 267,434
Corporate memberships and support	41,700	21,500	63,200	47,010	24,000	71,010
Government support	510,961	5,000	515,961	236,543	5,000	241,543
Foundation support	193,023	412,500	605,523	181,242	355,472	536,714
Arts United grants	192,743	64,994	257,737	105,084	-	105,084
Fundraising	201,675	-	201,675	360,613	-	360,613
Earned and other income	116,142	-	116,142	132,693	-	132,693
Contributed goods and services	25,692	-	25,692	21,840	-	21,840
Net investment return	1,598,639	32,277	1,630,916	207,838	4,145	211,983
	<u>3,194,292</u>	<u>554,405</u>	<u>3,748,697</u>	<u>1,552,197</u>	<u>396,717</u>	<u>1,948,914</u>
Net assets released from restrictions used for operations	486,102	(486,102)	-	570,559	(570,559)	-
Total support, revenues, and gains	<u>3,680,394</u>	<u>68,303</u>	<u>3,748,697</u>	<u>2,122,756</u>	<u>(173,842)</u>	<u>1,948,914</u>
<b>Expenses</b>						
Curatorial	622,630	-	622,630	659,105	-	659,105
Education	172,918	-	172,918	186,062	-	186,062
Paradigm Gallery	120,699	-	120,699	124,029	-	124,029
Marketing	90,109	-	90,109	90,642	-	90,642
Facility	356,477	-	356,477	348,704	-	348,704
Total program expenses	<u>1,362,833</u>	<u>-</u>	<u>1,362,833</u>	<u>1,408,542</u>	<u>-</u>	<u>1,408,542</u>
Management and general	597,242	-	597,242	617,302	-	617,302
Fundraising	108,505	-	108,505	172,767	-	172,767
Development	176,453	-	176,453	181,450	-	181,450
Total supporting services	<u>882,200</u>	<u>-</u>	<u>882,200</u>	<u>971,519</u>	<u>-</u>	<u>971,519</u>
Total expenses	<u>2,245,033</u>	<u>-</u>	<u>2,245,033</u>	<u>2,380,061</u>	<u>-</u>	<u>2,380,061</u>
Change in net assets before other changes	1,435,361	68,303	1,503,664	(257,305)	(173,842)	(431,147)
<b>Other changes in net assets</b>						
Net assets released from restrictions—used for collection items purchased	323,756	(323,756)	-	165,587	(165,587)	-
Collection items purchased	(323,756)	-	(323,756)	(165,587)	-	(165,587)
<b>Increase (decrease) in net assets</b>	<u>1,435,361</u>	<u>(255,453)</u>	<u>1,179,908</u>	<u>(257,305)</u>	<u>(339,429)</u>	<u>(596,734)</u>
Net assets at beginning of year	8,110,464	4,164,905	12,275,369	8,367,769	4,504,334	12,872,103
Net assets at end of year	<u>\$ 9,545,825</u>	<u>\$ 3,909,452</u>	<u>\$ 13,455,277</u>	<u>\$ 8,110,464</u>	<u>\$ 4,164,905</u>	<u>\$ 12,275,369</u>

See accompanying notes.

Fort Wayne Museum of Art, Inc.

