

PARRISH ART MUSEUM

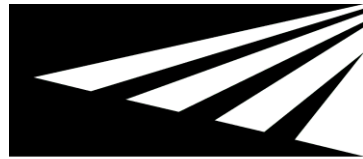
THE PARRISH ART MUSEUM, INC.

**FINANCIAL STATEMENTS
TOGETHER WITH AUDITOR'S REPORT**

**AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

**THE PARRISH ART MUSEUM, INC.
INDEX TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

	<u>Page(s)</u>
Independent Auditor's Report	1-2
Statements Of Financial Position	3
Statements Of Activities And Changes In Net Assets	4
Statements Of Functional Expenses	5
Statements Of Cash Flows	6
Notes To Financial Statements	7-18



NawrockiSmith

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The Parrish Art Museum, Inc.:

We have audited the accompanying financial statements of The Parrish Art Museum, Inc. (the "Museum", a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, 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 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.

NawrockiSmith

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Parrish Art Museum, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hauppauge, New York
November 2, 2021

Nawrocki Smith LLP

THE PARRISH ART MUSEUM, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019

ASSETS	2020	2019
CURRENT ASSETS:		
Cash	\$ 715,348	\$ 771,899
Investments	2,700,822	2,494,619
Grants receivable	214,105	191,974
Contributions receivable, net, current portion	462,589	361,110
Prepaid expenses and other current assets	77,225	144,277
Inventory - Museum Shop	30,749	39,160
Total current assets	4,200,838	4,003,039
CONTRIBUTIONS RECEIVABLE, net, noncurrent portion	242,008	417,761
RESTRICTED INVESTMENTS	3,870,229	3,870,229
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$6,413,116 and \$5,578,774, respectively	32,752,511	33,517,598
OTHER ASSETS	130,340	96,815
Total assets	<u>\$ 41,195,926</u>	<u>\$ 41,905,442</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Notes payable, current portion	\$ -	\$ 713,888
Mortgage payable, net, current portion	34,748	313,323
Accounts payable and accrued expenses	168,206	287,324
Deferred revenue:		
Membership advance	252,248	313,530
Total current liabilities	455,202	1,628,065
NOTES PAYABLE, noncurrent portion	-	63,251
MORTGAGE PAYABLE, net, noncurrent portion	1,426,827	392,810
OTHER LIABILITIES	130,340	96,815
Total liabilities	<u>2,012,369</u>	<u>2,180,941</u>
NET ASSETS:		
Without donor restrictions:		
Board designated for property and equipment	31,290,936	32,459,236
Board designated for accessions	121,205	197,667
Undesignated	583,240	-
Total net assets without donor restrictions	<u>31,995,381</u>	<u>32,656,903</u>
With donor restrictions	<u>7,188,176</u>	<u>7,067,598</u>
Total net assets	<u>39,183,557</u>	<u>39,724,501</u>
Total liabilities and net assets	<u>\$ 41,195,926</u>	<u>\$ 41,905,442</u>

