

**CONSERVATION CENTER FOR
ART AND HISTORIC ARTIFACTS**

FINANCIAL STATEMENTS

(AND INDEPENDENT AUDITOR'S REPORT)

YEARS ENDED DECEMBER 31, 2022 AND 2021



**ISDANER &
COMPANY** LLC
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Board of Directors of
Conservation Center for Art and Historic Artifacts
Philadelphia, Pennsylvania

Opinion

We have audited the accompanying financial statements of Conservation Center for Art and Historic Artifacts which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Conservation Center for Art and Historic Artifacts as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Conservation Center for Art and Historic Artifacts and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Conservation Center for Art and Historic Artifacts' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Conservation Center for Art and Historic Artifacts' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Conservation Center for Art and Historic Artifacts' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Bala Cynwyd, Pennsylvania

October 30, 2023

CONSERVATION CENTER FOR ART AND HISTORIC ARTIFACTS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

| | 2022 | 2021 |
|--|--------------|--------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 671,257 | \$ 1,082,641 |
| Accounts receivable, net | 660,720 | 505,111 |
| Grants receivable | 680,130 | 673,296 |
| Prepaid expenses | 70,818 | 71,642 |
| Total current assets | 2,082,925 | 2,332,690 |
| Furniture and equipment, net | 86,714 | 43,528 |
| Restricted cash equivalents | 535,000 | 535,000 |
| Investments - endowment, at fair value | 1,384,397 | 1,633,108 |
| Right-of-use assets, net - operating lease | 573,239 | - |
| | 2,579,350 | 2,211,636 |
| Total assets | \$ 4,662,275 | \$ 4,544,326 |

LIABILITIES AND NET ASSETS

| | | |
|------------------------------------|--------------|--------------|
| Current liabilities: | | |
| Accounts payable | \$ 69,236 | \$ 83,374 |
| Accrued expenses | 58,968 | 49,191 |
| Client deposits | 477,257 | 412,908 |
| Notes payable - current portion | 10,000 | 10,000 |
| Lease liability, current | 220,811 | - |
| Total current liabilities | 836,272 | 555,473 |
| Notes payable - noncurrent portion | 173,333 | 183,333 |
| Lease liability, noncurrent | 387,866 | - |
| Total liabilities | 1,397,471 | 738,806 |
| Net assets: | | |
| Without donor restrictions | 1,213,288 | 1,524,218 |
| With donor restrictions | 2,051,516 | 2,281,302 |
| | 3,264,804 | 3,805,520 |
| Total liabilities and net assets | \$ 4,662,275 | \$ 4,544,326 |

The accompanying notes are an integral part of these statements.

CONSERVATION CENTER FOR ART AND HISTORIC ARTIFACTS
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021

| | 2022 | | | 2021 | | |
|--|---------------------------------------|------------------------------------|---------------------|---------------------------------------|------------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and revenue: | | | | | | |
| Conservation services | \$ 2,314,478 | \$ - | \$ 2,314,478 | \$ 1,970,348 | \$ - | 1,970,348 |
| Membership dues | 4,765 | - | 4,765 | 4,475 | - | 4,475 |
| Workshop registration fees | 15,908 | - | 15,908 | 18,417 | - | 18,417 |
| Grants | 18,000 | 457,540 | 475,540 | 240,549 | 447,412 | 687,961 |
| Contributions | 26,621 | - | 26,621 | 25,871 | - | 25,871 |
| Paycheck Protection Program grant | - | - | - | 399,190 | - | 399,190 |
| Dividends and interest income | 51,272 | - | 51,272 | 80,449 | - | 80,449 |
| Net assets released from restrictions | 464,394 | (464,394) | - | 535,486 | (535,486) | - |
| | <u>2,895,438</u> | <u>(6,854)</u> | <u>2,888,584</u> | <u>3,274,785</u> | <u>(88,074)</u> | <u>3,186,711</u> |
| Expenses: | | | | | | |
| Program | 2,644,425 | - | 2,644,425 | 2,468,097 | - | 2,468,097 |
| Administrative | 276,317 | - | 276,317 | 304,774 | - | 304,774 |
| Fundraising | 178,224 | - | 178,224 | 160,637 | - | 160,637 |
| | <u>3,098,966</u> | <u>-</u> | <u>3,098,966</u> | <u>2,933,508</u> | <u>-</u> | <u>2,933,508</u> |
| Change in net assets from operating activities | (203,528) | (6,854) | (210,382) | 341,277 | (88,074) | 253,203 |
| Net (loss) gain on investments | (107,402) | (222,932) | (330,334) | 17,645 | 98,224 | 115,869 |
| | <u>(107,402)</u> | <u>(222,932)</u> | <u>(330,334)</u> | <u>17,645</u> | <u>98,224</u> | <u>115,869</u> |
| Change in net assets | (310,930) | (229,786) | (540,716) | 358,922 | 10,150 | 369,072 |
| Net assets at beginning of year | <u>1,524,218</u> | <u>2,281,302</u> | <u>3,805,520</u> | <u>1,165,296</u> | <u>2,271,152</u> | <u>3,436,448</u> |
| Net assets at end of year | <u>\$ 1,213,288</u> | <u>\$ 2,051,516</u> | <u>\$ 3,264,804</u> | <u>\$ 1,524,218</u> | <u>\$ 2,281,302</u> | <u>\$ 3,805,520</u> |

