

The Montclair Art Museum

Financial Statements

June 30, 2025 and 2024



NISIVOCCIA
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The Montclair Art Museum
Table of Contents
June 30, 2025 and 2024

	<u>Page No.</u>
Independent Auditors' Report	1
<u>Financial Statements</u>	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	7
Statement of Cash Flows	9
Notes to the Financial Statements	10
<u>Supplementary Information</u>	
Schedule of Expenditures of State Awards	33
Notes to the Schedule of Expenditures of State Awards	34
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35
Schedule of Findings and Responses	37
Summary Schedule of Prior Year Findings	38
Independent Auditors' Report on the New Jersey State Council of the Arts Final Report	39

Independent Auditors' Report

To the Board of Trustees of
The Montclair Art Museum
Montclair, NJ 07042

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Montclair Art Museum (a nonprofit organization) (the "Museum") which comprise the statement of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Montclair Art Museum as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Museum and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

To the Board of Trustees of
The Montclair Art Museum

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 Museum's ability to continue as a going concern for one year after the date that the financial statements are 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 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 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 Museum'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 Museum'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.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by New Jersey State Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants and State Aid*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

To the Board of Trustees of
The Montclair Art Museum

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2025, on our consideration of the Museum's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Museum's internal control over financial reporting and compliance.

Nisiroccia LLP

Mt. Arlington, New Jersey
September 12, 2025

The Montclair Art Museum
Statement of Financial Position
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 738,329	\$ 529,900
Cash - restricted	50,001	33,998
Accounts receivable	48,442	4,671
Inventories, catalogs and brochures	32,049	33,623
Grants receivable	87,080	144,092
Pledges receivable, net	217,839	449,256
Other receivable	100,075	37,951
Prepaid expenses and other current assets	63,918	66,501
Investments, at market value	10,905,481	12,141,773
Investments, at market value - restricted	1,015,361	1,096,253
Operating lease right of use asset	95,261	
Finance lease right of use asset, net	1,780	4,535
Buildings, grounds and equipment, at cost, net of accumulated depreciation	<u>7,924,153</u>	<u>8,267,956</u>
Total assets	<u>\$ 21,279,769</u>	<u>\$ 22,810,509</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 322,615	\$ 285,757
Operating lease liability	95,261	
Finance lease liability	1,780	4,535
Deferred revenue	458,400	353,877
Economic Development Authority Bonds, net of unamortized deferred financing costs	<u>1,663,741</u>	<u>1,979,264</u>
Total liabilities	<u>2,541,797</u>	<u>2,623,433</u>
Net assets:		
Without donor restrictions:		
Undesignated	14,035,453	15,257,227
Board designated	<u>2,760,327</u>	<u>2,899,901</u>
Total net assets without donor restrictions	16,795,780	18,157,128
With donor restrictions	<u>1,942,192</u>	<u>2,029,948</u>
Total net assets	<u>18,737,972</u>	<u>20,187,076</u>
Total liabilities and net assets	<u>\$ 21,279,769</u>	<u>\$ 22,810,509</u>

See Accompanying Notes to Financial Statements

The Montclair Art Museum
Statement of Activities
Year Ended June 30, 2025

	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	Total
Support, revenue and gains:			
Grants	\$ 436,820	\$ 35,000	\$ 471,820
Donations	686,740	80,120	766,860
In-kind contributions	1,809		1,809
Membership dues	353,147		353,147
Art school tuition	690,681		690,681
Education programs	203,349		203,349
Curatorial programs	797		797
Admission fees	105,398		105,398
Special events	675,324	157,789	833,113
Income from investments	370,936	33,603	404,539
Net realized and unrealized gain on investments	765,350	79,379	844,729
Sales of merchandise, net	25,927		25,927
Rental income	297,108		297,108
Other revenue	8,041		8,041
Net assets released from restrictions	473,647	(473,647)	
Total support, revenue and gains	<u>5,095,074</u>	<u>(87,756)</u>	<u>5,007,318</u>
Expenses:			
Program services:			
Curatorial	1,844,906		1,844,906
Education	2,130,488		2,130,488
Membership	503,961		503,961
Store	387,343		387,343
Total program services	<u>4,866,698</u>		<u>4,866,698</u>
Supporting services:			
Management	493,338		493,338
Fundraising	820,351		820,351
Total supporting services	<u>1,313,689</u>		<u>1,313,689</u>
Total expenses	<u>6,180,387</u>		<u>6,180,387</u>
Change in net assets before changes related to collection items not capitalized	(1,085,313)	(87,756)	(1,173,069)
Proceeds from sale of collection items	471		471
Acquisition of collection items	(276,506)		(276,506)
Change in net assets	(1,361,348)	(87,756)	(1,449,104)
Net assets, beginning of year	<u>18,157,128</u>	<u>2,029,948</u>	<u>20,187,076</u>
Net assets, end of year	<u>\$ 16,795,780</u>	<u>\$ 1,942,192</u>	<u>\$ 18,737,972</u>

