

Farnsworth Art Museum

Consolidated Financial Statements

Years Ended September 30, 2019 and 2018



WIPFLI^{LLP}
CPAs and Consultants



Independent Auditor's Report

Board of Trustees
The William A. Farnsworth Library and Art Museum, Inc.
Rockland, Maine

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The William A. Farnsworth Library and Art Museum, Inc. and subsidiary (the "Museum") which comprise the consolidating statement of financial position as of September 30, 2019 and 2018, and the related consolidating 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidating 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of September 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.



Emphasis of Matter

As discussed in Note 1 to the financial statements, The William A. Farnsworth Library and Art Museum, Inc. adopted the amendments in Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements for Not-for-Profit Entities*, as of and for the year ended September 30, 2019. The amendments have been applied on a retrospective basis with the exception of certain information as permitted by the ASU.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information appearing on pages 27- 28 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Wipfli LLP

Wipfli LLP
South Portland, Maine
April 15, 2020

The William A. Farnsworth Library and Art Museum, Inc. and Subsidiary

Consolidated Statements of Financial Position

September 30,

ASSETS	2019	2018
Current Assets		
Cash & cash equivalents	\$ 905	\$ 382,153
Cash - restricted	113,252	105,761
Accounts receivable	13,937	11,845
Contributions receivable, current	679,691	809,579
Inventory	253,153	213,164
Prepaid expenses	102,630	59,730
Total Current Assets	<u>1,163,568</u>	<u>1,582,232</u>
Assets Whose Use is Limited		
Endowment investments	14,155,240	12,854,145
Pooled income fund	-	151,633
Gift annuity fund	-	22,756
Perpetual trust held by others	6,720,150	7,022,217
Charitable lead interest trust held by others	244,390	297,391
Total Assets Whose Use is Limited	<u>21,119,780</u>	<u>20,348,142</u>
Other Assets		
Cash - restricted	166,748	214,852
Contributions receivable	1,492,547	2,039,339
Note receivable	7,428,935	7,428,935
Other asset	-	55,729
Total Other Assets	<u>9,088,230</u>	<u>9,738,855</u>
Property and Equipment, Net	<u>9,684,522</u>	<u>10,105,670</u>
Total Assets	<u>\$ 41,056,100</u>	<u>\$ 41,774,899</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 268,280	\$ 215,773
Accrued expenses	92,507	87,813
Deferred revenue and other liabilities	959	8,137
Current portion of long term debt	47,383	49,697
Line of credit	356,730	360,025
Total Current Liabilities	<u>765,859</u>	<u>721,445</u>
Long Term Debt - Net of Current Portion	<u>12,475,881</u>	<u>12,667,315</u>
Total Liabilities	<u>13,241,740</u>	<u>13,388,760</u>
Net Assets		
Net assets without donor restrictions		
Designated by the Board of Trustees	992,547	990,767
Undesignated	4,361,417	4,750,834
	<u>5,353,964</u>	<u>5,741,601</u>
Net assets with donor restrictions		
Time and purpose restricted	3,554,812	4,760,586
Perpetual in nature	18,905,584	17,883,952
	<u>22,460,396</u>	<u>22,644,538</u>
Total Net Assets	<u>27,814,360</u>	<u>28,386,139</u>
Total Liabilities and Net Assets	<u>\$ 41,056,100</u>	<u>\$ 41,774,899</u>

See accompanying notes to financial statements.

The William A. Farnsworth Library and Art Museum, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended September 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
Operating Revenue			
Admissions	\$ 540,314		\$ 540,314
Contributions	1,014,112	789,388	1,803,500
Memberships	233,626		233,626
Endowment utilized in operations	558,680		558,680
Income from perpetual trust	351,806		351,806
Building rent	87,995		87,995
Gift shop sales	512,236		512,236
Other sources	147,155		147,155
Net assets released from restrictions	1,544,431	(1,544,431)	
Total Operating Revenue	<u>4,990,355</u>	<u>(755,043)</u>	<u>4,235,312</u>
Operating Expenses:			
Program services:			
Curatorial	1,857,719		1,857,719
Education	549,285		549,285
Museum store	507,404		507,404
Subtotal	<u>2,914,408</u>		<u>2,914,408</u>
Management and administrative	831,214		831,214
Development	1,316,570		1,316,570
Depreciation	489,024		489,024
Total operating expenses	<u>5,551,216</u>		<u>5,551,216</u>
Change in Net Assets - Operations	<u>(560,861)</u>	<u>(755,043)</u>	<u>(1,315,904)</u>
<i>Change in Net Assets - Operations before Depreciation</i>	<u>(71,837)</u>	<u>(755,043)</u>	<u>(826,880)</u>
Non-Operating Revenue (Expense)			
Contributions		1,323,699	1,323,699
Accessions	(92,000)		(92,000)
Deaccessions		10,080	10,080
Investment income	44,417	321,888	366,305
Change in value of split interest agreements	(3,212)	(302,067)	(305,279)
Net assets released from restrictions	782,699	(782,699)	
Endowment utilized in operations	(558,680)		(558,680)
Change in Net Assets - Non-Operating	<u>173,224</u>	<u>570,901</u>	<u>744,125</u>
Change in Net Assets	<u>(387,637)</u>	<u>(184,142)</u>	<u>(571,779)</u>
Net Assets - Beginning of Year	<u>5,741,601</u>	<u>22,644,538</u>	<u>28,386,139</u>
Net Assets - End of Year	<u>\$ 5,353,964</u>	<u>\$ 22,460,396</u>	<u>\$ 27,814,360</u>

See accompanying notes to financial statements.