The accompanying notes are an integral part of these statements.

CONSERVATION CENTER FOR ART AND HISTORIC ARTIFACTS

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2022 AND 2021

| | 2022 | | | 2021 | | | | |
|--|---------------------|-----------------------|--------------------|---------------------|---------------------|-----------------------|--------------------|---------------------|
| | <u>Program</u> | <u>Administrative</u> | <u>Fundraising</u> | <u>Total</u> | <u>Program</u> | <u>Administrative</u> | <u>Fundraising</u> | <u>Total</u> |
| Salaries | \$ 1,581,130 | \$ 123,107 | \$ 111,664 | \$ 1,815,901 | \$ 1,512,270 | \$ 123,107 | \$ 111,664 | \$ 1,747,041 |
| Fringe benefits and payroll taxes | 321,174 | 25,007 | 22,682 | 368,863 | 294,901 | 24,006 | 21,775 | 340,682 |
| Outside contractors | 145,039 | 10,396 | 10,695 | 166,130 | 167,768 | 46,295 | - | 214,063 |
| Conservation supplies and equipment | 82,311 | - | - | 82,311 | 70,972 | - | - | 70,972 |
| Depreciation | 17,786 | 1,385 | 1,256 | 20,426 | 15,377 | 1,252 | 1,135 | 17,764 |
| Bad debt expense | - | - | - | - | - | 1,728 | - | 1,728 |
| Dues, subscriptions, publications | 4,051 | - | - | 4,051 | 6,370 | - | - | 6,370 |
| Education and professional development | 7,998 | - | - | 7,998 | 6,415 | - | - | 6,415 |
| Insurance | 28,774 | 2,240 | 2,032 | 33,046 | 32,203 | 2,621 | 2,378 | 37,202 |
| Bank fees | - | 20,674 | - | 20,674 | - | 16,044 | - | 16,044 |
| Maintenance and repairs | 8,621 | 671 | 609 | 9,901 | 5,689 | 463 | 420 | 6,572 |
| Marketing and advertising | 16,062 | 1,251 | 1,134 | 18,447 | 8,262 | 673 | 610 | 9,545 |
| Office and miscellaneous | 13,986 | 1,089 | 988 | 16,063 | 7,063 | 575 | 522 | 8,160 |
| Office rent and property charges | 282,884 | 22,025 | 19,978 | 324,888 | 234,320 | 19,075 | 17,302 | 270,697 |
| Photography | 6,665 | - | - | 6,665 | 6,121 | - | - | 6,121 |
| Postage, freight, delivery | 9,323 | 726 | 658 | 10,707 | 8,596 | 700 | 635 | 9,931 |
| Printing and duplicating | 6,701 | 522 | 473 | 7,696 | 12,107 | 986 | 894 | 13,987 |
| Professional fees | - | 58,408 | - | 58,408 | - | 61,468 | - | 61,468 |
| Security | 7,714 | - | - | 7,714 | 2,663 | - | - | 2,663 |
| Technology | 11,742 | 2,782 | 582 | 15,106 | 9,474 | 2,626 | 441 | 12,541 |
| Telephone | 11,118 | 866 | 785 | 12,769 | 9,959 | 811 | 735 | 11,505 |
| Travel | 48,719 | 3,793 | 3,441 | 55,953 | 15,700 | 1,278 | 1,159 | 18,137 |
| Utilities | 17,662 | 1,375 | 1,247 | 20,284 | 13,092 | 1,066 | 967 | 15,125 |
| Workshops | 14,965 | - | - | 14,965 | 28,775 | - | - | 28,775 |
| | <u>\$ 2,644,425</u> | <u>\$ 276,317</u> | <u>\$ 178,224</u> | <u>\$ 3,098,966</u> | <u>\$ 2,468,097</u> | <u>\$ 304,774</u> | <u>\$ 160,637</u> | <u>\$ 2,933,508</u> |