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

THE PARRISH ART MUSEUM, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE AND SUPPORT:						
Contributions:						
Individuals	\$ 1,183,383	\$ 12,800	\$ 1,196,183	\$ 890,080	\$ 1,913,916	\$ 2,803,996
Foundations	471,440	-	471,440	868,026	-	868,026
Corporations	116,863	-	116,863	113,530	-	113,530
Benefit events	318,828	-	318,828	1,239,974	-	1,239,974
Less: direct benefits to donors	(33,113)	-	(33,113)	(450,354)	-	(450,354)
Tuition and fees	190,358	-	190,358	460,203	-	460,203
Government grants	1,027,464	-	1,027,464	440,531	-	440,531
Membership	285,980	-	285,980	356,851	-	356,851
Admissions	94,383	-	94,383	170,590	-	170,590
Museum Shop	50,432	-	50,432	173,803	-	173,803
Less: cost of sales	(25,567)	-	(25,567)	(70,283)	-	(70,283)
Investment income, net of fees	5,770	82,344	88,114	12,097	127,646	139,743
Unrealized gain on investments	-	292,855	292,855	-	488,951	488,951
Realized gain on investments	-	67,663	67,663	-	86,256	86,256
Sale of art	98,400	-	98,400	-	-	-
Other income	65,913	-	65,913	19,223	-	19,223
Gifts in-kind	81,000	-	81,000	193,719	-	193,719
	<u>3,931,534</u>	<u>455,662</u>	<u>4,387,196</u>	<u>4,417,990</u>	<u>2,616,769</u>	<u>7,034,759</u>
Total revenue and support						
OPERATING EXPENSES:						
Program services:						
Curatorial	1,985,763	-	1,985,763	2,423,811	-	2,423,811
Education	725,016	-	725,016	1,005,648	-	1,005,648
Museum Shop	92,764	-	92,764	168,098	-	168,098
	<u>2,803,543</u>	<u>-</u>	<u>2,803,543</u>	<u>3,597,557</u>	<u>-</u>	<u>3,597,557</u>
Total program services						
Supporting services:						
Administration	485,395	-	485,395	546,696	-	546,696
Development	638,404	-	638,404	974,608	-	974,608
	<u>1,123,799</u>	<u>-</u>	<u>1,123,799</u>	<u>1,521,304</u>	<u>-</u>	<u>1,521,304</u>
Total supporting services						
Total operating expenses	<u>3,927,342</u>	<u>-</u>	<u>3,927,342</u>	<u>5,118,861</u>	<u>-</u>	<u>5,118,861</u>
Excess (deficiency) of revenues and support over (under) operating expenses	4,192	455,662	459,854	(700,871)	2,616,769	1,915,898
NON-OPERATING EXPENSES:						
Depreciation	834,342	-	834,342	825,672	-	825,672
Accessions of art	125,000	-	125,000	51,500	-	51,500
Interest expense related to deferred financing costs	41,456	-	41,456	12,134	-	12,134
	<u>1,000,798</u>	<u>-</u>	<u>1,000,798</u>	<u>889,306</u>	<u>-</u>	<u>889,306</u>
Total non-operating expenses						
NET ASSETS RELEASED FROM RESTRICTIONS	335,084	(335,084)	-	1,974,472	(1,974,472)	-
CHANGE IN NET ASSETS	(661,522)	120,578	(540,944)	384,295	642,297	1,026,592
NET ASSETS, BEGINNING OF YEAR	<u>32,656,903</u>	<u>7,067,598</u>	<u>39,724,501</u>	<u>32,272,608</u>	<u>6,425,301</u>	<u>38,697,909</u>
NET ASSETS, END OF YEAR	<u>\$ 31,995,381</u>	<u>\$ 7,188,176</u>	<u>\$ 39,183,557</u>	<u>\$ 32,656,903</u>	<u>\$ 7,067,598</u>	<u>\$ 39,724,501</u>