The William A. Farnsworth Library and Art Museum, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended September 30, 2018

	Without Donor Restriction	With Donor Restriction	Total
Operating Revenue			
Admissions	\$ 580,457		\$ 580,457
Contributions	1,154,896	\$ 4,515,253	5,670,149
Memberships	209,974		209,974
Endowment utilized in operations	509,100		509,100
Income from perpetual trust	338,676		338,676
Building rent	88,843		88,843
Gift shop sales	517,644		517,644
Other sources	136,743		136,743
Net assets released from restrictions	622,305	(622,305)	
Total Operating Revenue	<u>4,158,638</u>	<u>3,892,948</u>	<u>8,051,586</u>
Operating Expenses:			
Program services:			
Curatorial	1,674,633		1,674,633
Education	511,534		511,534
Museum store	500,232		500,232
Subtotal	<u>2,686,399</u>		<u>2,686,399</u>
Management and administrative	766,844		766,844
Development	842,295		842,295
Depreciation	470,161		470,161
Total operating expenses	<u>4,765,699</u>		<u>4,765,699</u>
Change in Net Assets - Operations	<u>(607,061)</u>	<u>3,892,948</u>	<u>3,285,887</u>
<i>Change in Net Assets - Operations before Depreciation</i>	<u>(136,900)</u>	<u>3,892,948</u>	<u>3,756,048</u>
Non-Operating Revenue (Expense)			
Contributions		514,870	514,870
Accessions	(26,000)		(26,000)
Deaccessions			-
Investment income	101,339	914,622	1,015,961
Change in value of split interest agreements	(8,061)	190,357	182,296
Net assets released from restrictions	1,276,882	(1,276,882)	-
Endowment utilized in operations	(509,108)		(509,108)
Change in Net Assets - Non-Operating	<u>835,052</u>	<u>342,967</u>	<u>1,178,019</u>
Change in Net Assets	227,991	4,235,915	4,463,906
Net Assets - Beginning of Year	<u>5,513,610</u>	<u>18,408,623</u>	<u>23,922,233</u>
Net Assets - End of Year	<u>\$ 5,741,601</u>	<u>\$ 22,644,538</u>	<u>\$ 28,386,139</u>

See accompanying notes to financial statements.

The William A. Farnsworth Library and Art Museum, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

Year Ended September 30, 2019

	Program Services				Supporting Services				Total Expenses
	Curatorial	Education	Museum Store	Total Program Services	Management and Administrative	Development	Total Supporting Services		
Salaries	\$ 860,176	\$ 341,901	\$ 176,206	\$ 1,378,283	\$ 332,938	\$ 327,680	\$ 660,618	\$ 2,038,901	
Employee benefits and taxes	130,903	46,870	26,905	204,678	51,693	47,394	99,087	303,765	
Total personnel costs	991,079	388,771	203,111	1,582,961	384,631	375,074	759,705	2,342,666	
Expenses									
Cost of sales - inventory			241,800	241,800				241,800	
Utilities	215,844	28,779	5,756	250,379	31,658	5,756	37,414	287,793	
Exhibits	129,493	9,421		138,914				138,914	
Advertising	30,799	4,172	931	35,902	29,306	55,109	84,415	120,317	
Contract labor	-	17,318		17,318				17,318	
Maintenance	87,490	11,665	2,333	101,488	653	2,333	2,986	104,474	
Insurance	82,888	5,389	1,078	89,355	18,936	1,078	20,014	109,369	
Other services	73,710	4,747	383	78,840	(10,384)	203,713	193,329	272,169	
Supplies and materials	30,415	19,172	15,447	65,034	26,835	22,300	49,135	114,169	
Cultivation	2,296	6,318		8,614		6,288	34,021	42,635	
Equipment expenses	19,668	2,622	524	22,814	2,885	524	3,409	26,223	
Travel and entertainment	24,905	12,236	2,835	39,976	1,622	21,379	23,001	62,977	
Professional and other fees	13,090	2,925	12,854	28,869	83,619	419,671	503,290	532,159	
Printing	35,538	7,651	200	43,389	230	55,346	55,576	98,965	
Interest	-				196,075		196,075	196,075	
Postage and freight	2,360	3,150	5,979	11,489	1,311	17,779	19,090	30,579	
Lease and rental expense	3,703	3,912	-	7,615	31,027	69,156	100,183	107,798	
Telephone and internet	12,212	1,366	273	13,851	1,502	273	1,775	15,626	
Software maintenance	9,250		5,784	15,034	90	36,135	36,225	51,259	
Security					2,705		2,705	2,705	
Employee development	230	16,630	699	17,559	833	1,069	1,902	19,461	
Dues and subscriptions	11,725	2,567	258	14,550	1,420	1,962	3,382	17,932	
Bad debts	-		4,821	4,821	21,543		21,543	26,364	
Other	81,024	474	2,338	83,836	(1,571)	180	(1,391)	82,445	
Total Expenses Before Depreciation	1,857,719	549,285	507,404	2,914,408	831,214	1,316,570	2,147,784	5,062,192	
Depreciation	307,950	44,205	29,342	381,497	73,683	33,844	107,527	489,024	
Total Expenses	\$ 2,165,669	\$ 593,490	\$ 536,746	\$ 3,295,905	\$ 904,897	\$ 1,350,414	\$ 2,255,311	\$ 5,551,216	

See accompanying notes to financial statements.

The William A. Farnsworth Library and Art Museum, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