See Accompanying Notes to Financial Statements

The Montclair Art Museum
Statement of Activities
Year Ended June 30, 2024

	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	Total
Support, revenue and gains:			
Grants	\$ 714,018	\$ 93,700	\$ 807,718
Donations	836,454	284,870	1,121,324
Membership dues	300,312		300,312
Art school tuition	683,517		683,517
Education programs	168,336		168,336
Curatorial programs	2,829		2,829
Admission fees	94,912		94,912
Special events	642,229	108,400	750,629
Income from investments	486,170	42,554	528,724
Net realized and unrealized gain on investments	580,929	60,504	641,433
Sales of merchandise, net	36,621		36,621
Rental income	191,594		191,594
Other revenue	3,200		3,200
Net assets released from restrictions	683,438	(683,438)	
Total support, revenue and gains	<u>5,424,559</u>	<u>(93,410)</u>	<u>5,331,149</u>
Expenses:			
Program services:			
Curatorial	1,797,662		1,797,662
Education	1,989,658		1,989,658
Membership	425,891		425,891
Store	355,665		355,665
Total program services	<u>4,568,876</u>		<u>4,568,876</u>
Supporting services:			
Management	477,245		477,245
Fundraising	1,044,274		1,044,274
Total supporting services	<u>1,521,519</u>		<u>1,521,519</u>
Total expenses	<u>6,090,395</u>		<u>6,090,395</u>
Change in net assets before changes related to collection items not capitalized	(665,836)	(93,410)	(759,246)
Acquisition of collection items	<u>(363,270)</u>		<u>(363,270)</u>
Change in net assets	(1,029,106)	(93,410)	(1,122,516)
Net assets, beginning of year	<u>19,186,234</u>	<u>2,123,358</u>	<u>21,309,592</u>
Net assets, end of year	<u>\$ 18,157,128</u>	<u>\$ 2,029,948</u>	<u>\$ 20,187,076</u>

See Accompanying Notes to Financial Statements

The Montclair Art Museum
Statement of Functional Expenses
Year Ended June 30, 2025

	Program Services:					Supporting Services:			Total
	Curatorial	Education	Membership	Store	Total	Management	Fundraising	Total	
Salaries and wages	\$ 799,888	\$ 991,439	\$ 296,717	\$ 195,646	\$ 2,283,690	\$ 258,555	\$ 377,868	\$ 636,423	\$ 2,920,113
Pension plan contributions	5,242	5,011	160	572	10,985	2,076	5,332	7,408	18,393
Other employee benefits	55,540	87,055	21,243	19,951	183,789	16,661	17,709	34,370	218,159
Payroll taxes	<u>74,370</u>	<u>94,907</u>	<u>25,921</u>	<u>14,925</u>	<u>210,123</u>	<u>28,015</u>	<u>38,036</u>	<u>66,051</u>	<u>276,174</u>
Total personnel services	935,040	1,178,412	344,041	231,094	2,688,587	305,307	438,945	744,252	3,432,839
Facilities, equipment and telephone	172,817	183,625	37,573	42,936	436,951	12,087	14,774	26,861	463,812
Finance lease expense		5,863			5,863				5,863
Insurance	101,988	47,211	11,600	10,822	171,621	17,908	10,646	28,554	200,175
Interest and other financing fees		1,257			1,257	54,262		54,262	55,519
Marketing, printing, photography and publications	54,753	35,282	15,930	4,738	110,703	474	551	1,025	111,728
Miscellaneous	5,394	7,746	1,294	1,285	15,719	33,039	13,945	46,984	62,703
Postage, shipping and transportation	76,726	20,535	5,204	48	102,513	103	1,498	1,601	104,114
Professional and other services	231,976	367,593	29,719	40,009	669,297	62,845	56,858	119,703	789,000
Special events							195,425	195,425	195,425
Supplies and special program supplies	<u>53,687</u>	<u>70,439</u>	<u>16,095</u>	<u>3,279</u>	<u>143,500</u>	<u>2,000</u>	<u>82,396</u>	<u>84,396</u>	<u>227,896</u>
Total expenses before depreciation	1,632,381	1,917,963	461,456	334,211	4,346,011	488,025	815,038	1,303,063	5,649,074
Depreciation	<u>212,525</u>	<u>212,525</u>	<u>42,505</u>	<u>53,132</u>	<u>520,687</u>	<u>5,313</u>	<u>5,313</u>	<u>10,626</u>	<u>531,313</u>
Total expenses	<u>\$ 1,844,906</u>	<u>\$ 2,130,488</u>	<u>\$ 503,961</u>	<u>\$ 387,343</u>	<u>\$ 4,866,698</u>	<u>\$ 493,338</u>	<u>\$ 820,351</u>	<u>\$ 1,313,689</u>	<u>\$ 6,180,387</u>

