

# **The Solomon R. Guggenheim Foundation**

**Financial Statements  
December 31, 2022 and 2021**

# The Solomon R. Guggenheim Foundation

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December 31, 2022 and 2021

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## Report of Independent Auditors

To the Board of Trustees of  
The Solomon R. Guggenheim Foundation

### ***Opinion***

We have audited the accompanying financial statements of The Solomon R. Guggenheim Foundation (the "Company"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company 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 audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 the Company's ability to continue as a going concern for one year after the date the financial statements were issued.

### ***Auditors' Responsibilities 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 auditors' 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 US GAAS 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 US GAAS, 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 the Company's 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 the Company's 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.

*PriceWaterhouseCoopers LLP*

Florham Park, New Jersey  
June 29, 2023

**The Solomon R. Guggenheim Foundation**  
**Statements of Financial Position**  
**December 31, 2022 and 2021**

|   | <b>2022</b>          | <b>2021</b>          |
|---|----------------------|----------------------|
| <b>Assets</b>                                       |                      |                      |
| Cash and cash equivalents                           | \$ 22,908,347        | \$ 30,017,392        |
| Contributions and grants receivable, net            | 20,293,556           | 12,709,715           |
| Accounts receivable                                 | 6,005,397            | 1,626,664            |
| Other receivables                                   | 710,690              | 499,772              |
| Inventories   | 976,211              | 749,641              |
| Prepaid expenses                                    | 2,235,361            | 681,497              |
| Investments   | 113,300,519          | 127,181,340          |
| Property, equipment and leasehold improvements, net | 42,326,772           | 44,748,547           |
| Right-of-use asset                                  | 23,394,164           | 22,080,302           |
| Art collection                                      | <u>1</u>             | <u>1</u>             |
| Total assets  | <u>\$232,151,018</u> | <u>\$240,294,871</u> |
| <b>Liabilities and Net Assets</b>                   |                      |                      |
| Liabilities   |                      |                      |
| Accounts payable and accrued expenses               | \$ 10,972,986        | \$ 12,111,945        |
| Deferred income and other liabilities               | 38,961,993           | 42,212,941           |
| Lease liability                                     | 29,228,448           | 28,108,480           |
| Demand and other loans payable                      | 2,500,000            | 2,500,000            |
| Bonds payable, net of discount and costs            | <u>29,567,241</u>    | <u>19,684,111</u>    |
| Total liabilities                                   | <u>111,230,668</u>   | <u>104,617,477</u>   |
| Net assets  |                      |                      |
| Without donor restrictions                          | 3,980,761            | 10,843,545           |
| With donor restrictions                             | <u>116,939,589</u>   | <u>124,833,849</u>   |
| Total net assets                                    | <u>120,920,350</u>   | <u>135,677,394</u>   |
| Total liabilities and net assets                    | <u>\$232,151,018</u> | <u>\$240,294,871</u> |

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

**The Solomon R. Guggenheim Foundation**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended December 31, 2022**

|  | <b>2022</b>                       |                                |                       |
|--|-----------------------------------|--------------------------------|-----------------------|
|  | <b>Without Donor Restrictions</b> | <b>With Donor Restrictions</b> | <b>Total</b>          |
| <b>Operating support and revenue</b>   |                                   |                                |                       |
| Contributions, grants and bequests   | \$ 12,096,366                     | \$ 14,321,787                  | \$ 26,418,153         |
| Membership Income  | 3,491,343                         | -                              | 3,491,343             |
| In-kind Contributions  | 126,940                           | -                              | 126,940               |
| Benefit and special event income, net of direct expenses of \$2,614,493              | 1,151,441                         | 99,361                         | 1,250,802             |
| Admissions   | 16,391,200                        | -                              | 16,391,200            |
| Traveling exhibitions, royalties and other   | 12,831,483                        | -                              | 12,831,483            |
| Investment income from spending rate   | -                                 | 3,664,797                      | 3,664,797             |
| Auxiliary revenues   | 4,314,378                         | -                              | 4,314,378             |
| Other revenue  | 1,898,185                         | -                              | 1,898,185             |
| Net assets released from restrictions  | 11,455,101                        | (11,455,101)                   | -                     |
| Total operating support and revenue  | <u>63,756,437</u>                 | <u>6,630,844</u>               | <u>70,387,281</u>     |
| <b>Operating expenses</b>  |                                   |                                |                       |
| Museum programs  |                                   |                                |                       |
| Exhibition and projects  | 8,968,356                         | -                              | 8,968,356             |
| Traveling exhibitions and other  | 2,782,930                         | -                              | 2,782,930             |
| Curatorial and collection maintenance  | 14,539,345                        | -                              | 14,539,345            |
| Visitor services   | 6,272,035                         | -                              | 6,272,035             |
| Education  | 4,719,758                         | -                              | 4,719,758             |
| Auxiliary expenses, including cost of sales  | 3,613,964                         | -                              | 3,613,964             |
| Total program expenses   | <u>40,896,388</u>                 | <u>-</u>                       | <u>40,896,388</u>     |
| <b>Supporting Services</b>   |                                   |                                |                       |
| Management and general   | 18,235,438                        | -                              | 18,235,438            |
| Fundraising  | 4,734,749                         | -                              | 4,734,749             |
| Total supporting services  | <u>22,970,187</u>                 | <u>-</u>                       | <u>22,970,187</u>     |
| Total operating expenses   | <u>63,866,575</u>                 | <u>-</u>                       | <u>63,866,575</u>     |
| Operating support and revenue in excess of operating expenses                        | (110,138)                         | 6,630,844                      | 6,520,706             |
| <b>Nonoperating activity</b>   |                                   |                                |                       |
| Contributions  | -                                 | 7,893,931                      | 7,893,931             |
| Investment return net of spending amount   | (1,119,343)                       | (22,053,822)                   | (23,173,165)          |
| Depreciation and amortization  | (4,380,445)                       | -                              | (4,380,445)           |
| Interest and fees related to debt  | (1,287,149)                       | -                              | (1,287,149)           |
| Loss on early redemption of bonds  | (1,632,423)                       | -                              | (1,632,423)           |
| Foreign currency translation adjustment  | (330,691)                         | (26,363)                       | (357,054)             |
| Change in net assets before changes related to collection items purchased and sold   | (8,860,189)                       | (7,555,410)                    | (16,415,599)          |
| <b>Change in net assets related to collection items purchased and sold</b>           |                                   |                                |                       |
| Contributions  | -                                 | 1,766,191                      | 1,766,191             |
| Proceeds from sale of art  | -                                 | 1,126,656                      | 1,126,656             |
| Net assets released from restrictions for collection items purchased and direct care | 3,231,697                         | (3,231,697)                    | -                     |
| Collection items purchased   | (1,234,292)                       | -                              | (1,234,292)           |
| Change in net assets   | <u>(6,862,784)</u>                | <u>(7,894,260)</u>             | <u>(14,757,044)</u>   |
| <b>Net assets</b>  |                                   |                                |                       |
| Beginning of year  | <u>10,843,545</u>                 | <u>124,833,849</u>             | <u>135,677,394</u>    |
| End of year  | <u>\$ 3,980,761</u>               | <u>\$ 116,939,589</u>          | <u>\$ 120,920,350</u> |

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

**The Solomon R. Guggenheim Foundation**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended December 31, 2021**

|   | 2021                             |                            |                       |
|---|----------------------------------|----------------------------|-----------------------|
|   | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | Total                 |
| <b>Operating support and revenue</b>  |                                  |                            |                       |
| Contributions, grants and bequests  | \$ 13,682,669                    | \$ 7,614,699               | \$ 21,297,368         |
| Membership Income   | 3,149,298                        | -                          | 3,149,298             |
| In-kind Contributions   | 201,480                          | -                          | 201,480               |
| Benefit and special event income, net of direct expenses of \$1,516,445                 | 1,814,818                        | 81,318                     | 1,896,136             |
| Admissions  | 6,567,799                        | -                          | 6,567,799             |
| Traveling exhibitions, royalties and other  | 10,250,237                       | -                          | 10,250,237            |
| Investment income from spending rate  | 77,955                           | 3,146,212                  | 3,224,167             |
| Auxiliary revenues  | 2,025,003                        | -                          | 2,025,003             |
| Gain on extinguishment of debt  | 5,732,594                        | -                          | 5,732,594             |
| Other revenue   | 13,735,367                       | -                          | 13,735,367            |
| Net assets released from restrictions   | 8,528,180                        | (8,528,180)                | -                     |
| Total operating support and revenue   | <u>65,765,399</u>                | <u>2,314,049</u>           | <u>68,079,448</u>     |
| <b>Operating expenses</b>   |                                  |                            |                       |
| Museum programs   |                                  |                            |                       |
| Exhibition and projects   | 7,434,375                        | -                          | 7,434,375             |
| Traveling exhibitions and other   | 2,252,142                        | -                          | 2,252,142             |
| Curatorial and collection maintenance   | 12,112,812                       | -                          | 12,112,812            |
| Visitor services  | 4,897,465                        | -                          | 4,897,465             |
| Education   | 3,927,315                        | -                          | 3,927,315             |
| Auxiliary expenses, including cost of sales   | 3,022,626                        | -                          | 3,022,626             |
| Total program expenses  | <u>33,646,735</u>                | <u>-</u>                   | <u>33,646,735</u>     |
| <b>Supporting Services</b>  |                                  |                            |                       |
| Management and general  | 17,051,184                       | -                          | 17,051,184            |
| Fundraising   | 4,345,131                        | -                          | 4,345,131             |
| Total supporting services   | <u>21,396,315</u>                | <u>-</u>                   | <u>21,396,315</u>     |
| Total operating expenses  | <u>55,043,050</u>                | <u>-</u>                   | <u>55,043,050</u>     |
| Operating support and revenue<br>in excess of operating expenses                        | 10,722,349                       | 2,314,049                  | 13,036,398            |
| <b>Nonoperating activity</b>  |                                  |                            |                       |
| Contributions   | -                                | 2,054,451                  | 2,054,451             |
| Investment return net of spending amount  | 650,277                          | 1,920,447                  | 2,570,724             |
| Depreciation and amortization   | (4,684,998)                      | -                          | (4,684,998)           |
| Interest and fees related to debt   | (858,112)                        | -                          | (858,112)             |
| Loss from disposition of assets   | (224,000)                        | -                          | (224,000)             |
| Foreign currency translation adjustment   | (543,959)                        | (16,722)                   | (560,681)             |
| Change in net assets before changes related<br>to collection items purchased and sold   | 5,061,557                        | 6,272,225                  | 11,333,782            |
| <b>Change in net assets related to collection<br/>items purchased and sold</b>          |                                  |                            |                       |
| Contributions   | -                                | 641,005                    | 641,005               |
| Net assets released from restrictions for collection items<br>purchased and direct care | 7,153,661                        | (7,153,661)                | -                     |
| Collection items purchased  | (1,206,500)                      | -                          | (1,206,500)           |
| Change in net assets  | <u>11,008,718</u>                | <u>(240,431)</u>           | <u>10,768,287</u>     |
| <b>Net assets</b>   |                                  |                            |                       |
| Beginning of year- as originally reported   | (10,505,417)                     | 135,414,524                | 124,909,107           |
| Adjustment  | 10,340,244                       | (10,340,244)               | -                     |
| Beginning of year - as revised (Note 2)   | <u>(165,173)</u>                 | <u>125,074,280</u>         | <u>124,909,107</u>    |
| End of year   | <u>\$ 10,843,545</u>             | <u>\$ 124,833,849</u>      | <u>\$ 135,677,394</u> |