Year Ended September 30, 2018

	Program Services				Supporting Services			Total Expenses
	Curatorial	Education	Museum Store	Total Program Services	Management and Administrative	Development	Total Supporting Services	
Salaries	\$ 793,354	\$ 330,175	\$ 171,740	\$ 1,295,269	\$ 292,313	\$ 260,699	\$ 553,012	\$ 1,848,281
Employee benefits and taxes	142,048	47,229	27,202	216,479	51,280	32,257	83,537	300,016
Total personnel costs	935,402	377,404	198,942	1,511,748	343,593	292,956	636,549	2,148,297
Expenses								
Cost of sales - inventory			240,063	240,063				240,063
Utilities	202,843	27,046	5,409	235,298	29,750	5,409	35,159	270,457
Exhibits	178,166	4,316		182,482				182,482
Advertising	31,953	10,433	2,312	44,698	22,509	868	23,377	68,075
Contract labor		15,300		15,300				15,300
Maintenance	64,455	8,594	1,719	74,768	(1,184)	1,719	535	75,303
Insurance	68,861	6,489	1,298	76,648	24,517	1,298	25,815	102,463
Other services	31,886	2,806	624	35,316	(8,800)	16,557	7,757	43,073
Supplies and materials	30,802	16,140	12,581	59,523	19,237	10,937	30,174	89,697
Cultivation	1,123	4,857		5,980	4,407	178,166	182,573	188,553
Equipment expenses	16,210	2,161	432	18,803	2,378	432	2,810	21,613
Travel and entertainment	10,454	4,500	251	15,205	27	5	32	15,237
Professional and other fees	15,966	3,924	15,781	35,671	98,296	272,699	370,995	406,666
Printing	5,792	4,887	84	10,763		11,788	11,788	22,551
Interest					179,547		179,547	179,547
Postage and freight	2,277	2,028	8,538	12,843	1,098	10,096	11,194	24,037
Lease and rental expense					34,053		34,053	34,053
Telephone and internet	12,002	1,346	294	13,642	1,481	294	1,775	15,417
Software maintenance	5,927		11,114	17,041	1,123	36,020	37,143	54,184
Security					1,023		1,023	1,023
Employee development	2,996	15,749	243	18,988	20	129	149	19,137
Dues and subscriptions	8,461	1,586	197	10,244	584	2,837	3,421	13,665
Bad debts					2,000		2,000	2,000
Other	49,057	1,968	350	51,375	11,185	85	11,270	62,645
Total Expenses Before Depreciation	1,674,633	511,534	500,232	2,686,399	766,844	842,295	1,609,139	4,295,538
Depreciation	295,256	43,726	28,209	367,191	72,879	30,091	102,970	470,161
Total Expenses	<u>\$ 1,969,889</u>	<u>\$ 555,260</u>	<u>\$ 528,441</u>	<u>\$ 3,053,590</u>	<u>\$ 839,723</u>	<u>\$ 872,386</u>	<u>\$ 1,712,109</u>	<u>\$ 4,765,699</u>

See accompanying notes to financial statements.

The William A. Farnsworth Library and Art Museum, Inc. and Subsidiary

Consolidated Statements of Cash Flows

Years Ended September 30,

	2019	2018
Cash flows From Operating Activities:		
Change in net assets	\$ (571,779)	\$ 4,463,906
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Net gain on investments	(207,601)	(873,644)
Change in value of split interest agreements	305,279	(182,296)
Amortization	65,600	64,029
Contributions for endowment and collections	(1,323,699)	(514,870)
Depreciation	489,024	470,161
Purchase of collection items	92,000	26,000
Gain from sale of collection items	(10,080)	
(Increase) decrease in:		
Accounts receivable	(2,092)	(1,083)
Contributions receivable	671,680	(2,680,208)
Inventory	(39,989)	(38,338)
Prepaid expenses	(42,900)	72,340
Other asset	55,729	(10,694)
Increase (decrease) in:		
Accounts payable	52,507	(115,635)
Accrued expenses	4,694	(42,593)
Deferred revenue and other liabilities	(7,178)	(2,325)
Net Cash Flows From Operating Activities	<u>(468,805)</u>	<u>634,750</u>
Cash Flows From Investing Activities:		
Net deaccessions (accessions) of collection items	(81,920)	(26,000)
Proceeds from sale of investments	2,222,566	2,086,141
Purchase of investments	(3,144,883)	(2,239,162)
Decrease in restricted cash	40,613	96,982
Purchase of property and equipment	(67,876)	(242,636)
Net Cash Flows From Investing Activities	<u>(1,031,500)</u>	<u>(324,675)</u>
Cash Flows From Financing Activities		
Principal payments on long-term debt	(206,347)	(57,446)
Net proceeds (repayments) on line of credit	(3,295)	(418,142)
Contributions for endowment and collections	1,328,699	519,870
Net Cash Flows From Financing Activities	<u>1,119,057</u>	<u>44,282</u>
Net Change in Cash and Cash Equivalents	\$ (381,248)	\$ 354,357
Cash and Cash Equivalents, Beginning of Year	<u>382,153</u>	<u>27,796</u>
Cash and Cash Equivalents, End of Year	<u>\$ 905</u>	<u>\$ 382,153</u>
Supplemental Cash Flow Disclosures:		
Cash paid for interest	\$ 196,075	\$ 175,266

See accompanying notes to financial statements.

The William A. Farnsworth Library and Art Museum, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

The William A. Farnsworth Library and Art Museum, Inc. (the Museum) is an independent not-for-profit organization dedicated to the collection, preservation, exhibition, research and interpretation of American art, with an emphasis on the art of the State of Maine and New England. Providing context for its art collection, an important focus of the Museum is the preservation and interpretation of two historic homes, the Farnsworth Homestead and the Olson House. The Museum is located in Rockland, Maine.

Farnsworth Real Estate, Inc. (the "Corporation") was formed as a public benefit corporation on February 9, 2015, under the laws of the State of Maine. The Corporation was organized to operate exclusively for charitable, religious, educational and scientific purposes by conducting and supporting activities which promote the advancement and further the aims of the Museum. The Corporation shall carry out its purposes by operating as a supporting organization as described in Section 509(a)(3) of the Internal Revenue Code.

Principles of Consolidation

The consolidated financial statements include the accounts of the Museum and another entity that have been consolidated due to common control. All material inter-company accounts and transactions have been eliminated in the consolidation.

Basis of Presentation

The consolidated financial statements of the Museum have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). As a result, revenues and gains are reported when earned and expenses and losses are recorded when incurred. Net assets, support revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported, as follows:

- **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of contribution. The governing board has designated, from net assets without donor restrictions, net assets for board-designated endowment.
- **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 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.

The William A. Farnsworth Library and Art Museum, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Museum considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

The Museum considers receivables to be uncollectible after all efforts for collection have been exhausted. Amounts deemed uncollectible are reserved through a charge to bad debt expense and a credit to allowance for doubtful accounts. At September 30, 2019 and 2018, all amounts were considered fully collectible and no allowance was deemed necessary.