The accompanying notes are an integral part of these statements.

CONSERVATION CENTER FOR ART AND HISTORIC ARTIFACTS

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

| | 2022 | 2021 |
|---|--------------|--------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (540,716) | \$ 369,072 |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Net loss (gain) on investments | 330,334 | (115,869) |
| Depreciation | 20,426 | 17,764 |
| Right-of-Use Asset lease incentive adjustment | 35,438 | - |
| Allowance for bad debt | - | (3,272) |
| Change in operating assets and liabilities: | | |
| Accounts receivable | (155,609) | (77,742) |
| Grants receivable | (6,834) | 189,847 |
| Prepaid expenses | 824 | 20,072 |
| Accounts payable | (14,138) | 2,935 |
| Accrued expenses | 9,777 | 4,211 |
| Client deposits | 64,349 | 83,269 |
| Net cash (used in) provided by operating activities | (256,149) | 490,287 |
| Cash flows from investing activities: | | |
| Additions to furniture and equipment | (63,612) | (19,328) |
| Purchase of investments | (111,623) | (250,814) |
| Proceeds from sale of investments | 30,000 | 205,813 |
| Net cash used in investing activities | (145,235) | (64,329) |
| Cash flows from financing activities: | | |
| Repayments of note payable | (10,000) | (6,667) |
| Net cash (used in) financing activities | (10,000) | (6,667) |
| Net (decrease) increase in cash and cash equivalents and restricted cash equivalents | (411,384) | 419,291 |
| Cash and cash equivalents and restricted cash equivalents at beginning of year | 1,617,641 | 1,198,350 |
| Cash and cash equivalents and restricted cash equivalents at end of year | \$ 1,206,257 | \$ 1,617,641 |
| Non-cash investing and financing activity: | | |
| Right-of-Use Asset Recognition | \$ 573,239 | \$ - |
| Lease Liability Recognition | \$ 608,677 | \$ - |

The accompanying notes are an integral part of these statements.

CONSERVATION CENTER FOR ART AND HISTORIC ARTIFACTS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

(1) OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

Conservation Center for Art and Historic Artifacts (the “Center”) provides expertise and leadership in the preservation of objects of artistic, historic or archival value, such as prints, drawings, watercolors, and photographs. The Center also provides consulting and educational services for its members, comprised of cultural, research and educational institutions, as well as individuals and private organizations throughout the United States.

Basis of Presentation

The accompanying financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as set forth in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). Resources in the financial statements are classified for accounting and reporting purposes into classes of net assets according to the existence or absence of donor-imposed restrictions, as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-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. 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 Center has \$1,045,492 of net assets to be held in perpetuity as of December 31, 2022 and 2021.

The Center has elected to report as without donor restrictions, donor-restricted contributions whose restrictions are met in the same reporting period.