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

**The Solomon R. Guggenheim Foundation**  
**Statements of Cash Flows**  
**Year Ended December 31, 2022 and 2021**

|  | <b>2022</b>          | <b>2021</b>          |
|--|----------------------|----------------------|
| <b>Cash flows from operating activities</b>  |                      |                      |
| Change in net assets   | \$ (14,757,044)      | \$ 10,768,287        |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities |                      |                      |
| Depreciation and amortization  | 4,380,445            | 4,684,998            |
| Amortization of deferred financing costs and bond discount   | 11,224               | 41,385               |
| Loss from disposition of assets  | -                    | 224,000              |
| Investment in acquisitions of art  | 1,234,291            | 1,206,500            |
| Contributions and proceeds related to the purchase of art  | (2,892,847)          | -                    |
| Contributions for endowments   | (10,635,205)         | (1,677,741)          |
| Receipt of contributed securities  | (1,497,634)          | (500,392)            |
| Proceeds from sales of contributed securities  | 1,497,634            | 500,392              |
| Gain on extinguishment of debt   | -                    | (5,732,594)          |
| Loss on early redemption of bonds  | 1,632,423            | -                    |
| Net realized and unrealized losses (gains) on investments  | 19,508,367           | (6,088,637)          |
| Changes in operating assets and liabilities  |                      |                      |
| Contributions receivable   | (7,583,841)          | (2,008,965)          |
| Accounts and other receivables   | (4,589,651)          | (328,509)            |
| Inventories  | (226,570)            | 95,774               |
| Prepaid expenses and deferred costs  | (1,553,863)          | 1,083,818            |
| Accounts payable and accrued expenses  | (1,065,570)          | (699,410)            |
| Deferred income and other liabilities  | (3,250,947)          | (1,425,375)          |
| Net cash (used in)/provided by operating activities  | <u>(19,788,788)</u>  | <u>143,531</u>       |
| <b>Cash flows from investing activities</b>  |                      |                      |
| Investments in property, equipment and leasehold improvements  | (2,225,954)          | (444,943)            |
| Acquisitions of art  | (1,234,291)          | (1,206,500)          |
| Contributions and proceeds related to the purchase of art  | 2,892,847            | -                    |
| Purchases of investments   | (30,508,739)         | (13,807,946)         |
| Proceeds from dispositions of investments  | 13,546,252           | 29,386,607           |
| Net cash (used in)/provided by investing activities  | <u>(17,529,885)</u>  | <u>13,927,218</u>    |
| <b>Cash flows from financing activities</b>  |                      |                      |
| Contributions for endowments   | 10,635,205           | 1,677,741            |
| Payment of loan principal  | (850,000)            | (205,126)            |
| Deferred issuance costs  | (439,437)            | -                    |
| Payment of extinguished bonds  | (20,471,080)         | -                    |
| Proceeds from new bond issuance  | 30,000,000           | -                    |
| Net cash provided by financing activities  | <u>18,874,688</u>    | <u>1,472,615</u>     |
| Net (decrease)/increase in cash and cash equivalents   | (18,443,985)         | 15,399,833           |
| <b>Cash, cash equivalents and restricted cash</b>  |                      |                      |
| Beginning of year  | <u>50,086,428</u>    | <u>34,543,064</u>    |
| End of year  | <u>\$ 31,642,443</u> | <u>\$ 50,086,428</u> |
| <b>Supplemental information</b>  |                      |                      |
| Interest paid  | \$ 1,287,149         | \$ 858,112           |
| Income taxes paid  | 163,096              | 48,954               |
| <b>Noncash transactions</b>  |                      |                      |
| Accounts payable for property, plant and equipment   | \$ 267,283           | \$ 76,962            |
| Right-of-use asset obtained in exchange for operating lease obligation                               | 4,219,063            | 3,890,760            |

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



# The Solomon R. Guggenheim Foundation

## Notes to Financial Statements

December 31, 2022 and 2021

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### 1. The Foundation

The Solomon R. Guggenheim Foundation (the “Foundation”) was established in 1937. Committed to innovation, the Foundation collects, preserves, interprets modern and contemporary art, and explores ideas across cultures through dynamic curatorial and educational initiatives and collaborations. With its constellation of architecturally and culturally distinct museums, exhibitions, publications, and digital platforms, the Foundation engages both local and global audiences.

Over the course of more than eight decades, the Foundation has developed one of the world's most important collections of art from the 20th and 21st centuries. The centerpiece of the Foundation is the Solomon R. Guggenheim Museum on Fifth Avenue in New York City. Designed by Frank Lloyd Wright, the iconic museum building is among the world's most recognized architectural monuments and is inscribed on the UNESCO World Heritage List as part of *The 20<sup>th</sup>-Century Architecture of Frank Lloyd Wright*. The Foundation directly owns and operates the Solomon R. Guggenheim Museum.

In Venice, Italy, the Peggy Guggenheim Collection (“PGC”) primarily displays European and American art of the 20th century in the former home of Peggy Guggenheim, the 18th century Palazzo Venier dei Leoni on the Grand Canal. The Peggy Guggenheim's Collection is comprised of masterworks of Cubism, Futurism, Surrealism, European abstraction, and American Abstract Expressionism. The Peggy Guggenheim Collection also organizes temporary exhibitions of modern and contemporary art. The Foundation directly controls and operates the PGC.

The Guggenheim Museum Bilbao, located in Bilbao, Spain exhibits modern and contemporary art and is building a collection through acquisitions and commissions. It was founded in cooperation with the Basque government and is owned and funded by the Fundación del Museo Guggenheim Bilbao. It is located along the Nervion River in a building designed by Frank Gehry that has received international acclaim for its architecture.

Plans are underway to open a new Guggenheim Museum in the Cultural District of Saadiyat Island in Abu Dhabi, also designed by Frank Gehry. The museum's collection will include art of all mediums produced around the world from the 1960s to the present day and will be a catalyst for scholarship in a variety of fields, chief among them the history of West Asian, North African, and South Asian art in the 20th and 21st centuries. The Foundation will not own or fund the Guggenheim Abu Dhabi or its collection but provides guidance with respect to the development of the permanent collection, the formation and operation of the museum, and art and exhibition programming.

The Guggenheim Museum Bilbao is not and Guggenheim Abu Dhabi will not be controlled or owned by the Foundation. Accordingly, their assets, liabilities and activities are not consolidated into these financial statements.

### 2. Revision of Previously Issued Financial Statements

During preparation of the 2022 financial statements, management identified a misstatement in the previously issued financial statements. Previously appropriated investment returns had not been released from restriction in prior years totaling \$13.5 million, of which \$3.15M had not been released from restriction in 2021 and \$10.34M from prior years, resulting in an overstatement of the January 1, 2021 opening net assets with donor restriction and an understatement of January 1, 2021 opening net assets without donor restriction of \$10.34 million, with no impact to previously reported total net assets. Appropriated investment returns which had not been released from

**The Solomon R. Guggenheim Foundation**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

restriction in 2021, resulted in a misstatement of \$3.15 million of certain line items in the statement of activities and changes in net assets between the Without donor restrictions and With donor restrictions columns, including Net assets released from restrictions, Total operating support and revenue, and Change in net assets. These misstatements in the statement of activities and changes in net assets had no impact on the Total column of the previously issued statement of activities and changes in net assets. The cumulative effect of these misstatements resulted in an overstatement of the previously reported December 31, 2021 net assets with donor restriction and an understatement of the previously reported December 31, 2021 net assets without donor restriction of \$13.5 million, with no impact to previously reported total 2021 net assets. Management has concluded that, individually and in the aggregate, this misstatement is not material to the Foundation's previously issued financial statements, and has revised its 2021 financial statements to correct this misstatement.