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

THE PARRISH ART MUSEUM, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020						2019					
	Program Services			Supporting Services			Program Services			Supporting Services		
	Curatorial	Education	Museum Shop	Administration	Development	Total	Curatorial	Education	Museum Shop	Administration	Development	Total
Salaries	\$ 795,893	\$ 420,139	\$ 61,537	\$ 229,452	\$ 404,567	\$ 1,911,588	\$ 989,670	\$ 551,476	\$ 116,781	\$ 273,361	\$ 489,927	\$ 2,421,215
Outside professional services	349,782	66,416	5,227	24,313	55,218	500,956	312,734	130,424	3,232	9,767	109,204	565,361
Employee benefits	108,058	65,392	4,245	34,181	64,809	276,685	128,477	81,114	11,818	53,751	81,947	357,107
Utilities	147,177	34,590	4,324	32,429	2,163	220,683	148,579	35,768	4,502	41,229	2,250	232,328
Payroll taxes	83,533	47,372	7,134	18,443	36,139	192,621	96,971	55,948	11,613	18,591	39,379	222,502
Insurance	116,118	20,169	2,521	18,909	1,260	158,977	113,315	19,425	2,428	18,210	1,214	154,592
Service contracts	68,468	18,670	2,918	12,960	30,420	133,436	86,441	26,388	3,322	6,784	30,704	153,639
Interest and bank charges	54,711	14,893	1,862	13,963	627	86,056	62,667	14,454	6,993	81,850	2,267	168,231
Art transit/shipping and crating	81,143	-	-	-	-	81,143	83,267	-	-	-	-	83,267
Maintenance	33,367	8,089	1,011	7,583	506	50,556	63,146	15,309	1,914	14,351	956	95,676
Equipment rentals	40,754	1,947	243	1,826	606	45,376	27,576	18,518	252	1,887	3,712	51,945
Receptions	19,284	1,905	106	649	16,863	38,807	34,437	6,612	124	932	11,267	53,372
Printing	22,202	4,608	-	-	3,273	30,083	52,521	6,828	392	-	32,790	92,531
Dues and subscriptions	17,603	3,116	385	2,884	4,151	28,139	16,772	3,018	377	3,129	10,823	34,119
Office supplies	8,113	5,260	301	673	13,069	27,416	37,413	10,921	1,706	1,674	4,430	56,144
Telephone	11,087	2,688	336	2,520	168	16,799	11,739	2,847	356	2,667	178	17,787
Security	6,293	4,890	67	-	850	12,100	7,628	2,039	35	-	20,413	30,115
Postage and shipping	7,097	1,677	191	1,432	809	11,206	17,831	3,219	183	1,343	10,030	32,606
Travel	6,497	1,456	301	1,195	904	10,353	26,654	6,290	650	3,933	4,384	41,911
Advertising and promotion	3,507	658	-	-	353	4,518	27,976	4,410	-	-	2,125	34,511
Conservation	2,670	-	-	-	-	2,670	10,230	2,480	310	2,325	155	15,500
Recruitment	1,583	743	34	152	15	2,527	-	90	1,813	-	-	1,903
Professional development	823	328	21	120	808	2,100	350	-	809	-	710	1,869
Miscellaneous	-	10	-	711	826	1,547	157	-	-	640	6,114	6,911
Gifts in-kind	-	-	-	81,000	-	81,000	67,260	8,160	1,020	7,650	109,629	193,719
Subtotal	1,985,763	725,016	92,764	485,395	638,404	3,927,342	2,423,811	1,005,648	168,098	546,696	974,608	5,118,861
Depreciation	543,841	138,692	16,577	125,419	9,813	834,342	541,736	136,779	17,024	120,858	9,275	825,672
Interest expense related to deferred financing costs	27,361	6,633	829	6,218	415	41,456	8,008	1,941	243	1,820	122	12,134
Total	\$ 2,556,965	\$ 870,341	\$ 110,170	\$ 617,032	\$ 648,632	\$ 4,803,140	\$ 2,973,555	\$ 1,144,368	\$ 185,365	\$ 669,374	\$ 984,005	\$ 5,956,667

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

THE PARRISH ART MUSEUM, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (540,944)	\$ 1,026,592
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	834,342	825,672
Interest expense related to deferred financing costs	41,456	12,134
Unrealized gain on investments	(292,855)	(488,951)
Realized gain on investments	(67,663)	(86,256)
(Increase) decrease in grants receivable	(22,131)	22,845
Decrease in contributions receivable, net	74,274	130,299
(Increase) decrease in prepaid expenses and other current assets	67,052	(4,794)
Decrease in inventory	8,411	28,346
Increase in other assets	(33,525)	(32,317)
Increase (decrease) in accounts payable and accrued expenses	(119,118)	59,531
Decrease in deferred revenue - membership advance	(61,282)	(439)
Increase in other liabilities	33,525	32,317
	<u>(78,458)</u>	<u>1,524,979</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in investments	154,315	(28,582)
Purchase of property and equipment	(69,255)	(47,530)
	<u>85,060</u>	<u>(76,112)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	-	695,000
Repayments of note payable	(777,139)	(467,861)
Proceeds from mortgage payable, net	1,472,017	-
Repayments of mortgage payable, net	(758,031)	(1,735,028)
	<u>(63,153)</u>	<u>(1,507,889)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(56,551)	(59,022)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>771,899</u>	<u>830,921</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 715,348</u>	<u>\$ 771,899</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Retirement of fully depreciated property and equipment	<u>\$ -</u>	<u>\$ 127,432</u>

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

THE PARRISH ART MUSEUM, INC.
NOTES TO THE FINANCIAL STATEMENTS

(1) Organization and current operations:

The Parrish Art Museum, Inc. (the "Museum") is a not-for-profit organization located in Water Mill, New York and accredited by the American Association of Museums. The Museum was founded in 1897 by Samuel Longstreth Parrish, opened in 1898, and was chartered by the University of the State of New York Education Department in 1954. The Museum encourages an appreciation of art through exhibitions and educational programs, and promotes an understanding and appreciation of artwork on view to the general public.

The World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic in January 2020. This outbreak has severely disrupted business in every sector of the economy. In response to this outbreak and to control the spread of this virus, New York State imposed restrictions on business operations, travel and initiated a stay-at-home policy for its citizens. In accordance with directives issued by the New York State government, the Museum was closed to the public on March 13, 2020, to visitors and staff excluding essential personnel required to operate the Museum. The Museum reopened to the public on August 8, 2020, after authorization from New York State. The reopening was accompanied by new safety protocols for employees and visitors.