Adoption of New Accounting Pronouncement

Effective in 2022, the Center adopted Accounting Standards Update (“ASU”) 2016-02, *Leases*, and all subsequent ASUs that modified Topic 842 (“ASC 842”) using the effective date transition method. The ASU requires assets and liabilities to be recognized for all material leases with terms in excess of twelve months. The Center elected the practical expedient to apply the short-term lease exemption for lease terms less than twelve months to all of its classes of underlying assets.

The Center determines if an arrangement is a lease at inception. Effective January 1, 2022, operating leases are included in right-of-use (“ROU”) assets, net – operating lease and lease liability, current and noncurrent, on the balance sheet. The Center does not have any finance leases.

The adoption of ASU 2016-02 had a material impact on the Center’s statement of financial position in 2022 but did not have a material impact on the statement of activities. The most significant impact was the recognition of ROU assets and lease liabilities related to a lease for office space.

CONSERVATION CENTER FOR ART AND HISTORIC ARTIFACTS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

ROU assets represent the Center's right to use an underlying asset for the lease term and lease liabilities represent the Center's obligation to make lease payments arising from the lease. ROU assets, net – operating lease and lease liabilities are recognized at the commencement date based on the present value of variable lease payments over the remaining lease term. The ROU assets were adjusted at the lease commencement date for a certain lease incentive granted by the lessor per the lease agreement. For the office space lease described in Note 6, the Center used an estimated incremental borrowing rate of 6.0% based on prime rate information available at the commencement date in determining the present value of lease payments, as the lease did not provide an implicit rate. Lease expense for operating lease payments is recognized on a straight-line basis over the remaining lease term.

Use of Estimates

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

Conservation Services

In accordance with ASC Topic 606, *Revenue from Contracts with Customers*, revenues from fixed-fee conservation service contracts are recognized over time, as performance obligations are satisfied, which occurs as services are performed. The Center's contracts typically represent a single performance obligation because integrated service components are not individually identifiable. Revenues are measured based on the amount of consideration expected to be collected from the customers. Progress toward contract completion is measured by the percentage of actual costs incurred to date to total estimated costs for each contract. Related costs are expensed as incurred. Payments received in advance of services performed are recorded as contract liabilities (client deposits). Balances due from clients are included in accounts receivable and are stated at net realizable value.

Accounts receivable are shown net of allowances for doubtful accounts. The allowance reflects management's best estimate of probable losses inherent in the accounts receivable, clients balance. The allowance is based on known troubled accounts, historical experience, other currently available evidence and current economic conditions. Accounts are written off when all reasonable internal and external collection efforts have been performed. The allowance for doubtful accounts was \$1,728 for the years ended December 31, 2022 and 2021.

Grants and Contributions

Grants and contributions, including unconditional promises to give, are recognized as revenue in the period the promise is received. Conditional promises to give are not recognized until conditions on which they depend have been substantially met. Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire within the fiscal year in which the grants and contributions are received. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions.

The Center reports unconditional promises to give as grants receivable. No allowance for uncollectable grants receivables was considered necessary at December 31, 2022 or 2021. The difference between grants receivable due in one to five years and its discounted present value is not material and, accordingly, no discount has been recorded.

CONSERVATION CENTER FOR ART AND HISTORIC ARTIFACTS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Cash and Cash Equivalents and Restricted Cash Equivalents

The Center considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents are primarily held in operating accounts at major financial institutions and also in money market mutual funds. At times cash balances are in excess of the \$250,000 insurance limits established by the Federal Deposit Insurance Corporation.

Cash and restricted cash are reported in the statements of financial position and cash flows as follows:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 671,257 | \$ 1,082,641 |
| Restricted cash equivalents | <u>535,000</u> | <u>535,000</u> |
| Total cash and cash equivalents and restricted cash equivalents in the statements on cash flows | <u>\$ 1,206,257</u> | <u>\$ 1,617,641</u> |

Fair Value Measurements

Investments are stated at fair value based on quoted market prices. Realized and unrealized gains and losses are included in the statements of activities. Dividend and interest are reported as income as they are earned. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. See Note 2 for a summary of inputs used to value the Center's investments reported at fair value.