The following table sets forth the effects of the revision:

|  | As Previously Reported     |                         |               | Revision Adjustments       |                         |       | As Revised                 |                         |               |
|--|----------------------------|-------------------------|---------------|----------------------------|-------------------------|-------|----------------------------|-------------------------|---------------|
|  | Without donor restrictions | With donor restrictions | Total         | Without donor restrictions | With donor restrictions | Total | Without donor restrictions | With donor restrictions | Total         |
| Net assets released from restrictions (operating)                                  | \$ 5,381,968               | \$ (5,381,968)          | \$ -          | \$ 3,146,212               | \$ (3,146,212)          | \$ -  | \$ 8,528,180               | \$ (8,528,180)          | \$ -          |
| Total operating support and revenue  | 62,619,187                 | 5,460,261               | 68,079,448    | 3,146,212                  | (3,146,212)             | -     | 65,765,399                 | 2,314,049               | 68,079,448    |
| Operating support and revenue in excess of operating expenses                      | 7,576,137                  | 5,460,261               | 13,036,398    | 3,146,212                  | (3,146,212)             | -     | 10,722,349                 | 2,314,049               | 13,036,398    |
| Change in net assets before changes related to collection items purchased and sold | 1,915,345                  | 9,418,437               | 11,333,782    | 3,146,212                  | (3,146,212)             | -     | 5,061,557                  | 6,272,225               | 11,333,782    |
| Change in net assets   | 7,862,506                  | 2,905,781               | 10,768,287    | 3,146,212                  | (3,146,212)             | -     | 11,008,718                 | (240,431)               | 10,768,287    |
| Net assets, Beginning of Year  | (10,505,417)               | 135,414,524             | 124,909,107   | 10,340,244                 | (10,340,244)            | -     | (165,173)                  | 125,074,280             | 124,909,107   |
| Net assets, End of Year  | (\$2,642,911)              | \$138,320,305           | \$135,677,394 | \$13,486,456               | (\$13,486,456)          | -     | \$10,843,545               | \$124,833,849           | \$135,677,394 |

### 3. Summary of Significant Accounting Policies

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

#### Adoption of ASU 2019-03 Collections

In March 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-03 *Not-for-Profit Entities – Updating the Definition of Collections (Topic 958)* to improve the definition of collections in the FASB's Master Glossary by realigning it with the definition used in the American Alliance of Museums' ("AAM") Code of Ethics for Museums. The updated definition permits the proceeds from deaccessioned collections items to be used not only for the acquisition of new collection items, but also for the direct care of the collection. The definition requires that an entity holding a collection disclose its policy for the use of proceeds from deaccessioned collection items, and that if such an entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care of the collection, it should disclose its definition of direct care was not there.

In recognition of the severity of the Covid 19 crisis and its impact on museums, in April 2020, the Association of Art Museum Directors ("AAMD") passed a resolution permitting an art museum on an interim basis to use the proceeds from the disposition of deaccessioned works of art not only for the acquisition of works of art but also for the direct care of collection items provided that all legal requirements are met and the Director and Board of Trustees of the museum adopt a policy setting

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forth what expenditures qualify as direct care. The Board of Trustees of the Foundation updated its Collection Management Policy in May 2020 to adopt an interim policy to permit the expenditure of proceeds from art deaccessions on the direct care of the collection, as defined in the policy. Under this interim policy, the Foundation was permitted between May 27, 2020 through April 10, 2022 to use deaccession proceeds for costs associated with the conservation, preservation, registration, maintenance, storage, and safeguarding of collections, including analysis, treatment, inventory, research, documentation, photography, framing, imaging, digitization, information technology, and the provision of safe and secure, climate-controlled storage and museum spaces. These costs included, among other things, an allocable share of salaries for staff engaged in direct care, as well as direct care related outside vendors and contract staff and the materials, equipment, systems, and facilities used in connection with direct care activities.

The AAMD adopted a resolution to define more narrowly allowable direct costs for care of the collection after the end of the interim period on April 10, 2022. On December 8, 2022, the Board of Trustees of the Foundation further amended its Collections Management Policy to reflect the AAMD resolution's narrower definition of direct care and provided that "direct care" means the direct costs associated with the storage or preservation of works in the Collection, noting that examples of these costs include those for (i) conservation and restoration treatments (including packing and transportation for such conservation or restoration), (ii) materials required for storage of all classifications of works (such as acid-free paper, folders, matboard, frames, mounts, and digital media migration), and (iii) contract conservators for work on individual works. The amended Collections Management Policy clarified, consistent with AAMD's guidance, that the definition of "direct care" does not include staff salaries, costs incurred for the sole purpose of temporary exhibition displays or short-term installations, or capital costs such as construction of new facilities and improvements to the overall collection storage system.

During 2022 and 2021, the Foundation used \$1,996,710 and \$5,731,665, respectively, of funds from deaccessioning to support the direct care of the collection.

### **Net Asset Classifications**

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

#### *Net assets without donor restrictions*

Represent assets that are either not restricted by donors, or assets with respect to which the donor-imposed restrictions have been satisfied.

#### *Net assets with donor restrictions*

Represent net assets, which are subject to donor-imposed restrictions whose use is restricted by time and/or purpose. When a purpose restriction is fulfilled or a time restriction ends, such net assets are reclassified to net assets without donor restrictions and reported on the statement of activities and changes in net assets as net assets released from restrictions. It is the Foundation's policy to record donor restricted contributions received and expended in the same fiscal period as net assets without donor restrictions.

Another portion of net assets with donor restrictions (endowment net assets) relates to gifts where the corpus is to be maintained in perpetuity but allow the Foundation to use all or a part of the income and earnings of these assets, for either specified or unspecified purposes, subject to the requirements of the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). Such earnings are classified as net assets with donor restrictions until such time the Board of Trustees of the Foundation determines it would be prudent for the Foundation to appropriate such funds, by

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applying the standards of NYPMIFA. At such point they are reclassified to net assets without donor restrictions.

#### **Cash and Cash Equivalents**

Except for cash held for reinvestment, which are included within investments, cash and cash equivalents include cash on hand, demand deposits and short-term investments that are liquid in nature and have original maturities at the time of purchase of three months or less. At December 31, 2022 and 2021, the Foundation's cash and cash equivalents were maintained at financial institutions in excess of federally insured amounts. Management believes that the credit risk to these deposits is minimal.

On the statements of cash flows, the Foundation is required to show restricted cash from investments as part of a reconciliation equating to total cash. The Foundation treats highly liquid short-term investments in its investment portfolio (Note 4) as investments and is only including cash, not short-term investments, in the statements of cash flows.

The following table provides a reconciliation of the cash and cash equivalents reported within the statements of financial position to the amounts shown on the statements of cash flows.

|  | 2022                 | 2021                 |
|--|----------------------|----------------------|
| Cash and cash equivalents on the statement of financial position                 | \$ 22,908,347        | \$ 30,017,392        |
| Cash and cash equivalents in investments   | <u>8,734,096</u>     | <u>20,069,036</u>    |
| Total cash, cash equivalents and restricted cash on the statements of cash flows | <u>\$ 31,642,443</u> | <u>\$ 50,086,428</u> |

#### **Inventory**

Inventory primarily consists of books and exhibition catalogues valued at cost. Inventory consists of \$881,393 and \$687,835 of finished goods and \$94,818 and \$61,806 of work in process at December 31, 2022 and 2021, respectively.

#### **Investments**

All debt and equity securities, as well as a short-term government bond fund, are recorded at fair value determined based on quoted market values or other observable inputs. Realized gains and losses arising from the sale or other disposition of investments are determined on a historical cost basis.

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Alternative investments include investments in fixed income funds, private equity and hedge funds. The Foundation values these investments using the net asset value (“NAV”) provided by the investment managers of the underlying funds. Generally, investment managers of funds value investments using the best information available and may incorporate assumptions that are the investment manager’s best estimates after consideration of a variety of internal and external factors. The funds may make investments in securities that are publicly traded, which are generally valued based on observable market prices, unless a restriction exists. Investments for which observable market prices do not exist are reported at fair value as determined by the fund’s investment manager. The Foundation’s management may consider other factors in assessing the fair value of these investments. Some of these funds may not have readily ascertainable market values and may be subject to withdrawal restrictions. Management performs due diligence reviews of all balances received from the investment manager. The fair value of the funds represents the amount the Foundation would expect to receive at the end of its fiscal year if it had liquidated its investments. Because alternative investments may not be readily marketable, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

Purchases and sales of securities are recorded on a trade-date basis. Realized gains and losses on sales of securities are determined on a historical cost basis. Dividend income is recorded on the ex-dividend date and interest income on an accrual basis. Unrealized gains and losses are determined by comparison of specific costs of acquisition to market values at the last day of the fiscal year.

A portion of the Foundation’s investments are pooled and income is allocated among the individual components of net assets without donor restrictions and net assets with donor restrictions based on donor restrictions or the absence thereof, using a percentage of participation based on their carrying value or fair value.

### **Property, Equipment and Leasehold Improvements**

Land, building, building and leasehold improvements, construction in progress and equipment purchases by the Foundation are recorded at cost. A portion of the land for the museum in New York and the land and building related to the Palazzo Venier dei Leoni in Venice were donated to the Foundation and are recorded at estimated fair value at the dates of donation. Expenditures less than \$5,000 are expensed but capitalized if part of a larger project.

The Foundation’s buildings, building improvement and furniture, fixtures and equipment are depreciated on a straight-line basis over their estimated useful lives (building and improvements 10 to 40 years, office furniture and equipment, 3 to 10 years). Leasehold improvements are amortized over the shorter of the term of the lease or the estimated life of the improvement.

### **Deferred Income and Other Liabilities**

Deferred income is comprised of payments received in advance of performance obligations, the passage of time or the incurrence of associated costs related to such payments. Income is recognized when conditions have been satisfied or the Foundation is certain that there is no right of repayment. Deferred income also includes income from a licensing agreement, discussed in the Traveling Exhibitions, Royalties and Other section, including contract liabilities, which is being recognized over 30 years.

### **Art Collection**

The Foundation’s collection is comprised of works of 20<sup>th</sup> and 21<sup>st</sup> century art in all mediums. In

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accordance with industry practice, art objects purchased, donated or bequeathed are included in net assets with donor restrictions at a value of \$1.

#### **Foreign Currency**

The Euro is the functional currency for PGC and its assets and liabilities are translated at year-end exchange rates and profit and loss accounts using average yearly exchange rates. Translation adjustments are recorded as a change in net assets in the statements of activities and changes in net assets and (losses) of (\$357,054) and (\$560,681) were recorded for the years ended December 31, 2022 and 2021, respectively.

#### **Measure of Operations**

The Foundation includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities. The measure of operations includes investment income equal to a defined spending rate, interest earned from short-term investments and cash held for working capital and gain on extinguishment of debt. It excludes purchases and sales of collection items, investment return in excess of or less than the spending rate designated for operations, depreciation and amortization of property and equipment, interest and fees related to debt, foreign currency translation adjustment, loss on early redemption of bonds, and non-operating contributions.