Statement of Functional Expenses

Year ended June 30, 2021

	Program Services					Total Program Expenses	Supporting Services			Total Supporting Expenses	Total Expenses
	Curatorial	Education	Paradigm Gallery	Marketing	Facility		Management and General	Fundraising	Development		
<b>Salaries, wages, and related expenses</b>											
Salaries and wages	\$ 235,371	\$ 75,776	\$ 69,047	\$ 40,500	\$ 163,816	\$ 584,510	\$ 407,042	\$ 45,000	\$ 128,000	\$ 580,042	\$ 1,164,552
Payroll taxes	17,349	5,908	5,225	3,068	12,535	44,085	27,734	3,429	9,724	40,887	84,972
Employment benefits	29,519	20,272	6,381	7,261	15,959	79,392	45,218	4,083	17,880	67,181	146,573
Total salaries, wages, and related expenses	<u>282,239</u>	<u>101,956</u>	<u>80,653</u>	<u>50,829</u>	<u>192,310</u>	<u>707,987</u>	<u>479,994</u>	<u>52,512</u>	<u>155,604</u>	<u>688,110</u>	<u>1,396,097</u>
<b>Other expenses</b>											
Advertising and promotion	9,646	6,028	1,205	2,412	-	19,291	2,412	1,206	1,205	4,823	24,114
Bank and merchant fees	-	-	-	-	-	-	14,123	-	-	14,123	14,123
Collection items purchased	323,756	-	-	-	-	323,756	-	-	-	-	323,756
Collections conservation	11,310	-	-	-	-	11,310	-	-	-	-	11,310
Conference and travel	-	487	-	-	-	487	-	-	-	-	487
Contributed goods and services	-	-	-	2,560	23,132	25,692	-	-	-	-	25,692
Cost of goods sold—Paradigm Gallery	-	-	65,949	-	-	65,949	-	-	-	-	65,949
Depreciation	56,568	4,183	24,053	12,131	30,118	127,053	54,288	20,497	7,320	82,105	209,158
Dues and subscriptions	2,091	1,307	261	523	-	4,182	524	261	261	1,046	5,228
Equipment leasing	6,483	4,054	810	1,621	810	13,778	810	810	810	2,430	16,208
Fundraising	-	-	-	-	-	-	-	9,464	-	9,464	9,464
Insurance	9,415	5,334	1,067	2,134	8,536	26,486	2,134	1,067	1,067	4,268	30,754
Legal fees	-	-	-	-	-	-	38	-	-	38	38
Postage	2,403	1,503	300	601	-	4,807	601	300	300	1,201	6,008
Printing and design	8,013	5,007	1,005	2,002	-	16,027	2,001	4,040	1,004	7,045	23,072
Production and exhibition costs	187,106	13,463	-	-	-	200,569	-	-	-	-	200,569
Professional fees	-	-	-	-	-	-	15,850	9,000	-	24,850	24,850
Program supplies	3,738	2,336	467	934	-	7,475	467	934	468	1,869	9,344
Repairs and maintenance	-	-	-	-	101,571	101,571	-	-	-	-	101,571
Staff/Board development	855	534	107	214	-	1,710	213	107	107	427	2,137
Supplies	-	-	5,426	3,456	-	8,882	13,095	2,962	2,962	19,019	27,901
Telephone and internet	1,957	1,223	244	490	-	3,914	490	244	244	978	4,892
Utilities	40,806	25,503	5,101	10,202	-	81,612	10,202	5,101	5,101	20,404	102,016
Total other expenses	<u>664,147</u>	<u>70,962</u>	<u>105,995</u>	<u>39,280</u>	<u>164,167</u>	<u>1,044,551</u>	<u>117,248</u>	<u>55,993</u>	<u>20,849</u>	<u>194,090</u>	<u>1,238,641</u>
Total expenses	<u>946,386</u>	<u>172,918</u>	<u>186,648</u>	<u>90,109</u>	<u>356,477</u>	<u>1,752,538</u>	<u>597,242</u>	<u>108,505</u>	<u>176,453</u>	<u>882,200</u>	<u>2,634,738</u>
Less cost of goods sold—											
Paradigm Gallery included in earned income	-	-	(65,949)	-	-	(65,949)	-	-	-	-	(65,949)
Less collection items purchased	(323,756)	-	-	-	-	(323,756)	-	-	-	-	(323,756)
Total expenses reflected on the statements of activities and changes in net assets	<u>\$ 622,630</u>	<u>\$ 172,918</u>	<u>\$ 120,699</u>	<u>\$ 90,109</u>	<u>\$ 356,477</u>	<u>\$ 1,362,833</u>	<u>\$ 597,242</u>	<u>\$ 108,505</u>	<u>\$ 176,453</u>	<u>\$ 882,200</u>	<u>\$ 2,245,033</u>

See accompanying notes.

Fort Wayne Museum of Art, Inc.

Statement of Functional Expenses

Year ended June 30, 2020

	Program Services					Total Program Expenses	Supporting Services				Total Expenses
	Curatorial	Education	Paradigm Gallery	Marketing	Facility		Management and General	Fundraising	Development	Total Supporting Expenses	
<b>Salaries, wages, and related expenses</b>											
Salaries and wages	\$ 221,833	\$ 74,944	\$ 68,901	\$ 39,500	\$ 160,847	\$ 566,025	\$ 419,101	\$ 42,807	\$ 132,085	\$ 593,993	\$ 1,160,018
Payroll taxes	16,590	5,799	5,189	2,982	12,026	42,586	27,456	3,261	9,443	40,160	82,746
Employment benefits	26,331	18,679	6,074	6,728	15,014	72,826	39,706	3,727	17,007	60,440	133,266
Total salaries, wages, and related expenses	264,754	99,422	80,164	49,210	187,887	681,437	486,263	49,795	158,535	694,593	1,376,030
<b>Other expenses</b>											
Advertising and promotion	15,762	9,851	1,970	3,940	-	31,523	3,940	1,970	1,970	7,880	39,403
Bank and merchant fees	-	-	-	-	-	-	18,779	-	-	18,779	18,779
Collection items purchased	165,587	-	-	-	-	165,587	-	-	-	-	165,587
Collections conservation	48,491	-	-	-	-	48,491	-	-	-	-	48,491
Conference and travel	4,482	471	214	428	-	5,595	1,030	214	214	1,458	7,053
Contributed goods and services	-	-	-	-	21,840	21,840	-	-	-	-	21,840
Cost of goods sold—Paradigm Gallery	-	-	80,054	-	-	80,054	-	-	-	-	80,054
Depreciation	65,847	4,869	27,999	14,121	35,058	147,894	63,194	23,859	8,521	95,574	243,468
Dues and subscriptions	2,242	1,402	280	562	-	4,486	562	280	280	1,122	5,608
Equipment leasing	6,869	4,293	859	1,717	859	14,597	858	858	859	2,575	17,172
Fundraising	-	-	-	-	-	-	-	70,072	-	70,072	70,072
Insurance	10,234	5,950	1,190	2,379	9,520	29,273	2,379	1,191	1,190	4,760	34,033
Legal fees	-	-	-	-	-	-	1,448	-	-	1,448	1,448
Postage	2,136	1,334	267	534	-	4,271	534	267	267	1,068	5,339
Printing and design	10,217	6,386	1,277	2,554	-	20,434	2,554	5,151	1,278	8,983	29,417
Production and exhibition costs	175,571	19,260	-	-	-	194,831	-	-	-	-	194,831
Professional fees	-	-	-	-	-	-	16,190	9,380	-	25,570	25,570
Program supplies	11,157	6,973	1,394	2,789	-	22,313	1,395	2,789	1,395	5,579	27,892
Repairs and maintenance	-	-	-	-	93,540	93,540	-	-	-	-	93,540
Staff/Board development	1,402	877	175	351	-	2,805	351	175	175	701	3,506
Supplies	-	-	3,246	2,068	-	5,314	7,835	1,772	1,772	11,379	16,693
Telephone and internet	1,998	1,261	252	504	-	4,015	505	252	252	1,009	5,024
Utilities	37,943	23,713	4,742	9,485	-	75,883	9,485	4,742	4,742	18,969	94,852
Total other expenses	559,938	86,640	123,919	41,432	160,817	972,746	131,039	122,972	22,915	276,926	1,249,672
Total expenses	824,692	186,062	204,083	90,642	348,704	1,654,183	617,302	172,767	181,450	971,519	2,625,702
Less cost of goods sold—											
Paradigm Gallery included in earned income	-	-	(80,054)	-	-	(80,054)	-	-	-	-	(80,054)
Less collection items purchased	(165,587)	-	-	-	-	(165,587)	-	-	-	-	(165,587)
Total expenses reflected on the statements of activities and changes in net assets	\$ 659,105	\$ 186,062	\$ 124,029	\$ 90,642	\$ 348,704	\$ 1,408,542	\$ 617,302	\$ 172,767	\$ 181,450	\$ 971,519	\$ 2,380,061