Furniture and Equipment

Purchased furniture and equipment is stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which is generally five years. Major renewals and improvements are capitalized, while maintenance and repairs that do not improve or extend the lives of the assets are expensed as incurred. Accumulated depreciation at December 31, 2022 and 2021 was \$925,032 and \$904,605, respectively.

Long-lived assets held and used by the Center are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

Income Taxes

The Center is exempt from tax under Section 501(c)(3) of the Internal Revenue Code. Pursuant to FASB ASC Topic 740, the Center recognizes tax benefits only if it is more likely than not that a tax position (including the Center's assertion that its income is exempt from tax) will be sustained upon examination. No liability for uncertain tax positions was recorded as of December 31, 2022.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs applicable to more than one program or activity have been allocated among the programs and supporting services based on activities of personnel and the usage of materials and services.

CONSERVATION CENTER FOR ART AND HISTORIC ARTIFACTS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Subsequent Events

The Center has evaluated subsequent events through October 30, 2023, which is the date the financial statements were available to be issued.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

(2) INVESTMENTS

Investments consist of mutual funds valued at quoted market prices. The following table sets forth the Center's investments in mutual funds within the fair value hierarchy as of December 31, 2022 and 2021:

| | <u>Fair Value</u> | <u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
|--------------|---------------------|---|--|--|
| | <u>2022</u> | | | |
| Mutual Funds | <u>\$ 1,384,397</u> | <u>\$ 1,384,397</u> | <u>\$ -</u> | <u>\$ -</u> |
| | <u>2021</u> | | | |
| Mutual Funds | <u>\$ 1,633,108</u> | <u>\$ 1,633,108</u> | <u>\$ -</u> | <u>\$ -</u> |

(3) DEBT

Line of Credit

The Center had a \$100,000 revolving line of credit with a bank that was closed on February 11th, 2022. Interest accrued at the bank's prime rate plus 2%, was due on demand and was collateralized by all of the Center's assets. No balance was outstanding at December 31, 2021.

On March 28, 2022 the Center entered into a new line of credit with a limit of \$200,000. Interest accrues at the bank's prime rate plus 3.50%. Borrowings are due on demand and are collateralized by a security interest in all of the Center's assets. No balance was outstanding at December 31, 2022.

Notes Payable

In 2020 the Center executed a Promissory Note for \$50,000 payable to the Philadelphia Economic Development Corporation as part of a COVID-19 Small Business Relief Program. The loan is interest free and is payable in 60 monthly principal payments of \$833.33 that began May 1, 2021 and continues through April 1, 2026, the maturity date of the loan.

CONSERVATION CENTER FOR ART AND HISTORIC ARTIFACTS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

During June 2020 the Center was approved for a COVID-19 Economic Injury Disaster loan from the U.S. Small Business Administration (“SBA”) in the amount of \$150,000. The loan is payable in monthly payments of \$641, including interest and principal, over a thirty year period beginning June 15, 2022. The loan accrues interest at a rate of 2.75% per annum and all payments will be applied first to the interest balance that has accrued since the loan was initially advanced to the Center. The SBA will maintain a security interest as collateral on all tangible and intangible personal property of the Center during the term of this loan.

Annual maturities of long term debt are as follows:

| <u>Year Ending December 31,</u> | |
|---------------------------------|-------------------|
| 2023 | \$ 10,000 |
| 2024 | 11,985 |
| 2025 | 14,046 |
| 2026 | 7,482 |
| 2027 | 4,255 |
| Thereafter | <u>135,565</u> |
| | <u>\$ 183,333</u> |

(4) NET ASSETS WITH DONOR RESTRICTIONS

The following amounts represent net assets with donor restrictions as of December 31, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| Restricted for conservation and preservation services | \$ 344,646 | \$ 466,000 |
| Time restricted for operating activities | 364,500 | 250,000 |
| Restricted cash equivalents | 535,000 | 535,000 |
| Endowment held in perpetuity | 510,492 | 510,492 |
| Investment gains on endowment held in perpetuity in excess of spending | 296,878 | 519,810 |
| | <u>\$ 2,051,516</u> | <u>\$ 2,281,302</u> |

(5) RETIREMENT PLAN

The Center has a 403(b) retirement plan (the “Plan”) covering those employees who work a minimum of 1,000 hours per year and have been employees of the Center for a 12-month period. Under the Plan, the Center matches employee contributions up to 5% of gross salary. The Center’s contributions for the years ended December 31, 2022 and 2021 were \$61,223 and \$45,973, respectively.