#### **Revenue Recognition**

In accordance with FASB Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), the Foundation recognizes revenue when control of the promised goods or services is transferred to the Foundation's outside parties in an amount that reflects the consideration the Foundation expects to be entitled to in exchange for those goods or services. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation recognizes contracts with customers as goods or services are transferred or provided in accordance with ASC 606. The Foundation has multiple revenue sources that are accounted for as exchange transactions, including admissions, membership dues, benefit and special event income, publications and sales income, traveling exhibition fees, and fees, royalties and other revenue.

#### **Contributions and Grants**

The Foundation recognizes revenue from contributions in accordance with ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). In accordance with ASU 2018-08, the Foundation evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution.

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If the transfer of assets is determined to be an exchange transaction, the Foundation applies guidance under ASC 606. If the transfer of assets is determined to be a contribution, the Foundation evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Foundation is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The Foundation records cash and unconditional promises to give as revenue in the period received. Unconditional contributions are recorded at the net present value of the amounts expected to be collected. Conditional contributions are recognized as revenue when the conditions (i.e., barriers) on which they depend have been met.

An allowance is established when the collection of a pledge is determined to be doubtful. In addition, pledges deemed uncollectible are written off in the year such determination is made.

The Foundation benefits from unpaid volunteers who primarily provide assistance in the Foundation's visitor's experience areas. Such contributed services do not meet the criteria for recognition of contributed services as defined by U.S. GAAP and, accordingly, are not reflected in the accompanying financial statements.

#### **Membership Income**

The Foundation apportions fees from memberships between contributions and exchange transactions, the levels of which are determined by the level and nature of membership based on established published rates. The exchange component for memberships is immaterial and as such, the Foundation recognizes memberships as income in the year that the membership commences.

#### **Benefits and Special Events Income**

Patrons purchase tickets for events held throughout the year and the Foundation recognizes revenue on the dates the events occur.

#### **Admissions Income**

Admissions income is generated from daily attendance and group visits and is recognized at the point of sale.

#### **Traveling Exhibitions, Royalties and Other, including Contract Liabilities**

Traveling Exhibitions, Royalties and Other primarily includes exhibition revenue and revenue generated from the licensing of symbolic intellectual property (trademarks), management fees and cost reimbursement arrangements.

Exhibition revenue of \$202,738 at December 31, 2022 consists of fees paid to the Foundation for creating exhibitions that travel to other museums where the Foundation is responsible for curating the exhibition and ensuring all items included in the exhibition are properly transported to each location. Revenue is recognized when the Foundation has met its performance obligations and has an unconditional right to the consideration. The terms and conditions surrounding the fee and performance obligations for each traveling exhibition are pursuant to individual contractual arrangements. There was no Exhibition revenue in 2021.

The Foundation also has long-term agreements with certain entities where one agreement, commencing in 2007, relates to a long-term trademark license (the "License Agreement") where the Foundation grants rights to use and benefit from its intellectual property assets. Additionally, the Foundation also receives an annual management fee and is party to a cost reimbursement arrangement.

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Trademark license fees received by the Foundation are recorded as a deferred contract liability and revenue is recognized ratably over the term of the License Agreement. During 2022 and 2021, \$2,256,930 of revenue was recognized and the remaining contract liabilities as of December 31, 2022 and 2021, are \$33,551,070 and \$35,808,000, respectively. There is no financing component associated with these advance payments as the difference between the promised consideration and the cash selling price of the goods or services arose for reasons other than the provision of financing.

Revenues related to management fees are recognized in the year the services are rendered and reimbursable costs, as incurred, pursuant to the terms stated in the agreements. Receipts received prior to the incurrence of reimbursable costs are recorded as a contract liability in deferred revenue. The Foundation recorded management fees of \$5,888,069 and \$5,560,660 and \$2,642,716 and \$1,730,073 under the cost reimbursement arrangement for 2022 and 2021, respectively. Amounts received prior to reimbursable costs being incurred were \$5,007,892 and \$5,277,162 at December 31, 2022 and 2021, respectively.

#### **Auxiliary revenues**

Auxiliary activities consist of the publication and sale of exhibition catalogues and education programs. Revenue related to auxiliary activities is primarily recognized at point of sale.

#### **In-Kind Contributions**

In-kind contributions are recorded in the statements of activities and changes in net assets as operating support and revenue as well as, in either the related operating expense category, or as property, equipment and leasehold improvements, net, when applicable. In-kind contributions are comprised of building improvements, furniture, fixtures, equipment, and legal and marketing services. Consulting media and subscription services and other services are also included at their fair value when the services would have been purchased if they had not been received as contributions or require specialized skills which are provided by individuals possessing such specialized skills.

#### **Covid-19 Government Relief:**

##### *Shuttered Venue Operators Grant*

The Shuttered Venue Operators Grant (SVOG) program was created in Section 324 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (part of HR 133 Consolidated Appropriations Act, 2021) signed into law on December 27, 2020. The SVOG program provided grant awards of up to \$10 million to support the ongoing operations of eligible live venue organizations, including nonprofit museums, who have experienced significant revenue losses because of the COVID-19 pandemic.

On July 1, 2021, the Foundation was awarded a \$10 million SVOG grant. Under FASB Accounting Standards Codification ("ASC") 958-605 "Contributions Received and Contributions Made" entitlement to the payments and recognition of revenue is conditioned upon having incurred eligible expenses and noncompliance with the terms and conditions is grounds for recoupment by the Small Business Administration. For the year ending December 31, 2021, sufficient eligible expenses had been incurred and the Foundation recognized the full amount of the grant as Other Revenue, without donor restrictions, in the statement of activities and changes in net assets.



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#### *Employee Retention Tax Credits*

The Employee Retention Tax Credit (“ERTC”) is a credit that was established by the United States government as a result of impact of the COVID-19 outbreak that enabled eligible employers to obtain a credit for certain federal payroll taxes related to qualifying wages. The Foundation accounts for the recognition of the ERTC revenue under ASC 958-605. Accordingly, the ERTC is considered a conditional grant as an organization only qualifies for the transfer of assets if it had met eligibility considerations. For the year ending December 31, 2022, the Foundation has recorded \$1,898,185 as a receivable and Other Revenue related to credits that are awaiting processing by the IRS. For the year ending December 31, 2021, the Foundation recovered and recorded \$3,735,367 as Other Revenue, without donor restrictions, in the statement of activities and changes in net assets.

#### **Functional and Natural Classification of Expenses**

The costs of providing museum programs and supporting services have been summarized in Note 15. Museum program expenses include costs of exhibitions and projects, traveling exhibitions and other, curatorial and collections maintenance, visitor services and auxiliary activities, including cost of sales. Management and general expenses include costs associated with the following departments: director’s office, finance, information technology, legal, global communications and human resources. Depreciation, rent, building maintenance, interest expense, and office services are allocated among the functional expense categories based on square footage used by each department.

#### **Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. The most significant estimates include the valuation assumptions associated with investments without readily determinable public markets and net realizable value of contributions receivable. Actual results could differ from those estimates.

#### **Income Tax Status**

The Foundation follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (“the Code”), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Foundation’s PGC operations are subject to taxation under the Italian Agency of Revenue. The Foundation has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated business income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in its financial statements. In addition, the Foundation has not recorded a provision for income taxes, as it has no tax liability from unrelated business income activities.

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**4. Investments**

Investments consisted of the following at December 31, 2022 and 2021:

|                                 | <u>2022</u>          | <u>2021</u>          |
|---------------------------------|----------------------|----------------------|
|                                 | <b>Fair Value</b>    | <b>Fair Value</b>    |
| Cash for reinvestment           | \$ 8,734,096         | \$ 20,069,036        |
| Short-term government bond fund | 28,010,932           | 6,796,487            |
| Equities                        | <u>14,912,197</u>    | <u>15,024,404</u>    |
| Total                           | 51,657,225           | 41,889,927           |
| <b>Alternative investments</b>  |                      |                      |
| Fixed income funds              | 13,855,689           | 14,622,050           |
| Equity funds                    | 30,170,941           | 50,374,892           |
| Fund of hedge funds             | 10,003,229           | 10,681,102           |
| Event/credit arbitrage funds    | 3,981,457            | 4,924,940            |
| International funds             | <u>3,631,978</u>     | <u>4,688,429</u>     |
| Total alternative investments   | <u>61,643,294</u>    | <u>85,291,413</u>    |
| Total                           | <u>\$113,300,519</u> | <u>\$127,181,340</u> |

The following summarizes the Foundation's investment return for the year ended December 31, 2022, and its classification in the statements of activities and changes in net assets:

|  | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>           |
|--|---------------------------------------|------------------------------------|------------------------|
| Net investment return  | \$ (1,119,343)                        | \$ (18,389,025)                    | \$ (19,508,368)        |
| Less: Investment income and spending rate<br>included in operating support and revenue | <u>-</u>                              | <u>(3,664,797)</u>                 | <u>(3,664,797)</u>     |
| Total investment income<br>included in nonoperating activity                           | <u>\$ (1,119,343)</u>                 | <u>\$ (22,053,822)</u>             | <u>\$ (23,173,165)</u> |

The following summarizes the Foundation's investment return for the year ended December 31, 2021, and its classification in the statements of activities and changes in net assets:

|  | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>        |
|--|---------------------------------------|------------------------------------|---------------------|
| Net investment return  | \$ 728,232                            | \$ 5,066,659                       | \$ 5,794,891        |
| Less: Investment income and spending rate<br>included in operating support and revenue | <u>(77,955)</u>                       | <u>(3,146,212)</u>                 | <u>(3,224,167)</u>  |
| Total investment income<br>included in nonoperating activity                           | <u>\$ 650,277</u>                     | <u>\$ 1,920,447</u>                | <u>\$ 2,570,724</u> |

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**5. Fair Value Measurements**

The Foundation's investments are recorded in the financial statements at fair value. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. Investments for which fair value is measured using net asset value ("NAV") as a practical expedient are excluded from the hierarchy and have been reported separately within the table below. Fair value accounting standards establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1     Observable inputs such as quoted prices in active markets;
- Level 2     Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3     Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities are measured at fair value and are based on one or more of three valuation techniques.

- Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and
- Income approach – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques)

The following tables summarize the valuations of the Foundation's financial instruments measured on a recurring basis by the above input levels using a market approach valuation method as of December 31, 2022 and 2021:

|                                     | <b>Quoted Market<br/>Prices<br/>(Level 1)</b> | <b>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Unobservable<br/>Inputs<br/>(Level 3)</b> | <b>Total</b>         |
|-------------------------------------|---|--|--|----------------------|
| Investments as of December 31, 2022 |   |  |  |                      |
| Cash and cash equivalents           | \$ 8,734,096                                  | \$ -   | \$ -   | \$ 8,734,096         |
| Short-term government bond fund     | 28,010,932                                    | -  | -  | 28,010,932           |
| Equities                            | 14,912,197                                    | -  | -  | 14,912,197           |
|                                     | <u>\$ 51,657,225</u>                          | <u>\$ -</u>  | <u>\$ -</u>                                  | 51,657,225           |
| Investments measured at NAV         |   |  |  | <u>61,643,294</u>    |
| Total assets at fair value          |   |  |  | <u>\$113,300,519</u> |

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| Investments as of December 31, 2021 | Quoted Market<br>Prices<br>(Level 1) | Other<br>Observable<br>Inputs<br>(Level 2) | Unobservable<br>Inputs<br>(Level 3) | Total                |
|-------------------------------------|--------------------------------------|--|-------------------------------------|----------------------|
| Cash and cash equivalents           | \$ 20,069,036                        | \$ -                                       | \$ -                                | \$ 20,069,036        |
| Short-term government bond fund     | -                                    | 6,796,487                                  | -                                   | 6,796,487            |
| Equities                            | 15,024,404                           | -  | -                                   | 15,024,404           |
|                                     | <u>\$ 35,093,440</u>                 | <u>\$ 6,796,487</u>                        | <u>\$ -</u>                         | <u>41,889,927</u>    |
| Investments measured at NAV         |                                      |  |                                     | 85,291,413           |
| Total assets at fair value          |                                      |  |                                     | <u>\$127,181,340</u> |

The following is a description of the Foundation's valuation methodologies for assets and liabilities measured at fair value as of December 31, 2022 and 2021:

Fair value for Level 1 is based upon quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access. Market price data is generally obtained from exchange or dealer markets. The Foundation does not adjust the quoted price for such assets and liabilities.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all. At December 31, 2022 and 2021, there were no Level 3 assets.

The net asset value of each alternative investment fund generally represents the ownership interest in the respective funds. The fair values of the investments held by the funds that do not have readily determinable fair values are determined by the investment managers and are based on estimates that require varying degrees of judgment. The Foundation has performed due diligence on these investments to ensure the NAV is an appropriate measure of fair value as of December 31, 2022 and 2021. Because of the inherent uncertainty of valuing these investments and certain underlying investments, the Foundation's estimate of fair value may differ significantly from the values that would have been used had a ready market for the investments existed. These investments may be illiquid and thus there can be no assurance that the Foundation will be able to realize the value of such investments in a timely manner.

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

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The following table summarizes the Foundation's investments that are measured at NAV by category as of December 31, 2022:

| <b>Class</b>                     | <b>Fair Value</b>    | <b>Redemption Frequency<br/>(If Currently Eligible)</b>  | <b>Redemption<br/>Notice Period</b>  |
|----------------------------------|----------------------|--|--|
| Fixed income funds (a)           | \$ 13,855,689        | Daily (2 funds) - 44%<br>Monthly (1 fund) - 34%<br>In Liquidation (1 fund) - 3%<br>In lock-up (1 fund) - 19% | 30 days (2 funds) - 44%<br>10 days (1 fund) - 34%<br>In Liquidation (1 fund) - 3%<br>In lock-up (1 fund) - 19%                 |
| Equity funds (b)                 | 30,170,941           | Daily (5 funds) - 42%<br>Monthly (3 funds) - 30%<br><br>Quarterly (4 funds) - 28%                            | 1 day (5 funds) - 42%<br>30 days (1 fund)- 12%<br>45 days (2 funds) - 18%<br>45 days (3 funds) - 16%<br>90 days (1 fund) - 12% |
| Fund of fund hedge funds (c)     | 10,003,229           | Quarterly (2 funds) - 51%<br><br>Monthly (1 fund) - 49%  | 45 days (1 fund) - 29%<br>95 days (1 fund) - 22%<br>105 days (1 fund) - 49%  |
| Event/credit arbitrage funds (d) | 3,981,457            | Quarterly (1 fund) - 100%  | 60 days (1 fund) - 100%  |
| International funds (e)          | 3,631,978            | Daily (2 funds) - 84%<br>Monthly (1 fund) - 16%  | 1 day (2 funds) - 84%<br>90 days (1 fund) - 16%  |
| Total alternative investments    | <u>\$ 61,643,294</u> |  |  |

The following table summarizes the Foundation's investments that are measured at NAV by category as of December 31, 2021:

| <b>Class</b>                     | <b>Fair Value</b>    | <b>Redemption Frequency<br/>(If Currently Eligible)</b>  | <b>Redemption<br/>Notice Period</b>   |
|----------------------------------|----------------------|--|---|
| Fixed income funds (a)           | \$ 14,622,050        | Daily (2 funds) - 44%<br>Monthly (1 fund) - 36%<br>In Liquidation (1 fund) - 4%<br>In lock-up (1 fund) - 16% | 30 days (2 funds) - 44%<br>10 days (1 funds) - 36%<br>In Liquidation (1 fund) - 4%<br>In lock-up (1 fund) - 16%   |
| Equity funds (b)                 | 50,374,892           | Daily (6 funds) - 48%<br>Monthly (3 funds) - 21%<br><br>Quarterly (4 funds)- 23%<br><br>Annual (2 funds)- 8% | 1 day (6 funds) - 48%<br>30 days (2 funds) - 10%<br>45 days (1 fund) - 11%<br>45 days (3 funds) - 14%<br>90 days (1 fund) - 9%<br>180 days (2 funds) - 8% |
| Fund of hedge funds (c)          | 10,681,102           | Monthly (1 fund) - 44%<br>Quarterly (2 funds) - 56%<br><br>In Liquidation (1 fund) - <1%                     | 105 days (1 fund) - 44%<br>45 days (1 fund) - 32%<br>95 days (1 fund) - 24%<br>In Liquidation (1 fund) - <1%  |
| Event/credit arbitrage funds (d) | 4,924,940            | Quarterly (1 fund) - 100%<br>In Liquidation (1 fund) - <1%   | 60 days (1 fund) - 100%<br>In Liquidation (1 fund) - <1%  |
| International funds (e)          | 4,688,429            | Daily (2 funds) - 89%<br>Monthly (1 fund) - 11%  | 1 day (2 funds) - 89%<br>90 days (1 fund) - 11%   |
| Total alternative investments    | <u>\$ 85,291,413</u> |  |   |

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The following is a brief description of the Foundation's categories for investments measured at NAV:

- (a) Includes long and short positions in a broad variety of highly liquid investments that are anticipated to have primarily a fixed income focus, including investments in financial instruments of companies undergoing periods of distress and turnaround. The Orpheus Holdings LTD fund, valued at \$370,551 and \$657,817 as of December 31, 2022 and 2021, respectively, is currently in liquidation.
- (b) Primarily long, concentrated portfolios invested in highly liquid equity securities and large- cap investments.
- (c) Highly diversified portfolios of multiple managers. These funds invest across most liquid asset classes and offer low correlations to markets and low volatility.
- (d) These funds participate across the capital structure of companies, identifying specific catalysts that will result in valuations which increase over time. Generally, they have low net exposure to the markets.
- (e) These funds generally own equities of companies in developed and undeveloped countries listed outside of the United States of America. These funds have a higher beta as a result of their higher net exposure to markets.

At December 31, 2022 and 2021, there was one unfunded commitment totaling \$802,514 and \$1,232,262, respectively.

Assets and liabilities measured at fair value are based on the market approach valuation technique, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

#### **6. Endowment Funds**

The Foundation's endowment consists of 45 individual funds established for a variety of purposes. As required by GAAP, net assets associated with donor-restricted endowment funds, and funds designated by the Board of Trustees to function as endowment funds ("Board Designated"), are classified and reported based on the existence or absence of donor-imposed restrictions.

On September 17, 2010, New York State enacted NYPMIFA, a detailed prudence standard that governs appropriation from endowment funds. Unlike the Uniform Management of Institutional Funds Act ("UMIFA"), NYPMIFA no longer requires organizations to maintain the historic dollar value of endowment funds.

UMIFA provided that the governing board may appropriate for expenditure for the uses and purposes for which an endowment fund is established so much of the net appreciation, both realized and unrealized, in the fair value of the assets of an endowment fund over the historic dollar value of the fund as is prudent. The term "historic dollar value" was defined as the aggregate fair value in dollars of (i) an endowment fund at the time it became an endowment fund, (ii) each subsequent donation to the fund at the time it was made, and (iii) each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation was added to the fund.

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Under NYPMIFA, prudent appropriation of income or appreciation from a fund where the value is less than its historic dollar value is permitted. In particular, NYPMIFA provides that unless a donor expresses a contrary intention in a gift instrument, a charitable institution may appropriate as much of an endowment fund as it “determines is prudent for the uses, benefits, purposes and duration for which the fund is established,” without regard for historic dollar value. Consistent with prior law, NYPMIFA retains the requirement that in making any decision to appropriate “the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances.

It further provides a requirement that the institution “shall consider, if relevant” the following eight factors in deciding whether or not to appropriate from a fund: (i) the duration and preservation of the endowment fund; (ii) the purposes of the Foundation and the endowment fund; (iii) general economic conditions; (iv) the possible effect of inflation or deflation; (v) the expected total return from income and the appreciation of investments; (vi) other resources of the Foundation; (vii) where appropriate and circumstances would otherwise warrant, alternatives to the expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Foundation; and (viii) the investment policy of the Foundation.