See accompanying notes.



Fort Wayne Museum of Art, Inc.

Statements of Cash Flows

	<b>Year ended June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Operating activities</b>		
Increase (decrease) in net assets	\$ 1,179,908	\$ (596,734)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	209,158	243,468
Net realized and unrealized gain on investments	(1,489,790)	(55,508)
Noncash gifts received	(59,612)	(23,655)
Changes in operating assets and liabilities:		
Accounts receivables	14,769	81,058
Pledges receivable	(57,500)	(85,000)
Accrued investment income receivable	807	3,826
Inventories	(4,510)	(932)
Prepaid expenses	6,681	17,035
Other assets	29,950	(1,943)
Accounts payable and accrued expenses	20,911	7,798
Deferred revenue	(71,726)	70,279
Refundable advance	(2,457)	219,932
Art collection purchase liability	(10,000)	(10,000)
Net cash used in operating activities	(233,411)	(130,376)
<b>Investing activities</b>		
Purchase of investments	(2,686,915)	(1,592,013)
Proceeds from sale and maturities of investments	3,263,761	2,064,601
Net change in certificates of deposit	(365)	(50,880)
Purchase of building and equipment	(93,101)	(132,918)
Net cash provided by investing activities	483,380	288,790
Increase in cash and cash equivalents	249,969	158,414
Cash and cash equivalents at beginning of year	897,649	739,235
Cash and cash equivalents at end of year	\$ 1,147,618	\$ 897,649

*See accompanying notes.*

# Fort Wayne Museum of Art, Inc.

## Notes to Financial Statements

June 30, 2021

### 1. Organization and Summary of Significant Accounting Policies

#### Organization

Fort Wayne Museum of Art, Inc. (doing business as and referred to herein as the Fort Wayne Museum of Art or Museum) was incorporated as a not-for-profit organization in November 1921, under the laws of the State of Indiana.

The Mission Statement of the Fort Wayne Museum of Art is:

*The Fort Wayne Museum of Art will collect, preserve and present American and related art to engage and educate broad and diverse audiences throughout the region to add value to their lives.*

The Museum promises a welcoming environment that encourages lifelong learning and discovery; celebrates and fosters the creative spirit in artist and viewer; offers exhibitions and programs of excellence that challenge, delight, and engage the visitor; and seeks dialogue and offers diverse perspectives. The Museum values art as an integral part of people's lives; creativity in all artists and individuals; excellence and professionalism, friendliness demonstrated through hospitality and openness; open communication and dialogue; diversity and respect for the individual; integrity and ethical standards; and exploring opportunities associated with downtown development.

The Museum is exempt from income taxes under Section 501(c) (3) of the United States Internal Revenue Code and qualifies for the charitable contribution deduction. The Museum has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. The Museum is also exempt from state income taxes.

However, the Museum is subject to federal income tax on any unrelated business taxable income. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Museum and recognize a tax liability (or asset) if the Museum has taken an uncertain position that more likely than not would not be sustained upon examination by the taxing authorities. Management believes that it has appropriate support for any tax positions it has taken or expects to take and as such, does not have any uncertain tax positions that should be recognized, measured, or disclosed in the financial statements. Management believes the Museum is no longer subject to examination by taxing authorities for years before June 30, 2018.

Fort Wayne Museum of Art, Inc.

Notes to Financial Statements (continued)

**1. Organization and Summary of Significant Accounting Policies (continued)**

**Cash and Cash Equivalents and Certificates of Deposit**

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The Museum maintains cash accounts and certificates of deposit at local banks. Certificates of deposit are recorded at cost plus accrued interest, which approximates fair value. From time to time during the year, the Museum's cash accounts and certificates of deposit exceeded federally insured limits.

**Inventory**

Inventory consists of books and other products and is priced at the lower of cost or net realizable value using the first-in, first-out (FIFO) method.

**Investments**

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, the Museum's investments are reported at their fair values in the statements of financial position. Net investment return is reported in the statements of activities and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investments expenses. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See *Note 3* for discussion of fair value measurements.

Purchases and sales are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Capital gain distributions are included in dividend income.

Net realized and unrealized investment gains or losses are determined by comparison of asset cost, using the specific identification method, to net proceeds received at the time of sale and changes in the difference between market values and cost, respectively.