CONSERVATION CENTER FOR ART AND HISTORIC ARTIFACTS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

(6) LEASE COMMITMENTS

The Center leases facilities and certain office equipment under operating leases. The Center is responsible for minimum monthly rent plus operating costs. Rent expense, including operating charges, was \$324,888 and \$270,697 for the years ended December 31, 2022 and 2021, respectively.

Future minimum lease payments under all material leases at December 31, 2022 as follows:

| | |
|-------------------------------------|--------------------------|
| 2023 | \$ 251,361 |
| 2024 | 256,369 |
| 2025 | <u>151,269</u> |
| Total future minimum lease payments | 658,999 |
| Less imputed interest | <u>(50,322)</u> |
| Total lease liabilities | 608,677 |
| Less current portion | <u>(220,811)</u> |
| Lease liability, non-current | <u><u>\$ 387,866</u></u> |

(7) MAJOR DONORS

Two donors accounted for 89% and three donors accounted for 87% of total grant revenue for the years ended December 31, 2022 and 2021, respectively. Two donors accounted for 75% and 81% of grants receivable at December 31, 2022 and 2021, respectively.

(8) ENDOWMENT FUNDS

The Center's endowment funds consist of (a) donor-restricted endowment funds and (b) unrestricted funds functioning as endowment through designation by the Board of Directors. The Center's donor-restricted endowment funds were established to support future programs and operations. The Center's board-designated unrestricted endowment funds support a fellowship program in memory of a former employee (Glen Ruzicka Legacy Fund).

Endowment fund assets are managed as a diversified portfolio including equity and fixed-income components. The Center has a total return policy of appropriating for distribution each year a percentage (from two to seven percent) of the endowment fund's average fair value over the prior three calendar years. Any undistributed income after the allocation of the total return distribution is added to net assets with donor restrictions. In establishing this policy, the Center considered the long-term expected return on its endowment as well as its objective to maintain the purchasing power of the endowment assets and provide additional real growth through new gifts and investment return.

CONSERVATION CENTER FOR ART AND HISTORIC ARTIFACTS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Changes in endowment funds for the years ended December 31, 2022 and 2021 were as follows:

| | Without Donor Restrictions | | With Donor Restrictions | Total |
|--|----------------------------|--------------------------|-------------------------|--------------|
| | Unrestricted | Glen Ruzicka Legacy Fund | | |
| Endowment net assets, January 1, 2021 | \$ 481,923 | \$ 58,237 | \$ 932,078 | \$ 1,472,238 |
| Additions | 5,651 | - | - | 5,651 |
| Net Depreciation | 28,827 | 7,282 | 79,760 | 115,869 |
| Investment Income | 20,033 | 853 | 54,464 | 75,350 |
| Appropriation of endowment assets for expenditure | - | - | (36,000) | (36,000) |
| Endowment net assets, January 1, 2022 | 536,434 | 66,372 | 1,030,302 | 1,633,108 |
| Additions | 72,511 | - | - | 72,511 |
| Net Depreciation | (102,733) | (10,446) | (217,155) | (330,334) |
| Investment Income | 13,565 | 1,324 | 24,223 | 39,112 |
| Appropriation of endowment assets for expenditure | - | - | (30,000) | (30,000) |
| Endowment net assets, December 31, 2022 | \$ 519,777 | \$ 57,250 | \$ 807,370 | \$ 1,384,397 |

(9) LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, include cash and cash equivalents, accounts receivable and grants receivable approximating \$1,938,265. As part of the Board's liquidity management plan, the Center has a goal to maintain financial assets, which consist of cash and cash equivalents, accounts receivable, and grants receivable, on hand to meet normal operating expenses.