Contributions Receivable

The Museum records unconditional promises to give as revenue and contributions receivable in the period received. Promises to give are reported net of an allowance for uncollectible amounts and discounted to the net present value of the future cash flows. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Inventory

Inventories, consisting of resale, are stated at the lower of cost, determined on the first-in, first-out (FIFO) method, or net realizable value. Contributed inventory is recorded at fair market value on the date the inventory was received.

Investments

Investments are recorded at fair value. Net investment return (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

The William A. Farnsworth Library and Art Museum, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Endowment Funds

Investment and Endowment Spending Policy

The investment objective for the Museum's endowment funds is to provide average total earnings of 5%, plus the CPI for inflation. Funds will be invested to yield the rate on a "total return" basis (income, capital gains, and unrealized appreciation), commensurate with moderate risk of the total portfolio.

The Museum has implemented an endowment spending policy to appropriate investment income equal to 5% of the invested funds for current operations, based on the investments' average fair value for the preceding 16 quarters.

Relevant Law

The Board of Trustees of the Museum has interpreted the Maine 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, the Museum retains in perpetuity (a) the original value of gifts donated and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Museum's Board of Trustees in a manner consistent with the standard of prudence prescribed in UPMIFA. UPMIFA does not include board designated funds in its definition of endowment funds.

Property and Equipment

All acquisitions and improvements of property and equipment of \$2,000 or more are capitalized while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Purchased property and equipment is carried at cost. Donated property and equipment is carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated lives of the assets.

Impairment of Long-Lived Assets

The Museum reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset and its fair value are less than the carrying amount of that asset. The Museum has not recognized any impairment of long lived assets during 2019 and 2018.

The William A. Farnsworth Library and Art Museum, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Collection

The collection of the Museum consists of approximately 15,000 objects, including paintings, watercolors, sculpture, prints, drawings, photographs, and historical artifacts (primarily related to the Homestead and Olson House). Consistent with the Museum's mission statement, the collection emphasizes works by American artists, especially artists who have worked in Maine. As a whole, the collection presents a survey of Maine's role in the history of American art from the late 18th century to the present. The Museum continues to actively collect American art through purchase and gifts. All works in the permanent collection are assigned a unique "accession" number and placed in secure storage when not on exhibit at the Museum or on loan to other museums. The Museum only lends to galleries and museums that meet prescribed security and climate standards and provide all risk insurance coverage. Records, including object, artist and donor files, are maintained for each work of art. The collection is inventoried and surveyed by staff and qualified conservators on an annual basis. The Museum maintains a blanket insurance policy of \$60 million for the collection and work on loan. Although a private, independent institution, the collection is maintained, added to, exhibited and interpreted for the education and enjoyment of the general public.

The Museum's policy is not to capitalize the collection; therefore, the value of the library and art collection held by the Museum is not included in the accompanying consolidated financial statements. Purchases of collection items are made from proceeds of deaccessions and gifts of cash and income from certain trusts restricted by donors for art acquisitions. Purchased additions to the collection totaled \$92,000 and \$26,000 during the years ended 2019 and 2018, respectively, and proceeds from sales of deaccessed items totaled \$10,080 and \$0 during the years ended 2019 and 2018, respectively.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees received in advance are deferred to the applicable period in which the related services are performed. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

Donated Services

The Museum is the beneficiary of the efforts of volunteers, the value of whose donated time and services is not included in these consolidated financial statements as they do not meet the criteria for recording under generally accepted accounting principles. However, a substantial number of nonprofessional volunteers have donated significant amounts of their time in support of the Museum's programs. The Museum estimated the hours of nonprofessional services to be approximately 3,900 hours and 3,500 hours for the years ended 2019 and 2018, respectively.

The Museum also receives donated professional services, which would typically need to be purchased if not provided by donation. The estimated fair value of the services is recognized in the consolidated statement of activities. Total gift revenue recognized for donated professional services was \$17,500 and \$10,600 for the years ended 2019 and 2018, respectively.

The William A. Farnsworth Library and Art Museum, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Non-Operating Activities

Non-operating activities consist of contributions for non-operating purposes, such as capital projects, life income funds, trusts and remainder interests, endowment, endowment income, accession and deaccessions.

Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting activities benefited. Indirect costs are allocated based on square footage for facility costs and time and effort for personnel and other costs.

Advertising

Advertising costs are charged to operations when incurred. Advertising expense was \$120,317 and \$68,075 for the years ended September 30, 2019 and 2018, respectively.

Income Taxes

The Museum is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Museum's tax-exempt purpose is subject to taxation on unrelated business income. In addition, the Museum qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as organizations that are not private foundations.

Penalties and interest assessed by income taxing authorities are included in management and general expenses, if applicable. The Museum has no interest and penalties related to income taxes for the year ended September 30, 2019.

Recently Adopted Accounting Pronouncement

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958). This ASU provides for certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and by nature, netting of investment expenses with return, among other changes. The guidance in this ASU is effective for the year ended 2019, and was applied retrospectively to these comparative financial statements with the exception of the omission of certain information as permitted by the ASU. There was no change in total net assets as of September 30, 2018.

Reclassification

Certain amounts as previously reported in the 2018 financial statements have been reclassified to conform to the 2019 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

The William A. Farnsworth Library and Art Museum, Inc.

Notes to Financial Statements

Note 2: Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, approximate the following:

<i>As of September 30,</i>	2019
Cash and cash equivalents	\$ (45,400)
Accounts receivable	13,900
Contributions receivable	112,000
Charitable lead interest trust	56,700
Total financial assets available for general expenditure within one year	\$ 137,200

The Museum also has board-designated endowments of approximately \$992,000 that are subject to an annual spending rate of 5 percent. Although the Museum does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

The Museum does not have a formal liquidity policy but it regularly monitors its liquidity required to meet its operating needs and other contractual commitments. The Museum also has a line of credit, as described in Note 10, that can be drawn upon for liquidity. In addition, the Museum draws from its endowment based on a spending rate of 5% and receives an annual distribution from a perpetual trusts as noted in these financial statements.

Note 3: Concentration of Credit Risk

The Museum maintains its cash and restricted cash in multiple financial institutions. At times, these balances may exceed the federal insurance limits; however, the Museum has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these balances.