(2) Summary of significant accounting policies:

The accompanying financial statements include the assets, liabilities, revenues and expenses of the Museum. The following is a summary of significant accounting policies followed by the Museum.

Financial statement presentation -

The accompanying financial statements include the accounts of the Museum's programs, administration and development. The Museum presents its financial statements in accordance with U.S. generally accepted accounting principles which require that the Museum's financial statements distinguish net assets and changes in net assets between those with and without donor restrictions. The Museum's net assets consist of the following:

Without donor restrictions - net assets of the Museum which have not been restricted by an outside donor or by law and are therefore available for use in carrying out the operations of the Museum.

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.

As required by U.S. generally accepted accounting principles, the Museum has also presented Statements of Cash Flows for the years ended December 31, 2020 and 2019.

Cash and cash equivalents -

All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents, principally money market funds.

THE PARRISH ART MUSEUM, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Investments -

Investments are recorded at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Museum follows U.S. generally accepted accounting principles regarding fair value measurements which establish a fair value hierarchy requiring an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring 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 measurements involving significant unobservable inputs (Level 3 measurements).

Contributions receivable -

Contributions that are expected to be collected within one year are recorded at their net realizable value. Contributions that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Allowance for doubtful accounts -

The Museum provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables and historical collection information. As of December 31, 2020 and 2019, there were no allowance for doubtful accounts.

Inventory -

Resale inventory is stated at the lower of cost (first-in, first-out method) or net realizable value. The Museum continually evaluates the composition of its inventory and identifies obsolete and/or slow-moving inventory. Inventory items identified as obsolete and/or slow-moving are evaluated to determine if write-downs or reserves are required. For the years ended December 31, 2020 and 2019, the Museum has determined that no reserve or write-offs are required for obsolete or slow-moving inventory.

Property and equipment -

Property and equipment are capitalized at cost or, if donated, at fair market value as of the date of receipt. The cost of property and equipment purchased in excess of \$1,000 is capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (generally periods of three to forty-five years). Maintenance and repairs are charged to expense in the year incurred.

Impairment of long-lived assets and long-lived assets to be disposed of -

The Museum follows the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") on accounting for the impairment or disposal of long-lived assets which require that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. These principles did not have a material impact on the Museum's financial position, results of activities or liquidity during the years ended December 31, 2020 and 2019.

THE PARRISH ART MUSEUM, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Conditional asset retirement obligations -

The FASB ASC on accounting for conditional asset retirement and environmental obligations requires the Museum to recognize a liability for the fair value of its legal obligation to perform an asset retirement activity, even though uncertainty exists about the timing and/or method of settlement, if and when the fair value of the liability can be reasonably estimated. As of December 31, 2020 and 2019, the Museum has met the provisions of and is in compliance with these requirements and no obligation currently exists.

Financing costs -

Financing costs associated with the Museum's debt obligation are amortized as interest expense over the life of the debt obligation and are a direct deduction of the related debt on the Statements of Financial Position.

The Parrish Art Museum Collections (the "Collections") -

In conformity with the practice followed by many museums, art objects purchased or donated are not included as assets on the Statements of Financial Position. The value of objects acquired by gifts is not reported as contributions at the time of the gift. When works of art are either purchased or sold, the proceeds or costs are reflected as an increase or decrease in net assets without donor restrictions - Board designated accessions in the Statements of Activities and Changes in Net Assets. Proceeds from the sale of works of art, and any investment income derived from these proceeds, are designated by the Board of Trustees and are to be used solely for the purchase of artwork. Approximately 3,200 objects are in the care of the Museum and are housed in the Museum's climate controlled collection storage vault. The Collections are catalogued and maintained according to professional standards established and monitored by the American Association of Museums. The responsible management of the Collections is governed by a policy approved by the Collections Committee and the Board of Trustees which articulates the focus of the Collections, their care and handling, insurance, and conservation maintenance. The Museum maintains a fine arts "wall to wall" insurance policy on its collections that covers the collections while at the Museum, in transit, or on exhibition anywhere in the world.

Deferred revenue -

Deferred revenue represents contract and grant advances received, as well as membership fees collected by the Museum in the current fiscal year relating to programs and services which will take place in the subsequent fiscal year. Such amounts will be recognized as revenue when the respective programs and services take place.