The Museum's investment portfolio consists of a diverse mix of investments, without concentration of risk by type, industry, or geographic area, which are managed by professional investment managers in compliance with the investment policy established by the Board of Trustees. Investments are exposed to various risks, such as interest rate, market volatility, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments may occur in the near term and that such changes could materially affect account balances.

Fort Wayne Museum of Art, Inc.

Notes to Financial Statements (continued)

**1. Organization and Summary of Significant Accounting Policies (continued)**

**Building and Equipment**

Building and equipment are stated at cost or if donated, at fair market value at date of donation, except for building and equipment that has been impaired. For impaired assets, the carrying amount is reduced to the estimated fair market value. There were no impaired assets as of June 30, 2021 and 2020. Building and equipment with a cost or value of \$1,000 or more and a useful life of one year or more are capitalized. Depreciation is computed by the straight-line method over the following estimated useful lives:

Building and improvements	5-50 years
Vehicles	5 years
Furnishings and equipment	5-15 years

Expenditures for normal repairs and maintenance are charged to expenses as incurred.

**Art Collections**

The Museum maintains an extensive collection of art. The collections, which were acquired via purchases and contributions, are not recognized as assets on the statements of financial position. Expenditures for the acquisition of art objects are recorded as collection items purchased in the statements of activities and changes in net assets in the year the objects are purchased. The Museum provides a clean, safe, and stable storage environment for its permanent collections. There were no deaccessions in the years ended June 30, 2021 and 2020.

The Museum purchased a sculpture by the artist, Darrell Petit. Payments of \$10,000 per year are due over a ten-year period through August of 2024. The statement of financial position reflects the remaining amount due of \$30,200 and \$40,200 at June 30, 2021 and 2020, respectively, in art collection purchase liability.

**Net Assets**

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

*Net Assets Without Donor Restrictions*—Net assets available for use in general operations and not subject to donor- (or certain grantor-) restrictions.

Fort Wayne Museum of Art, Inc.

Notes to Financial Statements (continued)

**1. Organization and Summary of Significant Accounting Policies (continued)**

**Net Assets (continued)**

*Net Assets With Donor Restrictions*—Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when received and are released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both. If a donor restriction expires in the same reporting period that the contribution was made, such contribution is reported as an unrestricted contribution in the statements of activities and changes in net assets.

**Contributions and Pledges Receivable**

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. The Museum's pledges receivable are as follows as of June 30, 2021:

Amounts due in:	
Less than one year	\$ 217,500
One to five years	25,000
	<u>\$ 242,500</u>

Contributions of assets other than cash are recorded at their fair market value. Contributions of services are recognized as revenue if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and typically need to be purchased if not provided by donation. During the years ended June 30, 2021 and 2020, the fair market value of contributed services and materials recognized as revenue and expense in the accompanying statements of activities and changes in net assets was \$25,692 and \$21,840, respectively.

Memberships, which are essentially contributions, are recognized as revenue when such income is received. Funds collected for the subsequent membership year are recorded as deferred revenue.

## Fort Wayne Museum of Art, Inc.

### Notes to Financial Statements (continued)

#### **1. Organization and Summary of Significant Accounting Policies (continued)**

##### **Contributions and Pledges Receivable (continued)**

The Museum provides an allowance for doubtful accounts, which is based on historical collection experience and management's estimate of the losses that will be incurred in the collection of all receivables. As of June 30, 2021 and 2020, no allowance for uncollectible pledges was deemed necessary.

Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. During the year ended June 30, 2020, the Museum received a Paycheck Protection Program loan from the Small Business Administration. As expected, the loan was fully forgiven in accordance with the terms of the Coronavirus Aid, Relief, and Economic Security Act, and \$219,932 was recorded as government support during the year ended June 30, 2021. The Museum received a second Paycheck Protection Program loan during the year ended June 30, 2021 which is expected to be fully forgiven. Accordingly, the Museum has recorded a refundable advance of \$217,475 as of June 30, 2021 and will recognize the government support when the loan has been forgiven.

##### **Government Support**

Government support funded by grants is recognized as the Museum performs the contracted services pursuant to grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

The Museum recognizes revenue from area schools upon admission and contractual delivery of art education materials, services, and instruction.

##### **Earned and Other Income**

Earned and other income consists of Paradigm Gallery sales, net; event ticket sales; admission fees; facility rentals; tours; classes; and other income. The Museum recognizes revenue upon the Paradigm Gallery sale, admission, or completion of the event. Accordingly, funds received for events, admissions, facility rentals, and other activities related to future periods are recorded as deferred revenue.

Fort Wayne Museum of Art, Inc.

Notes to Financial Statements (continued)

**1. Organization and Summary of Significant Accounting Policies (continued)**

**Earned and Other Income (continued)**

Earned and other income consists of the following items:

	<b>Year ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Tours and trips	\$ -	\$ 964
Classes and programs	-	2,571
Facility rental	<b>3,120</b>	13,159
Admission fees	<b>48,194</b>	36,047
Paradigm Gallery sales	<b>110,358</b>	127,518
Less cost of goods sold	<b>(65,949)</b>	(80,054)
Paradigm Gallery sales, net	<b>44,409</b>	47,464
Seasonal parties	-	787
Exhibition participant fees	<b>12,173</b>	18,342
Event ticket sales	-	3,297
Exhibition rental fees	<b>2,000</b>	4,000
Miscellaneous income	<b>6,246</b>	6,062
	<b>\$ 116,142</b>	<b>\$ 132,693</b>

**Use of Estimates**

Preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Functional Expenses**

The cost of providing the program and other activities has been summarized on a functional basis in the accompanying statements of activities and changes in net assets. The financial statements report certain 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. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other expenses, which are allocated on the basis of estimates of time and effort.