Note 4: Restricted Cash

Fee and expense reserve – The reserve is pursuant to the New Market Tax Credit financing for payment of future loan expenses. As of September 30, 2019 and 2018, the balance was \$166,748 and \$214,852, respectively.

Program reserve – The reserve is established from loan proceeds to be used for community program costs. As of September 30, 2019 and 2018, the balance was \$113,252 and \$105,761, respectively.

The William A. Farnsworth Library and Art Museum, Inc.

Notes to Financial Statements

Note 5: Contributions Receivable

Pledges receivable for each of the future years, are expected to be received, as follow:

	2019	2018
Less than one year	\$ 679,691	\$ 809,579
One to five years	1,467,635	1,937,136
More than five years	192,858	340,714
	2,340,184	3,087,429
Allowance for uncollectible pledges	(750)	(750)
Discount on pledges receivable	(167,196)	(237,761)
	\$ 2,172,238	\$ 2,848,918

Contributions receivable consist of the following as of September 30:

	2019	2018
Capital campaign	\$ 2,033,109	\$ 2,564,994
Annual fund and other	232,075	442,435
Endowment	75,000	80,000
	\$ 2,340,184	\$ 3,087,429

Note 6: Assets Limited as to Use

The investments (excluding those held by others) consisted of the following at:

	September 30, 2019
	Endowment Investments
Cash and cash equivalents	\$ 1,739,622
Mutual funds - fixed income	779,522
Mutual funds - equities	6,739,529
Equities	1,903,357
U.S. Government bonds	2,057,403
Corporate bonds	684,821
International bonds	67,065
Alternative investments	183,921
	\$ 14,155,240

The William A. Farnsworth Library and Art Museum, Inc.

Notes to Financial Statements

Note 6: Assets Limited as to Use (Continued)

	September 30, 2018			
	Pooled Income Fund	Charitable Gift Annuity	Endowment Investments	Total
Cash and cash equivalents	\$ 5,845	\$ 22,756	\$ 343,712	\$ 372,313
Mutual funds - fixed income	93,460	-	196,348	289,808
Mutual funds - equities	6,561	-	7,434,174	7,440,735
Equities	45,767	-	2,188,955	2,234,722
U.S. Government bonds	-	-	1,678,922	1,678,922
Corporate bonds	-	-	714,161	714,161
International bonds	-	-	78,076	78,076
Alternative investments	-	-	219,797	219,797
	<u>\$ 151,633</u>	<u>\$ 22,756</u>	<u>\$ 12,854,145</u>	<u>\$ 13,028,534</u>

Net investment income consisted of the following for the years ended September 30:

	2019	2018
Net gain	\$ 207,601	\$ 873,644
Interest and dividend income	189,459	169,277
Investment fees	(30,755)	(26,960)
Total	<u>\$ 366,305</u>	<u>\$ 1,015,961</u>

Commitments to Invest

Certain alternative investments have commitments to invest additional amounts in private equity funds of \$131,000 which, if requested, are expected to be satisfied through December 31, 2020. The limitations and restrictions on the Museum's ability to redeem or sell the private equity funds vary by investment.

Split Interest Agreements

Beneficial Interest in Perpetual Trusts – The Museum is the beneficiary of several trusts created by donors, the assets of which are not in the possession of the Museum. The Museum has legally enforceable rights or claims to such assets, including the right to related income. The Museum's interest in these trusts is included in the consolidated financial statements at the fair value of the underlying investments. As a result of court rulings effective January 2000, the Trustee is permitted to appropriate for distribution to the Museum the net realized, and unrealized appreciation of all trusts as determined to be prudent by the Trustee.

The Museum received a distribution of \$351,806 and \$338,676 for the years ended 2019 and 2018, respectively, related to the Museum's beneficial interest in perpetual trusts.

The William A. Farnsworth Library and Art Museum, Inc.

Notes to Financial Statements

Note 6: Assets Limited as to Use (Continued)

Charitable Lead Annuity Trust – The Museum is also the beneficiary of a charitable lead annuity trust created by a donor in 2006, the assets of which are not in the possession of the Museum. The Museum has the right to receive annual installments of \$68,920 over 16 years. The present value of the annuity payments, using a 5% discount rate, was \$244,390 and \$297,391 at September 30, 2019 and 2018, respectively.

Note 7: Endowment Funds

The endowment consists of donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees, are classified and reported based on the existence or absence of donor-imposed restrictions.

Composition of endowment net assets by type of fund are as follows as of September 30:

September 30, 2019	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 13,156,738	\$ 13,156,738
Board-designated endowment funds	992,432	6,070	998,502
	<u>\$ 992,432</u>	<u>\$ 13,162,808</u>	<u>\$ 14,155,240</u>

September 30, 2018	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 12,008,951	\$ 12,008,951
Board-designated endowment funds	990,767	6,060	996,827
	<u>\$ 990,767</u>	<u>\$ 12,015,011</u>	<u>\$ 13,005,778</u>

Changes in endowment net assets are, as follows:

September 30, 2019	Without Donor Restriction	With Donor Restriction	Total
Beginning of year	\$ 990,767	\$ 12,015,011	\$ 13,005,778
Contributions	-	1,332,100	1,332,100
Investment return:			
Investment income, net of fees	12,819	141,671	154,490
Net gain	31,598	176,003	207,601
Amount appropriated	(42,752)	(501,977)	(544,729)
End of year	<u>\$ 992,432</u>	<u>\$ 13,162,808</u>	<u>\$ 14,155,240</u>

The William A. Farnsworth Library and Art Museum, Inc.

Notes to Financial Statements

Note 7: Endowment Funds (Continued)

September 30, 2018	Without Donor Restriction	With Donor Restriction	Total
Beginning of year	\$ 938,478	\$ 11,038,765	\$ 11,977,243
Contributions	-	519,870	519,870
Investment return:			
Investment income, net of fees	12,429	131,700	144,129
Net gain	157,882	715,762	873,644
Amount appropriated	(118,022)	(391,086)	(509,108)
End of year	\$ 990,767	\$ 12,015,011	\$ 13,005,778

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the historic dollar value of the fund. Deficiencies of this nature are reported in net assets with donor restrictions and amounted to \$184,287 and \$186,031 as of September 30, 2019 and 2018, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new donor-restricted endowment contributions and continued appropriation that was deemed prudent by the Board of Trustees.