Revenue recognition -

The following are the significant revenue recognition accounting policies of the Museum:

Government grants and contributions - Government grants and contributions are recognized as income when received and are considered to be available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. Conditional contributions are accounted for as a liability or are not recognized as revenue initially, until the barriers to entitlement are overcome, at which point a transaction is recognized as unconditional and classified as either net assets with donor restrictions, or net assets without donor restrictions.

THE PARRISH ART MUSEUM, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Tuition and fees - Tuition and fees are reported at an amount that reflects the consideration to which the Museum expects to be entitled in exchange for providing art education. These amounts are due from third party payors, as applicable, and include variable consideration and price concessions due to coverage. Revenue is recognized as performance obligations are satisfied based on actual charges incurred in relation to total expected collections.

Membership and admissions - Membership and admissions are reported at an amount that reflects the consideration to which the Museum expects to be entitled in exchange for membership and entry to the museum. These amounts are due from third party payors, as applicable, and include variable consideration and price concessions due to coverage. Revenue is recognized as performance obligations are satisfied based on actual charges incurred in relation to total expected collections.

Fundraising revenue - The portion of fundraising revenue that relates to the commensurate value the attendee receives in return is recognized when the related events are held, and performance obligations are met.

Donated services and materials -

Donated services requiring specific expertise and donated materials are recorded as in-kind contributions and expensed or capitalized at their fair value.

The Museum received donated services and materials of approximately \$81,000 and \$194,000 related to advertising, legal services and benefit event donations for the years ended December 31, 2020 and 2019, respectively.

A number of volunteers have donated significant amounts of their time in the Museum's program services, administration and fundraising campaigns. However, since these services do not meet the criteria for recognition under U.S. generally accepted accounting principles, they are not reflected in the accompanying financial statements.

Functional expenses -

The Statements of Functional Expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Museum. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Direct program expenses are reported in their respective functional categories. The significant expenses that are allocated include: payroll, employee benefits and payroll taxes which are allocated on the basis of estimates of time and effort. Depreciation is allocated on the basis of square footage and use, and all other expenses are allocated on a systematic and rational basis.

Liquidity considerations -

Quantitative

As of December 31, 2020, the Museum has \$882,891 of current assets available to meet cash needs for program and supporting services expenditures within one year of the Statement of Financial Position date. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for expenditures in the ensuing fiscal year.

THE PARRISH ART MUSEUM, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Qualitative

As a part of the Museum's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage liquidity, the Museum has a committed line of credit, renewed annually, totaling \$750,000, which it could draw upon as needed.

Income taxes -

The Museum qualifies as a tax-exempt not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and applicable New York State tax laws. Accordingly, no provision for federal or state income taxes is required.

Uncertainty in income taxes -

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

The use of estimates in the preparation of financial statements -

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reported period. Actual results may differ from those estimates.

Reclassifications –

Certain reclassifications of prior year balances on the Statements of Financial Position and Statements of Cash Flows have been made to conform to the current year presentation. These reclassifications had no effect on the change in net assets for the year ended December 31, 2019.

(3) Contributions receivable:

Contributions receivable, which consist of unconditional promises to give, the significant majority of which are donor restricted, are as follows as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Contributions receivable	\$ 715,222	\$ 793,065
Less: unamortized discount	<u>10,625</u>	<u>14,194</u>
Net contributions receivable	<u>\$ 704,597</u>	<u>\$ 778,871</u>
Amounts due in:		
One year or less	\$ 462,589	\$ 361,110
Two to five years	<u>242,008</u>	<u>417,761</u>
Net contributions receivable	<u>\$ 704,597</u>	<u>\$ 778,871</u>

Discount rates used to calculate the net present value of the pledges ranged from approximately 1.2% to 2.9%.

THE PARRISH ART MUSEUM, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(4) Investments and fair value measurement:

Investments are primarily held in equities and mutual funds, and are carried at their respective fair values. Investments relate to the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
The Robert Lehman Foundation Operating Endowment Fund	\$ 597,487	\$ 570,416
The Druckenmiller Fund for Education	285,611	272,699
The Werner and Maren Otto Endowment Fund for the Study of the Art of Eastern Long Island	930,869	888,958
The Lewis B. and Dorothy Cullman Endowment	1,195,239	1,140,523
The Operating Endowment Fund	1,053,439	1,005,023
The Mr. and Mrs. Raymond J. Horowitz Endowment Fund for Publications	284,766	310,986
The Liliane and Norman Peck Fund	429,132	423,745
The Harriet and Esteban Vicente Fund	611,924	585,288
The James and Charlotte Brooks Fund for the Development and Presentation of Special Projects	696,353	687,305
The Arts Reach Fund	486,231	479,905
	<u>\$ 6,571,051</u>	<u>\$ 6,364,848</u>