The provisions of NYPMIFA allowing prudent appropriation without regard to historic dollar value apply to funds created after the law’s effective date of September 17, 2010. Donors of funds created before that date were given the option to require institutions to continue to observe the historic dollar value restrictions contained in prior law. Some of the Foundation’s endowment fund donors elected this option. Moreover, as under prior law, a donor may incorporate specific restrictions in a gift instrument or appropriations that are different from either NYPMIFA or prior law. Certain of the Foundation’s funds are governed by such instruments.

Thus, the Foundation has funds that fall into three categories with respect to appropriation:

- 1) those from which it may prudently appropriate without regard to historic dollar value;
- 2) those from which it may prudently appropriate current income and appreciation only above historic dollar value; and
- 3) those from which appropriation is governed by specific instructions in the constitutive gift instrument.

The Foundation’s Board of Trustees, after careful consideration of each of the NYPMIFA factors, determined that it would be prudent to appropriate funds from the Foundation’s endowment in 2022 and 2021.

The Foundation’s spending policies are consistent with the Foundation’s objectives to use income to support mission-critical programs while preserving capital and promoting future endowment growth. The Foundation uses a 21-quarter rolling average on eligible funds, which generated an effective spend rate on the investment portfolio of approximately 3.0% and 2.3% for December 31, 2022 and 2021, respectively. Actual endowment spend rates ranged between 4.2% to 6% of market values.

Consistent with endowment accounting for not-for-profit organizations for funds subject to an enacted version of UPMIFA, the Foundation classifies as net assets with endowment restrictions

- (a) the original value of gifts donated to the endowment,

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- (b) the original value of subsequent gifts to the endowment,
- (c) the net realizable value of future payments to net assets with endowment restrictions in accordance with the donor's gift instrument (outstanding endowment pledges net of applicable discount), and
- (d) accumulations, including appreciation, gains and income, to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

For financial reporting purposes, donor-restricted endowment fund appreciation, gains and income exceeding donor restrictions are classified as net assets with non-endowment restrictions until these amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by law. Upon appropriation, appreciation and earnings are reclassified as net assets without donor restrictions.

For each donor-restricted endowment fund, the Foundation classifies the portion of the fund that is not classified as net assets with endowment restrictions as donor restricted net assets until appropriated for expenditure by the Foundation.

The Foundation's endowments consisted of the following at December 31, 2022:

|                            | <u>Without<br/>Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>         |
|----------------------------|---|------------------------------------|----------------------|
| Endowment funds            |   |                                    |                      |
| Assets held in perpetuity  | \$ -                                      | \$ 83,006,222                      | \$ 83,006,222        |
| Depreciation               | -   | (8,518,500)                        | (8,518,500)          |
| Term endowment             | -   | 3,836,117                          | 3,836,117            |
| Art fund endowment         |   |                                    |                      |
| Assets held in perpetuity  | -   | 10,105,000                         | 10,105,000           |
| Appreciation               | -   | 2,982,675                          | 2,982,675            |
| Board designated endowment | <u>25,059,404</u>                         | <u>6,706,269</u>                   | <u>31,765,673</u>    |
| Total funds                | <u>\$ 25,059,404</u>                      | <u>\$ 98,117,783</u>               | <u>\$123,177,187</u> |

Largely as a result of unfavorable market fluctuations, the fair value of assets associated with certain donor-restricted endowment funds has fallen below historic dollar value. The aggregate amounts by which fair values were below historic values were \$13,745,987 and \$6,167,872 as of December 31, 2022 and 2021, respectively.



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The Foundation's endowments consisted of the following at December 31, 2021:

|   | <b>Without<br/>Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>          |
|---|---|------------------------------------|-----------------------|
| Donor-restricted endowment funds        |   |                                    |                       |
| Assets held in perpetuity               | \$ -                                      | \$ 77,986,350                      | \$ 77,986,350         |
| Appreciation                            | -   | 6,994,701                          | 6,994,701             |
| Term endowment                          | -   | 4,754,302                          | 4,754,302             |
| Art fund endowment                      |   |                                    |                       |
| Assets held in perpetuity               | -   | 10,105,000                         | 10,105,000            |
| Appreciation                            | -   | 5,426,860                          | 5,426,860             |
| Board designated endowment (as revised) | <u>21,730,446</u>                         | <u>7,032,455</u>                   | <u>28,762,901</u>     |
| Total funds                             | <u>\$ 21,730,446</u>                      | <u>\$ 112,299,668</u>              | <u>\$ 134,030,114</u> |

One endowment fund was erroneously classified as without donor restrictions in 2021 and has been reclassified to with donor restrictions for the year ended December 31, 2021.

The Foundation's endowments had the following changes for the years ended December 31, 2022 and 2021:

|  | <b>Without<br/>Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>          |
|--|---|------------------------------------|-----------------------|
| <b>Endowment funds, December 31, 2021</b>                      | \$ 21,730,446                             | \$ 112,299,668                     | \$ 134,030,114        |
| Total investment return  | (1,120,678)                               | (17,120,705)                       | (18,241,383)          |
| Contributions  | 4,449,636                                 | 6,903,617                          | 11,353,253            |
| Appropriation of endowment assets for expenditure and transfer | <u>-</u>                                  | <u>(3,964,797)</u>                 | <u>(3,964,797)</u>    |
| <b>Endowment funds, December 31, 2022</b>                      | <u>\$ 25,059,404</u>                      | <u>\$ 98,117,783</u>               | <u>\$ 123,177,187</u> |

|  | <b>Without<br/>Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>          |
|--|---|------------------------------------|-----------------------|
| <b>Endowment funds, December 31, 2020</b>                      | \$ 24,322,647                             | \$ 106,575,757                     | \$ 130,898,404        |
| Total investment return  | 728,232                                   | 4,460,316                          | 5,188,548             |
| Contributions  | 2,566,073                                 | 4,487,762                          | 7,053,835             |
| Appropriation of endowment assets for expenditure and transfer | <u>(5,886,506)</u>                        | <u>(3,224,167)</u>                 | <u>(9,110,673)</u>    |
| <b>Endowment funds, December 31, 2021</b>                      | <u>\$ 21,730,446</u>                      | <u>\$ 112,299,668</u>              | <u>\$ 134,030,114</u> |

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The endowment funds classified as net assets with endowment restrictions, net assets with other donor restrictions and net assets without restrictions consist of the following at December 31:

|  | <b>2022</b>          | <b>2021</b>          |
|--|----------------------|----------------------|
| With endowment restrictions  |                      |                      |
| Educational programs   | \$ 17,671,636        | \$ 12,651,764        |
| Curatorial programs  | 4,537,048            | 4,537,048            |
| Publications   | 1,200,000            | 1,200,000            |
| General operating support  | 40,045,532           | 40,045,532           |
| Conservation   | 14,002,006           | 14,002,006           |
| Exhibition programs  | 5,550,000            | 5,550,000            |
| Art fund endowment   | <u>10,105,000</u>    | <u>10,105,000</u>    |
| Total endowment funds classified as net assets with endowment restrictions                       | <u>93,111,222</u>    | <u>88,091,350</u>    |
| Other donor restrictions   |                      |                      |
| General operating  | (8,518,500)          | 6,994,701            |
| Term endowment   | 3,836,117            | 4,754,302            |
| Art fund endowment   | 2,982,675            | 5,426,860            |
| Board-designated endowment funds   | <u>6,706,269</u>     | <u>7,032,455</u>     |
| Total endowment funds classified as net assets with other donor restrictions                     | <u>5,006,561</u>     | <u>24,208,318</u>    |
| Total funds classified as net assets with donor restrictions                                     | 98,117,783           | 112,299,668          |
| Total endowment funds classified as without restrictions - general operating support and revenue | <u>25,059,404</u>    | <u>21,730,446</u>    |
| Total endowment funds  | <u>\$123,177,187</u> | <u>\$134,030,114</u> |

**7. Liquidity and Availability of Resources**

The Foundation's financial assets that are available to meet cash needs for expenditures within one year of the date of the consolidated statements financial position were as follows:

|  | <b>2022</b>          | <b>2021</b>          |
|--|----------------------|----------------------|
| Assets Available within one year   |                      |                      |
| Cash and cash equivalents  | \$ 22,908,347        | \$ 30,017,392        |
| Less: Cash reserved for art and security deposits                                      | (3,265,176)          | (4,069,939)          |
| Contributions and grants receivable due within one year                                | 8,507,015            | 4,368,719            |
| Less: Contributions receivables related to endowments                                  | (1,547,015)          | (1,460,000)          |
| Accounts receivable  | 6,005,397            | 1,626,664            |
| Other receivables  | 710,690              | 499,772              |
| Board managed funds approved for appropriations  | <u>14,000,000</u>    | <u>9,400,000</u>     |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 47,319,258</u> | <u>\$ 40,382,608</u> |

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The Foundation has \$47,319,258 and \$40,382,608 of financial assets available within one year of the dates of the statements of financial position at December 31, 2022 and 2021, respectively, to meet cash needs for general expenditures consisting of cash of \$19,643,171 and \$25,947,453, receivables of \$13,676,087 and \$5,035,155, and short-term investments of \$14,000,000 and \$9,400,000 at December 31, 2022 and 2021, respectively. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The contributions receivable is subject to implied time restrictions but are expected to be collected within one year of the statement of financial position date. In addition to these assets, the Foundation has additional Board Managed funds of \$11,059,404 and \$12,330,446 in 2022 and 2021, respectively, available for use if needed.

In addition, as part of its liquidity management, the Foundation has a committed line of credit in the amount of \$5,000,000 of which \$2,500,000 was available at December 31, 2022 and 2021, respectively, and could be drawn upon in the event of an unanticipated liquidity level (See Note 11).