Note 8: Note Receivable

Note receivable consists of a note receivable from USBDC Investment Fund 119, LLC, interest due monthly at 1% for seven years, then amortizing payments of \$35,507 a month beginning December 2022. The note matures in February 2042. The note is secured by substantially all the assets of the investment LLC.

Note 9: Property and Equipment

A summary of property and equipment is as follows as of September 30,

<i>Years Ended September 30,</i>	2019	2018
Land	\$ 244,958	\$ 244,958
Buildings and improvements	16,368,730	16,353,030
Equipment, furniture and fixtures	638,611	586,553
Subtotal	17,252,299	17,184,541
Accumulated Depreciation	(7,567,777)	(7,078,871)
Total	\$ 9,684,522	\$ 10,105,670

The William A. Farnsworth Library and Art Museum, Inc.

Notes to Financial Statements

Note 10: Line of Credit

The Museum has an \$850,000 revolving line of credit with a local bank. Terms of the line of credit agreement provide for advances with interest at the Wall Street Journal's prime rate. The interest rate, as of September 30, 2019 and 2018, was 5.00% and 5.25%, respectively. The agreement is subject to renewal on May 20, 2020. Advances on the line of credit are secured by all business assets. There was \$356,730 and \$360,025 outstanding advances under this line of credit as of September 30, 2019 and 2018, respectively.

Note 11: Long Term Debt

Long-term debt consisted of the following:

First mortgage

The Museum had a mortgage with The First N.A. (the "Lender") in the original amount of \$2,000,000. In conjunction with the transfer of property under common control, the Corporation assumed this obligation for the outstanding principal balance of \$1,310,405. The loan bears interest at 3.875% through February 15, 2019 and prime less .25% (not to exceed 7.625%) thereafter. The loan matures in December 15, 2032. The outstanding principal balance was \$903,287 and \$1,109,611 as of September 30, 2019 and 2018, respectively.

New Market Tax Credit (NMT) financing

Note payable with CCM Community Development LI, LLC ("CCM") in the amount of \$2,212,835 ("CCM Note A"). The note bears interest at 1.291%. Commencing in May 2015, monthly payments of interest only are due through December 2022. Commencing in January 2023, monthly payments of principal and interest in an amount sufficient to amortize the outstanding balance will become due through maturity in December 2049. As of September 30, 2019 and 2018, the outstanding balance is \$2,212,835.

Note payable with CCM in the amount of \$2,271,065 ("CCM Note B"). The note bears interest at 1.291%. Commencing in May 2015, monthly payments of interest only are due through December 2022. Commencing in January 2023, monthly payments of principal and interest in an amount sufficient to amortize the outstanding balance will become due through maturity in December 2049. As of September 30, 2019 and 2018, the outstanding balance is \$2,271,065.

Note payable with MHIC NE CDE II Subsidiary 32 LLC ("MHIC") in the amount of \$5,216,100 ("MHIC Note A"). The note bears interest at 0.966%. Commencing in May 2015, monthly payments of interest only are due through December 2022. Commencing in January 2023, monthly payments of principal and interest in an amount sufficient to amortize the outstanding balance will become due through maturity in December 2049. As of September 30, 2019 and 2018, the outstanding balance is \$5,216,100.

Note payable with MHIC NE CDE II Subsidiary 32 LLC ("MHIC") in the amount of \$2,301,400 ("MHIC Note B"). The note bears interest at 0.966%. Commencing in May 2015, monthly payments of interest only are due through December 2022. Commencing in January 2023, monthly payments of principal and interest in an amount sufficient to amortize the outstanding balance will become due through maturity in December 2049. As of September 30, 2019 and 2018, the outstanding balance is \$2,301,400.

The William A. Farnsworth Library and Art Museum, Inc.

Notes to Financial Statements

Note 11: Long Term Debt (Continued)

The following is a summary of principal maturities of long-term debt:

	First Mortgage	CCM (Note A)	CCM (Note B)	MHIC (Note A)	MHIC (Note B)	Total
September 30,						
2020	\$ 47,383	\$ -	\$ -	\$ -	\$ -	47,383
2021	51,415	-	-	-	-	51,415
2022	55,534	-	-	-	-	55,534
2023	59,983	-	-	-	-	59,983
2024	64,600	-	-	-	-	64,600
Thereafter	624,372	2,212,835	2,271,065	5,216,100	2,301,400	12,625,772
Total	\$ 903,287	\$ 2,212,835	\$ 2,271,065	\$ 5,216,100	\$ 2,301,400	\$ 12,904,687

The first mortgage is collateralized by a portion of the Real Estate. The CCM and MHIC loans are collateralized by all the real estate.

Debt issuance costs, net of accumulated amortization, totaled \$381,423 and \$393,999 as of September 30, 2019 and 2018, respectively, and is related to the MHIC Note A. Debt issuance costs on the above note are being amortized using an imputed rate of 1.653%.

Note 12: Net Assets

Net assets without donor restrictions that are board-designated are for the following purposes at September 30:

	2019	2018
Olson House	\$ 245,509	\$ 245,099
Collections	747,038	745,668
	\$ 992,547	\$ 990,767

The William A. Farnsworth Library and Art Museum, Inc.