The above investments consist of the following as of December 31, 2020 and 2019:

	<u>2020</u>		<u>2019</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Equities	\$ 2,953,382	\$ 2,391,427	\$ 2,723,282	\$ 2,366,431
Mutual funds	<u>3,617,669</u>	<u>3,530,461</u>	<u>3,641,566</u>	<u>3,214,933</u>
	<u>\$ 6,571,051</u>	<u>\$ 5,921,888</u>	<u>\$ 6,364,848</u>	<u>\$ 5,581,364</u>

The FASB *Fair Value Measurement* standard clarifies the definition of fair value for financial reporting, establishes framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Museum has adopted the standard for its financial assets and liabilities measured on a recurring and nonrecurring basis.

Fair Value Measurement defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reported entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

As of December 31, 2020 and 2019, the equities and mutual funds measured at fair value represent Level 1 inputs within the fair value hierarchy.

As of December 31, 2020 and 2019, the Museum did not possess any level 2 or 3 type of investments.

THE PARRISH ART MUSEUM, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(5) Property and equipment:

Property and equipment as of December 31, 2020 and 2019 are comprised of the following:

	2020	2019
Land	\$ 3,870,424	\$ 3,870,424
Land improvements	25,300	-
Building	34,770,771	34,770,771
Equipment	459,819	415,864
Website	39,313	39,313
	39,165,627	39,096,372
Less: accumulated depreciation	6,413,116	5,578,774
Property and equipment, net	\$ 32,752,511	\$ 33,517,598

Depreciation expense amounted to \$834,342 and \$825,672 in 2020 and 2019, respectively.

(6) Collections:

The Museum preserves collections of art and art history. The collections have a cultural significance and are held under the care of the curatorial staff for educational and public exhibition purposes in furtherance of public service rather than financial gain.

During the years ended December 31, 2020 and 2019, purchases of art objects and artifacts were approximately \$125,000 and \$52,000, respectively. There were no deaccessions during 2020 or 2019.

(7) Notes payable:

The Museum has an operating line of credit agreement with a financial institution available through February 12, 2022, which provides for maximum borrowings of \$750,000. Borrowings under this line bear interest at the prime rate (3.25% and 4.75 as of December 31, 2020 and 2019, respectively), but not less than 4.75% and are collateralized by the Museum's Water Mill location. The Museum is required to maintain certain financial covenants in accordance with the line of credit agreement. As of and for the years ended December 31, 2020 and 2019, the Museum was in compliance with the financial covenants set forth by the line of credit agreement. As of December 31, 2020 and 2019, \$0 and \$695,000, respectively was outstanding on this line of credit.

In December 2019, the Museum entered into a capital line of credit agreement with a financial institution, which provides for maximum borrowings of \$250,000. Borrowings under this line bear interest at 5.44%. As of December 31, 2019, \$82,139, was outstanding on this line of credit. On July 30, 2020, the line of credit was paid in full and was closed.

Interest expense related to the notes payable for the years ended December 31, 2020 and 2019 was approximately \$4,000 and \$24,000, respectively.

THE PARRISH ART MUSEUM, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(8) Mortgage note payable:

On May 10, 2013, the Museum converted a line of credit into a long-term mortgage note with a financial institution, which bears interest at a fixed rate of 4.75% for the first five years and afterwards at the five-year Federal Home Loan Rate as made available by the Federal Home Loan Bank of New York plus a margin of 2.25%. The interest rate shall not be less than 4.50%. The outstanding balance on this mortgage was consolidated into the mortgage issued in July 2020. Interest expense for the year ended December 31, 2019 was \$101,000.

Debt issuance costs, net, consist of capitalized financing costs associated with the Museum converting the line of credit to a permanent loan during the year ended December 31, 2013. The Museum amortizes these costs as interest expense over the life of the financing term. The Museum recorded interest expense for deferred financing costs of approximately \$12,000 for year ended December 31, 2019. Long-term debt is presented net of the unamortized portion of these costs on the Statements of Financial Position and amount to approximately \$41,000 as of December 31, 2019.