## Fort Wayne Museum of Art, Inc.

### Notes to Financial Statements (continued)

#### **1. Organization and Summary of Significant Accounting Policies (continued)**

##### **Advertising Expenses**

Advertising costs are charged to operations when incurred. These costs resulted primarily from support of exhibitions and other Museum events and were \$12,550 and \$20,645 for the years ended June 30, 2021 and 2020, respectively.

##### **Recently Issued Accounting Standards**

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (Topic 842), to require a lessee to recognize a right-of-use asset and a lease liability for both operating and finance leases, whereas previous U.S. GAAP require the asset and liability be recognized only for capital leases. The amendment also requires qualitative and specific quantitative disclosures. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years, with early adoption permitted. The Museum is evaluating the guidance of ASU 2016-02 and the impact that the adoption of this update will have on its financial statements.

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 clarifies the presentation and disclosure of contributed nonfinancial assets, including land, buildings, and other items. This standard is intended to enhance the presentation and disclosures of these items; however, the recognition and measurement requirements for these nonfinancial assets remain unchanged in Accounting Standards Codification (ASC) 958-605. ASU 2020-07 is effective for the Museum's periods beginning after June 15, 2021 and should be applied on a retrospective basis. The Museum is currently evaluating the effect of the pending adoption of the new standard on its financial statements.

##### **Risks and Uncertainties**

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The extent of the impact of the COVID-19 outbreak on the financial performance of the Museum will depend on future developments, including the duration and severity of the outbreak and its impact on the financial markets and the overall economy, all of which are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Museum's financial performance, including net investment return, may be materially adversely affected.

A prolonged widespread epidemic could adversely impact global economies and financial markets resulting in an economic downturn that may negatively affect the Museum's ability to obtain contributions and/or grants as well as disrupt the demand for services. Such disruptions could adversely impact cash flows and financial results for 2022.



Fort Wayne Museum of Art, Inc.

Notes to Financial Statements (continued)

**1. Organization and Summary of Significant Accounting Policies (continued)**

**Reclassifications**

Certain amounts for the year ended June 30, 2020 have been reclassified to conform with the presentation for the year ended June 30, 2021.

**2. Available Resources and Liquidity**

As of June 30, 2021 and 2020, the following table shows the total financial assets held by the Museum and the amounts of those financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

	<b>Year ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,147,618	\$ 897,649
Certificates of deposit	92,803	92,438
Accounts receivable	9,252	24,021
Pledges receivable	242,500	185,000
Investments	7,352,995	6,443,981
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	260,890	197,348
Financial assets at year-end	<b>9,106,058</b>	<b>7,840,437</b>
Less donor-imposed and board-designated restrictions for endowment making financial assets unavailable for general expenditure	<b>(7,367,234)</b>	(6,115,231)
Less donor-imposed restrictions for collections making financial assets unavailable for general expenditure	<b>(17,694)</b>	(390,051)
Less long-term portion of pledges receivable making financial assets unavailable for general expenditure	<b>(25,000)</b>	(55,000)
Financial assets available to meet cash needs for general expenditures within one year	<b>\$ 1,696,130</b>	<b>\$ 1,280,155</b>

The Museum manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that obligations will be discharged. As part of the Museum's liquidity management

## Fort Wayne Museum of Art, Inc.

### Notes to Financial Statements (continued)

#### 2. Available Resources and Liquidity (continued)

plan, it has the policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. The Museum invests cash in excess of daily requirements in short-term investments, including savings and money market accounts, and certificates of deposit. In addition, the Board of Trustees designates portions of any operating surplus as collections and plant funds. These board-designated amounts could be made available if necessary.

The Museum's endowment is subject to an annual spending rate as described in *Note 6*. The annual distributions from the endowment are available for general operating expenditures. The Museum does not intend to spend from its board-designated endowment (other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation); however, these amounts could be made available if necessary.

The Museum receives contributions each year from donors, which are available to help meet its cash needs for general expenditures.

The Museum also has a line of credit of \$250,000 available to meet short-term needs. See *Note 8* for information about this arrangement.

#### 3. Fair Value Measurements

FASB ASC Topic 820 (ASC 820), *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Museum has the ability to access.
- Level 2 Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Fort Wayne Museum of Art, Inc.

Notes to Financial Statements (continued)

**3. Fair Value Measurements (continued)**

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

*Cash and cash equivalents:* Money market funds are valued at quoted market prices in an exchange and active market, which represent the net asset value (NAV) of shares held by the Museum at year-end. Other cash equivalents are recorded at cost plus accrued interest (carrying value), which approximates fair value.

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Museum are open-end mutual funds that are registered with the SEC. These funds are required to publish the daily NAV and to transact at the price. The mutual funds held by the Museum are deemed to be actively traded.

*Common stock:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Exchange traded funds:* Exchange traded funds are open-end funds that can be bought and sold throughout the day on a stock exchange. The exchange traded funds held by the Museum are deemed to be actively traded and valued at the closing price reported on the stock exchange on which the individual securities are traded.

*Governmental agency securities and corporate bonds:* Valued using pricing models maximizing the use of observable inputs for similar securities.

*Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.(Community Foundation):* Valued based upon the Museum's proportionate share of the Community Foundation's pooled investment portfolio, as reported by the Community Foundation at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Museum believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fort Wayne Museum of Art, Inc.