Notes to Financial Statements

Note 12: Net Assets (Continued)

Net assets with donor restrictions are available for the following purposes at September 30:

	2019	2018
Time and purpose restricted		
Beneficial interest in charitable lead trust	\$ 244,390	\$ 297,391
Facilities	1,072,319	1,271,147
Education and operations	296,387	523,709
Exhibitions and collections	49,442	98,044
Capital Campaign	1,892,274	2,570,295
Total time and purpose restricted	3,554,812	4,760,586
Perpetual in nature		
Perpetual trusts	6,720,150	7,022,217
Pooled income fund	-	151,633
Education and operations	4,055,797	2,580,465
Maintenance	8,129,637	8,129,637
Total perpetual in nature	18,905,584	17,883,952
Total net assets with donor restrictions	\$ 22,460,396	\$ 22,644,538

Net assets released from restrictions consist of the following for the years ended:

	2019	2018
Debt reduction	\$ 150,000	\$ 600,000
Facilities	406,120	361,440
Education and operations	613,955	299,375
Exhibitions and collections	226,182	41,989
Capital projects	38,721	190,489
Capital campaign expenses and initiatives	892,152	405,894
Total net assets released from restrictions	2,327,130	1,899,187
Operating net assets released from restrictions	1,544,431	622,305
Non-operating net assets released from restrictions	782,699	1,276,882
	\$ 2,327,130	\$ 1,899,187

The William A. Farnsworth Library and Art Museum, Inc.

Notes to Financial Statements

Note 13: Leases

The Museum has entered into two operating leases or office equipment.

Future minimum lease obligations consisted of the following at September 30, 2019

2020	\$	21,876
2021		17,355
2022		3,561
2023		2,868
2024		478
<hr/>		
Total	\$	46,138

Note 14: Pension Benefit Plan

The Museum maintains a 403(b) plan that covers substantially all employees who work at least 1,000 hours annually. Contributions to the plan are discretionary. There were no contributions to the plan for the years ended 2019 and 2018.

Note 15: Fair Value Measurements

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical assets and liabilities that an entity has the ability to access at a measurement date.

Level 2 – Pricing inputs other than exchange quoted prices in active markets that are observable for the specific asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs that are unobservable inputs for the asset or liability in which little or no market activity is available for the asset or liability at the measurement date. The inputs into the determination of fair value require significant management judgment or estimation.

For the years ended 2019 and 2018, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Mutual Funds

The fair value of mutual funds is based on quoted market prices which represent the net asset value of shares held by the Museum at year-end.

The William A. Farnsworth Library and Art Museum, Inc.

Notes to Financial Statements

Note 15: Fair Value Measurements (Continued)

Equities

The fair value of equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Bonds

Government, corporate, and international bonds are valued at fair value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Private Equity Funds

The fair value of the private equity funds is estimated using the reported net asset value of the Museum's ownership interest.

Beneficial Interest in Perpetual Trusts

The fair value of the beneficial interest in perpetual trusts is valued using an income approach and is based on the fair value of the underlying assets in the trust, which approximates the future estimated cash flows from the trusts.

Beneficial Interest in Charitable Lead Annuity Trust

The fair value of the beneficial interest in the charitable lead annuity trust is valued using an income approach and is based on the present value of future cash flows discounted at 5%.

The Museum reviews and evaluates the valuations provided by investment managers and believes that these valuations are a reasonable estimate of fair value. At each reporting period, if applicable, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The William A. Farnsworth Library and Art Museum, Inc.

Notes to Financial Statements

Note 15: Fair Value Measurements (Continued)

Assets measured at fair value on a recurring basis are categorized, as follows:

<i>September 30, 2019</i>	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 1,739,622	\$ -	\$ -	\$ 1,739,622
Mutual funds - fixed income	547,238	232,284	-	779,522
Mutual funds - equities	6,739,529	-	-	6,739,529
Equities	1,903,357	-	-	1,903,357
U.S. Government bonds	-	2,057,403	-	2,057,403
Corporate bonds	-	684,821	-	684,821
International bonds	-	67,065	-	67,065
Perpetual trusts	-	-	6,720,150	6,720,150
Charitable lead interest trust	-	244,390	-	244,390
Total assets in fair value hierarchy	\$ 10,929,746	\$ 3,285,963	\$ 6,720,150	20,935,859
Investments measured at net asset value				183,921
Totals				\$ 21,119,780

<i>September 30, 2018</i>	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 372,313	\$ -	\$ -	\$ 372,313
Mutual funds - fixed income	93,460	196,348	-	289,808
Mutual funds - equities	7,440,735	-	-	7,440,735
Equities	2,234,722	-	-	2,234,722
U.S. Government bonds	-	1,678,922	-	1,678,922
Corporate bonds	-	714,161	-	714,161
International bonds	-	78,076	-	78,076
Perpetual trusts	-	-	7,022,217	7,022,217
Charitable lead interest trust	-	297,391	-	297,391
Total assets in fair value hierarchy	\$ 10,141,230	\$ 2,964,898	\$ 7,022,217	20,128,345
Investments measured at net asset value				219,797
Totals				\$ 20,348,142

The William A. Farnsworth Library and Art Museum, Inc.

Notes to Financial Statements

Note 15: Fair Value Measurements (Continued)

The summary of changes in fair value associated with the Museum's Level 3 assets for the years ended 2019 and 2018 is, as follows:

	Beneficial Interest in Perpetual Trusts
September 30, 2017	\$ 6,833,730
Change in value of split interest agreement	188,487
September 30, 2018	7,022,217
Change in value of split interest agreement	(302,067)
September 30, 2019	\$ 6,720,150

Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in value in the near-term would materially affect the amounts reported in the consolidated statements of financial position and activities.

Note 16: Asset Retirement Obligation

Certain Museum buildings contain asbestos that upon major renovation or demolition would be required to be properly disposed of. The Museum has no expectations of plans for renovations or demolition that would trigger this obligation; therefore, its fair value cannot be reasonably estimated and no liability has been recognized as of September 30, 2019.

Note 17: Contingency

The NMTC financing received by the Museum requires the Museum to comply with applicable sections of Section 45D of the Internal Revenue Code and applicable sections of 36 Me. Rev. Stat. Ann. Subsection 5219-HH. Failure to maintain compliance with those statutes may result in the recapture of tax credits claimed by U.S. Bancorp Community Development Corporation. The Museum has entered into indemnification agreements pursuant to which the Museum is obligated to indemnify U.S. Bancorp Community Development Corporation for any tax credits recaptured due to the acts or omissions of the Museum.

The William A. Farnsworth Library and Art Museum, Inc.