On July 30, 2020, the Museum consolidated the existing mortgage and outstanding notes payable into a long-term mortgage note with a financial institution, which bears interest at a fixed rate of 4% for the first five years and afterwards at the five-year Federal Home Loan Rate as made available by the Federal Home Loan Bank of New York plus a margin of 2.25%. The interest rate shall not be less than 4%. The mortgage matures in the fiscal year ending August 31, 2045. Interest expense for the year ended December 31, 2020 was approximately \$21,000.

Debt issuance costs, net consist of capitalized financing costs associated with the Museum's mortgage issued in July 2020. The Museum amortizes these costs as interest expense over the life of the financing term. The Museum recorded interest expense for deferred financing costs of approximately \$1,200 for the year ended December 31, 2020. Long-term debt is presented net of the unamortized portion of these costs on the Statements of Financial position and amount to approximately \$27,000 as of December, 31, 2020.

Annual maturities of the mortgage note payable are as follows:

For the Years Ending December 31,	
2021	\$ 35,914
2022	37,397
2023	38,943
2024	40,395
2025	42,221
2026 and thereafter	1,293,522
	1,488,392
Less: unamortized deferred financing costs	26,817
Total	\$ 1,461,575

THE PARRISH ART MUSEUM, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(9) Paycheck Protection Program:

On April 10, 2020, the Museum was granted a loan from a bank in the amount of \$516,600, pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), which was enacted on March 27, 2020. The loan and accrued interest are forgivable after periods of eight weeks or twenty-four weeks as long as the borrower uses the proceeds for eligible purposes including payroll, benefits, rent and utilities and maintains its payroll levels. In accordance with U.S. generally accepted accounting principles, the Museum has opted to account for its PPP loan as an in-substance conditional government grant, which should be recognized in income when all conditions or measurable barriers have been substantially met. Conditions include initial eligibility and forgiveness criteria, which involve incurring eligible costs and maintaining certain employment and salary thresholds. The Museum believes its use of the funds will meet the conditions for forgiveness of the loan and that final approval of the forgiveness application will not be a barrier but a substantive administrative process. The Museum believes all conditions and barriers were met during the fiscal year ending December 31, 2020. Accordingly, the PPP funds have been reflected in government grants in the Statement of Activities and Changes in Net Assets as of December 31, 2020.

(10) Net assets with donor restrictions:

Purpose restricted net assets are available for or relate to the following purposes:

	<u>2020</u>	<u>2019</u>
The James and Charlotte Brooks Fund for the Development and Presentation of Special Projects	\$ 873,337	\$ 862,297
The Liliane and Norman Peck Fund	429,132	423,744
The Mr. and Mrs. Raymond J. Horowitz Endowment Fund for Publications	284,766	310,986
Special projects	704,949	756,226
Facility and programmatic needs	167,690	248,210
Restricted endowment investment return for various purposes	858,073	595,906
	<u>\$ 3,317,947</u>	<u>\$ 3,197,369</u>

During the years ended December 31, 2020 and 2019, net assets were released from restrictions by incurring expenses satisfying the restricted purposes as stipulated by the donors or release of time restrictions, as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Facility and programmatic needs	\$ 93,320	\$ 1,500,000
Special projects	51,277	128,743
Restricted for other purposes	190,487	345,729
	<u>\$ 335,084</u>	<u>\$ 1,974,472</u>

THE PARRISH ART MUSEUM, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Museum's permanently restricted net assets are comprised of six endowment funds established for a variety of purposes, with restrictions on five endowment funds being dictated by the donor through individual contractual agreements for each endowment fund.

The Museum has interpreted the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as allowing it to appropriate for expenditure or accumulate so much of an endowment fund as is determined prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets of a donor-restricted endowment fund shall be donor-restricted assets until appropriated by the Museum. The Museum classifies the original value of gifts donated to the endowment as net assets with donor restriction in perpetuity. The remaining portion of a donor restricted endowment fund is classified as net assets with donor restrictions until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA. Management has interpreted state law to permit prudent spending from underwater endowments.

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments, while seeking to protect the original value of the gifts. Endowment assets include those assets of donor restricted funds that the Museum must hold in perpetuity, and as approved by the Museum are invested in conservative vehicles. In cases of endowment deficiencies, the Museum suspends all spending.

The Museum considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the endowment funds;
- The purposes of the Museum and the donor restricted endowment funds;
- 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; and
- Where appropriate and where circumstances would otherwise warrant, alternatives to expenditure of the endowment funds, giving due consideration to the effect that such alternatives may have on the Museum.