Notes to Financial Statements (continued)

**3. Fair Value Measurements (continued)**

The following table sets forth by level, within the fair value hierarchy, the Museum's investments at fair value as of June 30, 2021 and 2020:

	<b>Investments at Fair Value as of June 30, 2021</b>			
	Level 1	Level 2	Level 3	Total
<b>Common stock</b>				
Consumer discretionary	\$ 162,235	\$ -	\$ -	\$ 162,235
Consumer staples	106,886	-	-	106,886
Energy	18,899	-	-	18,899
Financial	197,005	-	-	197,005
Health care	202,938	-	-	202,938
Industrial	127,218	-	-	127,218
Information technology	464,384	-	-	464,384
International	154,970	-	-	154,970
Materials	29,851	-	-	29,851
Real estate	19,465	-	-	19,465
Telecommunication services	88,638	-	-	88,638
Utilities	23,383	-	-	23,383
	<b>1,595,872</b>	<b>-</b>	<b>-</b>	<b>1,595,872</b>
<b>Mutual funds</b>				
Equity funds:				
Mid-cap blend	179,073	-	-	179,073
Small blend	90,583	-	-	90,583
Small growth	191,992	-	-	191,992
Diversified emerging markets	280,932	-	-	280,932
Foreign—large blend	547,290	-	-	547,290
Foreign—large growth	148,130	-	-	148,130
Foreign—small/mid cap blend	28,922	-	-	28,922
Fixed income funds:				
Bank loan fund	202,080	-	-	202,080
Emerging markets bond	185,604	-	-	185,604
High-yield bond	126,627	-	-	126,627
Inflation-protected bond	321,840	-	-	321,840
Intermediate-term bond	240,015	-	-	240,015
Nontraditional bond	367,124	-	-	367,124
Short-term bond	45,783	-	-	45,783
US infrastructure bond	87,908	-	-	87,908
Alternative investment funds	79,315	-	-	79,315
	<b>3,123,218</b>	<b>-</b>	<b>-</b>	<b>3,123,218</b>

Fort Wayne Museum of Art, Inc.

Notes to Financial Statements (continued)

3. Fair Value Measurements (continued)

	<b>Investments at Fair Value as of June 30, 2021 (continued)</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Exchange traded funds</b>				
Equity funds:				
Large blend	\$ 512,974	\$ -	\$ -	\$ 512,974
Large growth	10,390	-	-	10,390
Large value	10,280	-	-	10,280
Mid-cap blend	195,814	-	-	195,814
Mid-cap growth	183,239	-	-	183,239
Mid-cap value	136,214	-	-	136,214
Small blend	162,939	-	-	162,939
Small growth	2,898	-	-	2,898
Small value	45,745	-	-	45,745
Energy	124,719	-	-	124,719
Diversified emerging markets	67,008	-	-	67,008
Foreign—large blend	167,342	-	-	167,342
Real estate	134,135	-	-	134,135
Industry sectors	70,185	-	-	70,185
Fixed income funds:				
Intermediate-term bond	195,863	-	-	195,863
	<u>2,019,745</u>	<u>-</u>	<u>-</u>	<u>2,019,745</u>
<b>Corporate bonds</b>	-	<b>391,502</b>	-	<b>391,502</b>
<b>Governmental agency securities</b>	-	<b>222,658</b>	-	<b>222,658</b>
Total investments at fair value	<u>6,738,835</u>	<u>614,160</u>	<u>-</u>	<u>7,352,995</u>
<b>Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.</b>				
	-	<b>260,890</b>	-	<b>260,890</b>
<b>Cash and cash equivalents—held for investment for endowment and collections</b>				
	<b>82,387</b>	-	-	<b>82,387</b>
	<u>\$ 6,821,222</u>	<u>\$ 875,050</u>	<u>\$ -</u>	<u>\$ 7,696,272</u>

Fort Wayne Museum of Art, Inc.

Notes to Financial Statements (continued)

**3. Fair Value Measurements (continued)**

	<b>Investments at Fair Value as of June 30, 2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Common stock</b>				
Consumer discretionary	\$ 195,152	\$ -	\$ -	\$ 195,152
Consumer staples	120,789	-	-	120,789
Energy	14,551	-	-	14,551
Financial	191,527	-	-	191,527
Health care	192,661	-	-	192,661
Industrial	154,534	-	-	154,534
Information technology	546,840	-	-	546,840
International	153,655	-	-	153,655
Materials	24,077	-	-	24,077
Real estate	17,448	-	-	17,448
Telecommunication services	102,972	-	-	102,972
Utilities	27,271	-	-	27,271
	1,741,477	-	-	1,741,477
<b>Mutual funds</b>				
Equity funds:				
Large growth	130,613	-	-	130,613
Mid-cap growth	129,228	-	-	129,228
Mid-cap value	107,740	-	-	107,740
Small blend	42,457	-	-	42,457
Small growth	120,388	-	-	120,388
Diversified emerging markets	204,129	-	-	204,129
Foreign—large blend	379,357	-	-	379,357
Foreign—large growth	119,917	-	-	119,917
Foreign—small/mid cap blend	17,973	-	-	17,973
Fixed income funds:				
Bank loan fund	56,838	-	-	56,838
Emerging markets bond	118,052	-	-	118,052
High-yield bond	83,074	-	-	83,074
Inflation-protected bond	29,038	-	-	29,038
Intermediate-term bond	890,568	-	-	890,568
Nontraditional bond	73,742	-	-	73,742
Short-term bond	95,519	-	-	95,519
US infrastructure bond	78,651	-	-	78,651
World bond	121,972	-	-	121,972
Alternative investment funds	145,938	-	-	145,938
	2,945,194	-	-	2,945,194

Fort Wayne Museum of Art, Inc.