**8. Contributions and Grants Receivable**

Contributions and grants receivable at December 31, 2022 and 2021 are expected to be collected as follows:

|   | <b>2022</b>          | <b>2021</b>          |
|---|----------------------|----------------------|
| Within 1 year                             | \$ 8,507,015         | \$ 4,368,719         |
| 1 to 5 years                              | 8,780,652            | 7,295,400            |
| Thereafter                                | <u>11,150,000</u>    | <u>2,500,000</u>     |
| Gross contributions and grants receivable | 28,437,667           | 14,164,119           |
| Less: Discount to present value           | <u>(8,144,111)</u>   | <u>(1,454,404)</u>   |
| Contributions and grants at present value | <u>\$ 20,293,556</u> | <u>\$ 12,709,715</u> |

At December 31, 2022 and 2021, \$25,224,608 was due from ten individuals, corporations or foundations and \$10,849,608 was due from seven individuals, corporations, or foundations, respectively. The interest rates used to discount contributions receivable to present value ranged from 2.68% to 7.0%.

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**9. Property, Equipment and Leasehold Improvements, Net**

Property, equipment and leasehold improvements, net, consisted of the following at December 31, 2022 and 2021:

|   | <b>2022</b>          | <b>2021</b>          |
|---|----------------------|----------------------|
| Land  | \$ 2,631,849         | \$ 2,631,849         |
| Buildings and building improvements                       | 101,450,736          | 101,286,941          |
| Furniture, fixtures and equipment                         | 3,309,709            | 3,163,673            |
| Leasehold improvements                                    | 14,371,307           | 14,638,814           |
| Construction in progress                                  | 2,257,302            | 397,833              |
| Intangible assets   | <u>98,627</u>        | <u>101,219</u>       |
|   | 124,119,530          | 122,220,329          |
| Less: Accumulated depreciation and amortization           | <u>(81,792,758)</u>  | <u>(77,471,782)</u>  |
| Total property, equipment and leasehold improvements, net | <u>\$ 42,326,772</u> | <u>\$ 44,748,547</u> |

**10. Bonds Payable, Net of Discount and Issuance Costs**

Bonds payable at December 31, 2022 and 2021 are as follows:

|   | <b>2022</b>          | <b>2021</b>          |
|---|----------------------|----------------------|
| Series 2022, Taxable Bond                             | \$ 30,000,000        | \$ -                 |
| Series 2016A, Bonds                                   | -                    | 20,000,000           |
| Bond discount and issuance costs, net of amortization | <u>(432,759)</u>     | <u>(315,889)</u>     |
| Bonds Payable   | <u>\$ 29,567,241</u> | <u>\$ 19,684,111</u> |

In April 2022, the Foundation issued Series 2022 taxable fixed rate bonds with proceeds totaling \$30,000,000 at par with a coupon rate of 4.787%. As part of the transaction, \$19,150,000 of the 2016 Series A Bonds were redeemed and a loss of \$1,632,423 was recognized in the statement of activities and changes in net assets. After issuance and other costs, the remaining proceeds of \$9,084,937 were used for operating liquidity purposes.

The Bonds have a maturity date of January 1, 2052 and are also subject to optional redemption by the Foundation, in whole or in part at any time.

**11. Demand and Other Loans Payable**

In November of 2018, the Foundation entered into a multi-year agreement with a bank for a revolving line of credit of \$5,000,000, which is scheduled to expire in November 2025. At December 31, 2022 and 2021 the outstanding amount on the Foundation's line of credit was \$2,500,000. Under the terms of the agreement, the Foundation is required to provide semi-annually evidence that it maintains unrestricted liquid assets, as defined by the bank agreement as \$5,000,000. The Foundation is compliant with its financial covenant at December 31, 2022 and 2021.

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Interest on amounts borrowed under this credit facility is calculated at the Foundation's option (A) the alternate base rate (i.e., a rate per year equal to the greatest of (i) the bank's prime rate, (ii) the federal funds effective rate plus 0.50% per year, and (iii) the LIBOR rate plus 1.00%) plus 1.50%, (B) the adjusted LIBOR rate (i.e., the LIBOR rate in effect for an interest period multiplied by the statutory reserve rate, plus 1.50%), the daily LIBOR rate (i.e., for any day, a rate per year equal to the adjusted LIBOR rate in effect on such day for deposits in dollars of a one-month interest period) plus 1.50% current line of credit is calculated based on the Foundation's option of a rate per year equal to the bank's Prime Rate or the LIBOR rate plus 1.50%.

On December 20, 2021, the Foundation entered into a modification agreement with the primary changes being (i) the extension of the revolving loan maturity to November 30, 2025 and (ii) the inclusion of provisions to address a change in interest rate calculation with the replacement of LIBOR as a reference rate with a rate equal to the Secured Overnight Financing Rate as administered by the Federal Reserve Bank of New York.

During fiscal 2020, the Foundation borrowed \$5,938,000 through the Small Business Administration's (the "SBA") federal Paycheck Protection Program ("PPP") and the full amount was outstanding as of December 31, 2020. In December 2021, \$5,732,594 of principal was forgiven. \$205,126 of principal and \$3,338 interest was repaid on December 28, 2021. The balance forgiven by the SBA is included as gain on extinguishment of debt in the statement of activities and changes in net assets.

Amounts outstanding under the facility are reflected as demand and other loans payable on the 2022 and 2021 statements of financial position.

The Coronavirus Aid, Relief and Economic Security Act allowed employers to defer the payment of the employer portion of its social security tax payable for the period May 2020 to December 2020 for two years with 50% of the amount payable by December 31, 2021 and 50% by December 31, 2022. There were no amounts outstanding at December 31, 2022. As of December 31, 2021, \$363,090 was outstanding and included in accounts payable and accrued expenses.

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**12. Net Assets**

At December 31, 2022 and 2021, net assets were available for the following purposes:

|   | <b>2022</b>           | <b>2021</b>           |
|---|-----------------------|-----------------------|
| <b>Net assets with donor restrictions</b>           |                       |                       |
| Subject to time or purpose restrictions             |                       |                       |
| Restricted by time                                  | \$ 16,065,285         | \$ 15,726,724         |
| Restricted for purpose                              |                       |                       |
| Exhibitions, conservation, education and other      | 7,688,672             | 9,694,511             |
| Art purchases and the direct care of the collection | <u>4,840,222</u>      | <u>11,321,263</u>     |
| Time or purpose restricted                          | <u>28,594,179</u>     | <u>36,742,499</u>     |
| <br>  |                       |                       |
| Held in perpetuity                                  |                       |                       |
| Art collection                                      | 1                     | 1                     |
| Land  | 833,030               | 833,030               |
| Education   | 17,671,636            | 12,651,764            |
| Curatorial chair                                    | 4,537,048             | 4,537,048             |
| Art   | 10,105,000            | 10,105,000            |
| Conservation  | 14,002,006            | 14,002,006            |
| Publications  | 1,200,000             | 1,200,000             |
| Exhibitions   | 5,550,000             | 5,550,000             |
| General operations support                          | <u>34,446,689</u>     | <u>39,212,502</u>     |
| Amounts required to be held in perpetuity           | <u>88,345,410</u>     | <u>88,091,350</u>     |
| <br>  |                       |                       |
| Total net assets with donor restrictions            | <u>116,939,589</u>    | <u>124,833,849</u>    |
| <br>  |                       |                       |
| <b>Net assets without donor restrictions</b>        |                       |                       |
| General operations                                  | (21,078,643)          | (10,886,901)          |
| Board designated                                    | <u>25,059,404</u>     | <u>21,730,446</u>     |
| Total net assets without donor restrictions         | <u>3,980,761</u>      | <u>10,843,545</u>     |
| <br>  |                       |                       |
| Total net assets                                    | <u>\$ 120,920,350</u> | <u>\$ 135,677,394</u> |

Net assets released from net assets with donor restrictions are as follows:

|  | <b>2022</b>          | <b>2021</b>          |
|--|----------------------|----------------------|
| Endowment spending   | \$ 3,664,797         | \$ 3,146,212         |
| General support  | 7,022,864            | 4,509,620            |
| Exhibitions and projects                                     | 767,440              | 872,348              |
| Collection items purchased and direct care of the collection | <u>3,231,697</u>     | <u>7,153,661</u>     |
|  | <u>\$ 14,686,798</u> | <u>\$ 15,681,841</u> |

**13. Defined Contribution Retirement Plan**

The Foundation has a defined contribution retirement plan to cover all eligible employees, established under Section 403(b) of the Internal Revenue Code. For the 2022 and 2021 plan years, the Foundation accrued a contribution equal to 3% of each eligible participant's eligible gross wages and matched 50% of the first 5% of base pay voluntarily contributed to the plan by eligible participants, up to a maximum of 2.5% of compensation. The Foundation makes the payment before January 31<sup>st</sup> of the succeeding calendar year. During 2022 and 2021, the Foundation recorded expenses of \$777,353 and \$815,061, respectively, related to this plan.

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#### 14. Related Party Transactions

Two managing partners of an investment firm who are on the Foundation's Board of Trustees served on the Investment Committee until May 20, 2014. After review and in accordance with the Foundation's conflict of interest policy including recusal of interested parties from voting the disinterested Trustees who served on this Committee approved investments managed by this firm with a fair value of \$350,551 and \$657,817 at December 31, 2022 and December 31, 2021, respectively. In 2022 and 2021, the Foundation paid the investment firm fees of \$8,821 and \$10,020, respectively.

Two principal owners of a firm that currently provides investment advice to the Foundation are also directors, shareholders and investment advisors of a multi-strategy fund of hedge funds in which the Foundation has an approved investment. The Foundation does not pay the advisory firm, the principal owners of the firm or the fund of funds a fee with respect to the Foundation's investment in that fund of funds. In 2022 and 2021, the Foundation paid the investment advisory firm fees for its advisory services related to the Foundation's other fund of funds totaling \$494,735 and \$482,462, respectively.

#### 15. Functional and Natural Classification of Expenses

Expenses by functional classification for the years ended December 31, 2022 and 2021 are shown below. Depreciation, interest expense, benefits and special events expense and interest and fees relating to debt service, which are not allocated by function on the statements of activities and changes in net assets, are allocated as outlined below.