Restricted in perpetuity net assets are restricted to:

	2020	2019
The Robert Lehman Foundation Operating Endowment Fund (a)	\$ 500,000	\$ 500,000
The Druckenmiller Fund for Education (b)	239,119	239,119
The Werner and Maren Otto Endowment Fund for the Study of the Art of Eastern Long Island (c)	750,000	750,000
The Lewis B. and Dorothy Cullman Endowment (d)	1,000,000	1,000,000
The Operating Endowment Fund (e)	881,110	881,110
The Harriet and Esteban Vicente Fund (f)	500,000	500,000
	\$ 3,870,229	\$ 3,870,229

THE PARRISH ART MUSEUM, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

This fund was endowed and provided by The Robert Lehman Foundation, Inc. In connection with the contribution, and pursuant to an agreement entered into during 2010, the Operating Endowment Fund was provided for The Robert Lehman Foundation Gallery, which is located at the Museum's location in Water Mill, New York. Income generated is to be used exclusively to support the operating expenses of The Robert Lehman Foundation Gallery.

- (a) This fund was endowed and provided by Stanley and Fiona Druckenmiller, with income to be used in an educational planning program for Museum/school collaborations.
- (c) This fund was endowed and provided by Dr. and Mrs. Werner Otto, with the income generated to be restricted and used for the study of the Art of Eastern Long Island, as defined in the donor agreement.
- (d) This fund was endowed and provided by the Lewis B. and Dorothy Cullman Foundation, with the income generated to fund expenses associated with the position of Chief Curator (named "The Lewis B. and Dorothy Cullman Chief Curator Art and Education" position).
- (e) This fund was endowed and provided by various donors, with the income generated to be used for unrestricted purposes for ongoing operations.
- (f) This fund was endowed and provided by the Harriet and Esteban Vicente Foundation, with the income generated to be used to support the operating expenses of the Harriet and Esteban Vicente Foundation Gallery.

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

(11) Pension plans:

The Museum sponsors a defined contribution pension plan for employees who have completed two years of eligible service. Annual contributions to the Plan were based on 3% of each eligible employee's compensation for the years ended December 31, 2020 and 2019. Contribution expense for the pension plan approximated \$58,000 for both the years ended December 31, 2020 and 2019.

In addition, the Museum sponsors a contributory supplemental retirement account plan, which is available to all employees. Contributions are only made by the employees in accordance with the plan document.

(12) Deferred compensation plan:

The Museum sponsors a 457(b) deferred compensation plan (the "Plan") for its Director. The 457(b) plan is a contributory plan. Pursuant to the plan agreement, the Plan's assets are to be considered general assets of the Museum until the assets are distributed to the respective beneficiaries. As of December 31, 2020 and 2019, Plan assets approximated \$130,340 and \$97,000, respectively, and are included in other assets on the Statements of Financial Position.

For the years ended December 31, 2020 and 2019, contribution expense for the 457(b) plan approximated \$17,000 and \$32,000, respectively.

THE PARRISH ART MUSEUM, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(13) Off-balance sheet risk and concentration of credit risk:

Financial instruments which potentially expose the Museum to a concentration of credit risk consist primarily of cash, investments, and pledges receivable. The Museum places its cash and investments with various high credit quality financial institutions. Such cash and investments are in excess of the Federal Deposit Insurance Corporation insurance limit throughout the year. The Museum's pledges receivable are subject to various collection risks.

The Museum invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statements of Financial Position.

During the years ended December 31, 2020 and 2019, approximately 20% and 29%, respectively, of total contributions was from the Museum's Trustees. As of December 31, 2020 and 2019, approximately 15% and 11%, respectively, of contributions receivable were due from the Museum's Trustees.

(14) Commitments and contingencies:

Lease agreements -

The Museum has several noncancelable operating lease agreements for equipment, which expire at various dates through 2022.

Future minimum payments under facilities and equipment operating leases are as follows:

For the Years Ending December 31,

2021	\$ 8,516
2022	<u>14,430</u>
Total	<u>\$ 22,946</u>

(15) Subsequent events:

The Museum has evaluated subsequent events through November 2, 2021, which is the date these financial statements were available to be issued. Based on this evaluation, the Museum has determined the following subsequent event has occurred, which requires disclosure in the financial statements:

On February 23, 2021, the Museum received loan proceeds in the amount of \$516,557 to fund payrolls, benefits and utilities through the second draw of the Paycheck Protection Program ("PPP"). This was the Museum's second PPP loan.