Notes to Financial Statements (continued)

**3. Fair Value Measurements (continued)**

	<b>Investments at Fair Value as of June 30, 2020 (continued)</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Exchange traded funds</b>				
Equity funds:				
Large blend	\$ 304,030	\$ -	\$ -	\$ 304,030
Large growth	21,562	-	-	21,562
Large value	10,868	-	-	10,868
Mid-cap growth	141,914	-	-	141,914
Mid-cap value	96,617	-	-	96,617
Small blend	26,488	-	-	26,488
Small growth	11,976	-	-	11,976
Small value	34,475	-	-	34,475
Diversified emerging markets	33,881	-	-	33,881
Foreign—large blend	138,781	-	-	138,781
Real estate	186,693	-	-	186,693
Industry sectors	104,549	-	-	104,549
Fixed income funds:				
Intermediate-term bond	48,155	-	-	48,155
	1,159,989	-	-	1,159,989
<b>Corporate bonds</b>	-	297,616	-	297,616
<b>Governmental agency securities</b>	-	299,705	-	299,705
Total investments at fair value	5,846,660	597,321	-	6,443,981
<b>Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.</b>				
	-	197,348	-	197,348
<b>Cash and cash equivalents— held for investment for endowment and collections</b>				
	171,505	-	-	171,505
	\$ 6,018,165	\$ 794,669	\$ -	\$ 6,812,834

## Fort Wayne Museum of Art, Inc.

### Notes to Financial Statements (continued)

#### 4. Beneficial Interest in Funds Held by the Community Foundation of Greater Fort Wayne Inc.

The beneficial interest in the funds held and invested by the Community Foundation are the result of an agreement whereby the Museum has transferred assets to the Community Foundation and benefits from those assets. The Museum is allocated their funds' proportionate share of the Community Foundation's funds' investment return on an annual basis. The Museum may draw up to a percentage of the value of the funds each year (4% for the years ended June 30, 2021 and 2020), subject to certain conditions and limitations, but may only obtain a return of the full value of the funds upon consent of the Community Foundation. The Museum's beneficial interest in these funds is included in investments.

Additionally, donors have also contributed funds to the Community Foundation for the benefit of the Museum. At June 30, 2021 and 2020, the fair market value of the funds was \$66,918 and \$49,999, respectively. The Museum is precluded from recognizing these assets in the Museum's statements of financial position because of the explicitly granted variance power held by the Community Foundation. Accordingly, the Museum only recognizes its annual grants by the Community Foundation from these funds.

#### 5. Net Investment Return

The composition of net investment return recognized in the statements of activities and changes in net assets are as follows:

	Year ended June 30	
	2021	2020
Investment income:		
Interest and dividends	\$ 212,847	\$ 228,104
Net realized gain on investments	546,558	222,485
Net unrealized gain (loss) on investments	943,232	(166,977)
	<u>1,702,637</u>	<u>283,612</u>
Less investment fees and expenses	(71,721)	(71,629)
Net investment return	<u>\$ 1,630,916</u>	<u>\$ 211,983</u>

#### 6. Endowment Funds

ASC 958, *Not-for-Profit Entities*, required certain net asset classification changes for institutional endowment funds under the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Effective July 1, 2007, the Indiana General Assembly adopted UPMIFA.



Fort Wayne Museum of Art, Inc.

Notes to Financial Statements (continued)

**6. Endowment Funds (continued)**

The Board of Directors of the Museum has interpreted the Indiana UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Museum retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment net asset composition by type of fund as of June 30, 2021 is as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds:			
Any activity of the Museum	\$ -	\$ 3,263,595	\$ 3,263,595
Acquisition and conservation of works on paper	-	162,848	162,848
	-	3,426,443	3,426,443
Board-designated endowment funds:			
Funds held by the Community Foundation of Greater Fort Wayne Inc.	260,890	-	260,890
Other investments	3,679,901	-	3,679,901
	3,940,791	-	3,940,791
<b>Total funds</b>	<b>\$ 3,940,791</b>	<b>\$ 3,426,443</b>	<b>\$ 7,367,234</b>

Fort Wayne Museum of Art, Inc.

Notes to Financial Statements (continued)

**6. Endowment Funds (continued)**

Changes in endowment net assets for the year ended June 30, 2021 is as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets at beginning of year	\$ 2,730,065	\$ 3,385,166	\$ 6,115,231
Net investment return	1,518,869	32,277	1,551,146
Other changes:			
Contribution to endowment	-	9,000	9,000
Distribution of endowment funds for operations and collections	(299,084)	-	(299,084)
Distribution from funds held by the Community Foundation of Greater Fort Wayne Inc.	(9,059)	-	(9,059)
	<u>(308,143)</u>	<u>9,000</u>	<u>(299,143)</u>
Endowment net assets at end of year	<u>\$ 3,940,791</u>	<u>\$ 3,426,443</u>	<u>\$ 7,367,234</u>

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds:			
Any activity of the Museum	\$ -	\$ 3,263,595	\$ 3,263,595
Acquisition and conservation of works on paper	-	121,571	121,571
	-	<u>3,385,166</u>	<u>3,385,166</u>
Board-designated endowment funds:			
Funds held by the Community Foundation of Greater Fort Wayne Inc.	197,348	-	197,348
Other investments	2,532,717	-	2,532,717
	<u>2,730,065</u>	<u>-</u>	<u>2,730,065</u>
Total funds	<u>\$ 2,730,065</u>	<u>\$ 3,385,166</u>	<u>\$ 6,115,231</u>

Fort Wayne Museum of Art, Inc.