The following table summarizes the Foundation's functional expense allocation for the year ended December 31, 2022:

| Natural Classification               | Programming Costs    |                       |                                   |                  |              |              | Supporting Costs       |              | Total         |
|--------------------------------------|----------------------|-----------------------|-----------------------------------|------------------|--------------|--------------|------------------------|--------------|---------------|
|                                      | Exhibitions Projects | Traveling Exhibitions | Curatorial Collection Maintenance | Visitor Services | Education    | Auxiliary    | Management and General | Fundraising  |               |
| Salaries and benefits                | \$ 2,150,291         | \$ 988,553            | \$ 9,347,181                      | \$ 4,311,475     | \$ 3,208,501 | \$ 1,672,922 | \$ 8,469,489           | \$ 3,090,027 | 33,238,439    |
| Occupancy                            | 3,816,049            | 114,802               | 3,804,395                         | 268,140          | 457,419      | 700,615      | 2,391,786              | 415,935      | 11,969,141    |
| Professional fees                    | 636,220              | 1,181,023             | 468,854                           | 1,059,073        | 530,039      | 123,407      | 2,231,431              | 395,372      | 6,625,419     |
| Cost of goods                        | -                    | -                     | -                                 | -                | -            | 976,864      | -                      | -            | 976,864       |
| Art shipping and crating             | 1,023,420            | 135,437               | 135,038                           | -                | -            | 3,096        | -                      | 4,159        | 1,301,150     |
| Travel and entertainment             | 192,706              | 209,160               | 211,228                           | 9,546            | 70,346       | 5,743        | 523,066                | 253,074      | 1,474,870     |
| Supplies                             | 325,743              | 12,032                | 136,162                           | 103,686          | 144,561      | 79,172       | 352,195                | 81,083       | 1,234,635     |
| Advertising                          | 89,649               | -                     | -                                 | -                | 37,084       | 3,594        | 895,270                | 31,397       | 1,056,994     |
| Other costs                          | 734,278              | 141,923               | 436,488                           | 520,115          | 271,808      | 48,551       | 3,372,200              | 463,702      | 5,989,064     |
| Total operating expenses             | 8,968,356            | 2,782,930             | 14,539,345                        | 6,272,035        | 4,719,758    | 3,613,964    | 18,235,438             | 4,734,749    | 63,866,575    |
| Depreciation                         | 1,457,077            | -                     | 1,391,391                         | 80,924           | 167,053      | 457,145      | 673,609                | 153,246      | 4,380,445     |
| Interest and fees                    | 435,149              | -                     | 492,444                           | 29,106           | 52,087       | 68,360       | 160,882                | 49,121       | 1,287,149     |
| Benefits and special events, expense | 1,980                | -                     | -                                 | -                | 74,667       | -            | 701,727                | 1,836,119    | 2,614,493     |
| Total other costs                    | 1,894,206            | -                     | 1,883,835                         | 110,030          | 293,807      | 525,505      | 1,536,218              | 2,038,486    | 8,282,087     |
| Total allocated costs                | \$ 10,862,562        | \$ 2,782,930          | \$ 16,423,180                     | \$ 6,382,065     | \$ 5,013,565 | \$ 4,139,469 | \$ 19,771,656          | \$ 6,773,235 | \$ 72,148,662 |

**The Solomon R. Guggenheim Foundation**  
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The following table summarizes the Foundation's functional expense allocation for the year ended December 31, 2021:

| Natural Classification               | Programming Costs    |                       |                                   |                  |              |              | Supporting Costs       |              | Total         |
|--------------------------------------|----------------------|-----------------------|-----------------------------------|------------------|--------------|--------------|------------------------|--------------|---------------|
|                                      | Exhibitions Projects | Traveling Exhibitions | Curatorial Collection Maintenance | Visitor Services | Education    | Auxiliary    | Management and General | Fundraising  |               |
| Salaries and benefits                | \$ 2,103,533         | \$ 862,777            | \$ 7,816,696                      | \$ 3,472,089     | \$ 2,937,334 | \$ 1,457,896 | \$ 8,222,011           | \$ 2,716,368 | \$ 29,588,705 |
| Occupancy                            | 3,332,325            | 125,940               | 3,412,545                         | 258,629          | 397,915      | 667,794      | 2,238,924              | 341,197      | 10,775,269    |
| Professional fees                    | 605,625              | 922,564               | 349,330                           | 806,431          | 292,098      | 100,880      | 2,597,174              | 809,533      | 6,483,635     |
| Cost of goods                        | -                    | -                     | -                                 | -                | -            | 431,199      | -                      | -            | 431,199       |
| Art shipping and crating             | 210,794              | 55,849                | 99,595                            | -                | -            | 2,278        | 6,771                  | -            | 375,287       |
| Travel and entertainment             | 66,307               | 160,521               | 33,989                            | 4,154            | 18,865       | 1,444        | 145,296                | 104,189      | 534,765       |
| Supplies                             | 356,842              | 7,641                 | 54,353                            | 21,114           | 90,086       | 21,818       | 322,104                | 18,602       | 892,560       |
| Advertising                          | 176,264              | -                     | -                                 | -                | 21,413       | 47           | 754,563                | 39,983       | 992,270       |
| Other costs                          | 582,685              | 116,850               | 346,304                           | 335,048          | 169,604      | 339,269      | 2,764,341              | 315,259      | 4,969,360     |
| Total operating expenses             | 7,434,375            | 2,252,142             | 12,112,812                        | 4,897,465        | 3,927,315    | 3,022,626    | 17,051,184             | 4,345,131    | 55,043,050    |
| Depreciation                         | 1,723,898            | -                     | 1,485,007                         | 84,640           | 204,444      | 426,915      | 577,521                | 182,573      | 4,684,998     |
| Interest and fees                    | 290,104              | -                     | 328,301                           | 19,405           | 34,725       | 45,574       | 107,256                | 32,747       | 858,112       |
| Benefits and special events, expense | -                    | -                     | -                                 | -                | 37,754       | -            | 283,763                | 1,194,928    | 1,516,445     |
| Total other costs                    | 2,014,002            | -                     | 1,813,308                         | 104,045          | 276,923      | 472,489      | 968,540                | 1,410,248    | 7,059,555     |
| Total allocated costs                | \$ 9,448,377         | \$ 2,252,142          | \$ 13,926,120                     | \$ 5,001,510     | \$ 4,204,238 | \$ 3,495,115 | \$ 18,019,724          | \$ 5,755,379 | \$ 62,102,605 |

**16. Leases**

The Foundation has a limited number of operating leases, most of which are for office and art storage rental. On January 1, 2019, the Foundation adopted ASC 842, Leases under a modified retrospective basis as permitted under the guidance, has elected a package of practical expedients, among which is one that allowed the Foundation to maintain its historical lease classifications. The most significant lease is the Foundation's operating lease for administrative office space at One Liberty Plaza in New York. The term of the lease is 15 years, with an optional extension provision. As of December 31, 2022, there are 104 months remaining on the lease. Other leases include properties throughout the metropolitan New York area and in Venice, Italy which expire at various dates through to 2037.

Management considers various factors such as market conditions and the terms of any renewal options that may exist to determine whether to renew or replace a lease. For leases in place as of December 31, 2022 renewals were considered in determining minimum lease payments as they are reasonably certain to be exercised.

The Foundation includes fixed rent, predetermined rent escalations, rent-free periods and certain incentives for leasehold improvements as lease components. Lease expense is recognized on a straight-line basis over the life of the lease. Certain leases require variable payments for taxes and operating expenses and are expensed as incurred.

The lease liabilities are initially and subsequently measured at the present value of the remaining lease payments. The right-of-use assets are initially recognized at the amount of the lease liabilities initially recognized less lease incentives received, plus initial direct costs and prepaid lease payments, if any. Since the Foundation's lease agreements do not have readily determinable discount rates implicit in the leases, the Foundation used its incremental borrowing rate of 3.41% to determine the present value of the lease payments. Should there be a modification, the rate may be updated with a more current incremental borrowing rate. The Foundation has also elected a practical expedient to allow the lease and non-lease components not to be separated in event the agreement contains both.

Lease payments that impact operating cash flows during 2022 and 2021 were \$3,682,458 and \$3,341,052, respectively.



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Rent expense, including taxes and operating expenses, included within the statements of activities and changes in net assets for 2022 and 2021 amounted to \$3,494,562 and \$3,224,938 respectively.

The following table reconciles the undiscounted cash flows expected to be paid in each of the next five years and thereafter to the lease liability recorded on the statement of financial position for operating leases existing as of December 31, 2022:

|                                  | <b>Operating<br/>Leases</b> |
|----------------------------------|-----------------------------|
| <b>Year Ending December 31,</b>  |                             |
| 2023                             | \$ 3,950,544                |
| 2024                             | 3,987,722                   |
| 2025                             | 3,714,366                   |
| 2026                             | 3,852,250                   |
| 2027                             | 4,024,307                   |
| Thereafter                       | <u>14,347,600</u>           |
| Total minimum lease commitments  | 33,876,789                  |
| Less: Imputed interest           | <u>(4,648,341)</u>          |
| Present value of lease liability | <u>\$ 29,228,448</u>        |

**17. Commitments and Contingencies**

Under Italian law, deferred compensation accrues in favor of employees which they (or in the event of their death, their heirs) are entitled to collect upon termination of employment. The amount payable related to each year's service is calculated based on the remuneration of each year and will be subject to annual revaluation based on increases in the Italian cost of living index (ISTAT). Accrued severance payable in association with the Peggy Guggenheim Collection's employees as of December 31, 2022 and 2021 is \$1,716,443 and \$1,720,912 respectively.

**18. Subsequent Events**

In January 2023, the Foundation was sued in New York State court by claimants who are contesting the Foundation's ownership of Picasso's *Woman Ironing* (1904). The Foundation believes that there is no legal basis for the claim and that the case should be dismissed. While the outcome of the case cannot be determined at this time, the Foundation has determined that the resolution of the case will not have a material impact on the financial statements. The Foundation evaluated its December 31, 2022 financial statements for subsequent events through June 29, 2023, the date the financial statements were issued.