Notes to Financial Statements

Note 18: Evaluation of Subsequent Events

Beginning in March 2020, the World Health Organization declared the outbreak of COVID 19 as a pandemic, followed by multiple jurisdictions in the United States declaring a state of emergency. As a result of the stay at home order by the Governor, the museum, administrative offices and retail operations were all closed. This will cause a negative impact to the museum revenue which cannot be reasonably estimated. The Museum has received approval for their Payroll Protection Program application in the amount of \$411,000.

The Museum has evaluated subsequent events through April 15, 2020, which is the date of the opinion on these consolidated financial statements, which represents the date on which the consolidated financial statements were available to be issued.

The William A. Farnsworth Library and Art Museum, Inc. and Subsidiary

Consolidating Schedule of Financial Position

September 30, 2019

ASSETS	Museum	Real Estate	Eliminations	Total
Current Assets				
Cash & cash equivalents	\$ -	\$ 905		\$ 905
Cash - restricted	113,252			113,252
Accounts receivable	13,937			13,937
Contributions receivable, current	679,691			679,691
Deferred rent receivable		1,255,022	\$ (1,255,022)	
Inventory	253,153			253,153
Prepaid expenses	102,630			102,630
Total Current Assets	<u>1,162,663</u>	<u>1,255,927</u>	<u>(1,255,022)</u>	<u>1,163,568</u>
Assets Whose Use is Limited				
Endowment investments	14,155,240			14,155,240
Perpetual trust held by others	6,720,150			6,720,150
Charitable lead interest trust held by others	244,390			244,390
Total Assets Whose Use is Limited	<u>21,119,780</u>	<u>-</u>	<u>-</u>	<u>21,119,780</u>
Other Assets				
Cash - restricted		166,748		166,748
Contributions receivable	1,492,547			1,492,547
Note receivable	7,428,935			7,428,935
Other asset				-
Total Other Assets	<u>8,921,482</u>	<u>166,748</u>	<u>-</u>	<u>9,088,230</u>
Property and Equipment	<u>360,248</u>	<u>9,324,274</u>		<u>9,684,522</u>
Total Assets	<u>\$ 31,564,173</u>	<u>\$ 10,746,949</u>	<u>\$ (1,255,022)</u>	<u>\$ 41,056,100</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 255,105	\$ 13,175		\$ 268,280
Accrued expenses	1,347,529		\$ (1,255,022)	92,507
Deferred revenue and other liabilities	959			959
Current portion of long term debt		47,383		47,383
Line of credit	356,730			356,730
Total Current Liabilities	<u>1,960,323</u>	<u>60,558</u>	<u>(1,255,022)</u>	<u>765,859</u>
Long Term Debt - Net of Current Portion		<u>12,475,881</u>		<u>12,475,881</u>
Total Liabilities	<u>1,960,323</u>	<u>12,536,439</u>	<u>(1,255,022)</u>	<u>13,241,740</u>
Net Assets				
Net assets without donor restrictions				
Designated by the Board of Trustees	992,547			992,547
Undesignated	6,090,197	(1,789,490)	60,710	4,361,417
	<u>7,082,744</u>	<u>(1,789,490)</u>	<u>60,710</u>	<u>5,353,964</u>
Net assets with donor restrictions				
Time and purpose restricted	3,615,522		(60,710)	3,554,812
Perpetual in nature	18,905,584			18,905,584
	<u>22,521,106</u>	<u>-</u>	<u>(60,710)</u>	<u>22,460,396</u>
Total Net Assets	<u>29,603,850</u>	<u>(1,789,490)</u>	<u>-</u>	<u>27,814,360</u>
Total Liabilities and Net Assets	<u>\$ 31,564,173</u>	<u>\$ 10,746,949</u>	<u>\$ (1,255,022)</u>	<u>\$ 41,056,100</u>

See independent auditor's report.

The William A. Farnsworth Library and Art Museum, Inc. and Subsidiary

Consolidating Schedule of Activities

Year Ended September 30, 2019

	Museum	Real Estate	Elimination	Total
Operating Revenue and Support				
Admissions	\$ 540,314			\$ 540,314
Contributions	1,803,500	150,000	(150,000)	1,803,500
Memberships	233,626			233,626
Endowment utilized in operations	558,680			558,680
Income from perpetual trust	351,806			351,806
Building rent	892	\$ 569,080	\$ (481,977)	87,995
Gift shop sales	512,236			512,236
Other sources	189,218	887	(42,950)	147,155
Total Operating Revenue and Support	<u>4,190,272</u>	<u>719,967</u>	<u>(674,927)</u>	<u>4,235,312</u>
Operating Expenses:				
Program services:				
Curatorial	2,240,466		(382,747)	1,857,719
Education	600,318		(51,033)	549,285
Museum store	517,611		(10,207)	507,404
Subtotal	<u>3,358,395</u>		<u>(443,987)</u>	<u>2,914,408</u>
Management and administrative	762,353	289,594	(220,733)	831,214
Development	1,326,777		(10,207)	1,316,570
Depreciation expense	64,596	424,428		489,024
Total operating expenses	<u>5,512,121</u>	<u>714,022</u>	<u>(674,927)</u>	<u>5,551,216</u>
Change in Net Assets From Operations	(1,321,849)	5,945		(1,315,904)
Non-Operating Revenue (Expense)				
Contributions	1,323,699			1,323,699
Accessions	(92,000)			(92,000)
Deaccessions	10,080			10,080
Investment income	366,305			366,305
Change in value of split interest agreements	(305,279)			(305,279)
Endowment utilized in operations	(558,680)			(558,680)
Net Change in Net Assets - Non-Operating	<u>744,125</u>			<u>744,125</u>
Change in Net Assets	(577,724)	5,945		(571,779)
Net Assets - Beginning of Year	<u>30,181,574</u>	<u>(1,795,435)</u>		<u>28,386,139</u>
Net Assets - End of Year	<u>\$ 29,603,850</u>	<u>\$ (1,789,490)</u>	<u>\$ -</u>	<u>\$ 27,814,360</u>

See independent auditor's report.