Notes to Financial Statements (continued)

**6. Endowment Funds (continued)**

Changes in endowment net assets for the year ended June 30, 2020 is as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets at beginning of year	\$ 2,866,341	\$ 3,399,021	\$ 6,265,362
Net investment return	158,559	4,145	162,704
Other changes:			
Distribution of endowment funds for operations and collections	(286,186)	(18,000)	(304,186)
Distribution from funds held by the Community Foundation of Greater Fort Wayne Inc.	(8,649)	-	(8,649)
	<u>(294,835)</u>	<u>(18,000)</u>	<u>(312,835)</u>
Endowment net assets at end of year	<u>\$ 2,730,065</u>	<u>\$ 3,385,166</u>	<u>\$ 6,115,231</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Museum has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2021 and 2020, there were no deficiencies in donor-restricted endowment funds.

Fort Wayne Museum of Art, Inc.

Notes to Financial Statements (continued)

**6. Endowment Funds (continued)**

**Investment and Spending Policies**

The Museum has adopted investment and spending policies for the endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the endowment investments. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time while assuming a moderate level of investment risk.

The Museum's Board of Trustees has approved a distribution (payout) policy whereby a predetermined amount of investment income is designated to fund current operations. This annual distribution policy is calculated as a percentage of the average market value of endowment investments at the end of each of the three preceding calendar years. The annual distribution percentage for investments other than those held by the Community Foundation was 5 percent for the years ended June 30, 2021 and 2020 and will be 5 percent for the year ended June 30, 2021. It is the Board of Trustees' intention to continue to periodically review the annual distribution percentage. In establishing this policy, the Museum considered the long-term expected return on the endowment and set the rate with the objective of maintaining the purchasing power of the endowment over time. During the years ended June 30, 2021 and 2020, the annual distribution was \$299,084 and \$286,186, respectively.

Fort Wayne Museum of Art, Inc.

Notes to Financial Statements (continued)

**7. Net Assets**

Net assets with donor restrictions are restricted for the following purposes or periods.

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Subject to expenditure for specific purpose:		
June E. Enoch Collection fund	\$ -	\$ 374,791
Plant fund	<b>31,315</b>	10,688
Art collections—other	<b>17,694</b>	15,260
	<b>49,009</b>	400,739
Subject to the passage of time:		
Assets held	<b>191,500</b>	194,000
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	<b>242,500</b>	185,000
	<b>434,000</b>	379,000
Endowments:		
Subject to appropriation and expenditure when a specified event occurs—		
Restricted by donors for the acquisition and conservation of works on paper	<b>50,531</b>	18,254
Subject to the Museum endowment spending policy and appropriation:		
Acquisition and conservation of works on paper	<b>112,317</b>	103,317
Any activity of the Museum	<b>3,263,595</b>	3,263,595
	<b>3,426,443</b>	3,385,166
Total endowments	<b>3,426,443</b>	3,385,166
Total net assets with donor restrictions	<b>\$ 3,909,452</b>	\$ 4,164,905

Fort Wayne Museum of Art, Inc.

Notes to Financial Statements (continued)

**7. Net Assets (continued)**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

	<b>Year ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Expiration of time restrictions	<b>\$ 284,000</b>	\$ 345,000
Satisfaction of purpose restrictions:		
Used for operations:		
Art collections	<b>157,735</b>	208,376
Building and equipment	<b>44,367</b>	17,183
	<b>202,102</b>	225,559
Art collection items purchased	<b>323,756</b>	165,587
Net assets released from donor restrictions	<b>\$ 809,858</b>	\$ 736,146

**8. Debt Arrangements**

Pursuant to a revolving line of credit arrangement with a bank, the Museum may borrow up to \$250,000 subject to certain terms and conditions. The line of credit arrangement is unsecured, due on demand, and expires on November 1, 2021. The line of credit bears interest at the prime rate as published in the Wall Street Journal (3.25 percent at June 30, 2021), and is payable monthly. At June 30, 2021 and 2020, there were no borrowings pursuant to the Museum's line of credit arrangement.

**9. Employee Retirement Plan**

Museum employees participate in the Fort Wayne Museum of Art, Inc. 403(b) Savings Plan (Plan). The Plan is a Section 403(b) plan that covers substantially all employees of the Museum. The Museum contributes a matching contribution of 50 percent of employee contributions, up to 3 percent or 4 percent of eligible employee compensation, depending on years of service. The Museum's matching contribution to the Plan was \$15,351 and \$14,819 for the years ended June 30, 2021 and 2020, respectively.

Fort Wayne Museum of Art, Inc.

Notes to Financial Statements (continued)

**10. Commitments**

The Museum leases certain equipment using noncancelable operating lease arrangements that expire at various dates through October 30, 2023. Future minimum lease payments using noncancelable operating leases with initial terms of one year or more consisted of the following at June 30, 2021:

	<u>Year ending June 30</u>
2022	\$ 13,679
2023	4,857
2024	<u>1,118</u>
Total minimum lease payments	<u>\$ 19,654</u>

Rent expense was \$16,208 and \$17,172 for the years ended June 30, 2021 and 2020, respectively.

**11. Related Party Transactions**

Certain members of the Board of Trustees are employed by companies providing banking, investment, and other services to the Museum. The fees paid to these companies were based on customary and reasonable rates for such services.

**12. Subsequent Events**

Management has evaluated subsequent events through October 7, 2021, the date on which the financial statements were available to be issued.