See Accompanying Notes to Financial Statements

**The Montclair Art Museum
Statement of Functional Expenses
Year Ended June 30, 2024**

	Program Services:					Supporting Services:			Total
	Curatorial	Education	Membership	Store	Total	Management	Fundraising	Total	
Salaries and wages	\$ 825,786	\$ 969,174	\$ 223,691	\$ 175,243	\$ 2,193,894	\$ 252,988	\$ 358,780	\$ 611,768	\$ 2,805,662
Pension plan contributions	4,821	4,619	1,468	1,222	12,130	2,003	3,655	5,658	17,788
Other employee benefits	61,760	93,416	7,479	28,260	190,915	14,579	15,820	30,399	221,314
Payroll taxes	72,810	91,678	34,274	13,455	212,217	28,421	24,001	52,422	264,639
Total personnel services	965,177	1,158,887	266,912	218,180	2,609,156	297,991	402,256	700,247	3,309,403
Facilities, equipment and telephone	153,037	157,164	33,246	37,819	381,266	11,009	13,502	24,511	405,777
Finance lease expense		5,863			5,863				5,863
Insurance	68,556	37,674	9,291	8,620	124,141	16,397	8,644	25,041	149,182
Interest and other financing fees		1,257			1,257	61,627		61,627	62,884
Marketing, printing, photography and publications	56,828	34,766	15,232	5,434	112,260	543	1,608	2,151	114,411
Miscellaneous	9,210	10,742	2,300	2,024	24,276	27,757	6,370	34,127	58,403
Postage, shipping and transportation	67,636	17,019	7,291	68	92,014	401	2,467	2,868	94,882
Professional and other services	219,916	302,858	27,194	27,496	577,464	54,292	151,266	205,558	783,022
Special events							381,084	381,084	381,084
Supplies and special program supplies	50,386	56,512	23,042	4,295	134,235	2,055	71,904	73,959	208,194
Total expenses before depreciation	1,590,746	1,782,742	384,508	303,936	4,061,932	472,072	1,039,101	1,511,173	5,573,105
Depreciation	206,916	206,916	41,383	51,729	506,944	5,173	5,173	10,346	517,290
Total expenses	<u>\$ 1,797,662</u>	<u>\$ 1,989,658</u>	<u>\$ 425,891</u>	<u>\$ 355,665</u>	<u>\$ 4,568,876</u>	<u>\$ 477,245</u>	<u>\$ 1,044,274</u>	<u>\$ 1,521,519</u>	<u>\$ 6,090,395</u>

See Accompanying Notes to Financial Statements

The Montclair Art Museum
Statement of Cash Flows
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,449,104)	\$ (1,122,516)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	531,313	517,290
Amortization of bond financing costs charged to interest expense	12,416	12,416
Amortization of finance lease obligation	5,863	5,863
Net present value amortization adjustment for pledges	(4,643)	3,940
Change in allowance for credit losses	(4,797)	5,846
Net realized and unrealized gain on investments	(844,729)	(641,433)
Interest and dividends restricted for permanent investment	(1,688)	(2,171)
Donated securities	(86,252)	(147,729)
Changes in operating assets and liabilities:		
Accounts receivable	(43,771)	29,955
Inventories, catalogs and brochures	1,574	(5,690)
Grants receivable	57,012	205,272
Pledges receivable	240,857	(292,328)
Other receivable	(62,124)	(14,508)
Prepaid expenses and other current assets	2,583	(13,857)
Accounts payable and accrued expenses	36,858	1,258
Deferred revenue	104,523	26,982
Net cash used in operating activities	<u>(1,504,109)</u>	<u>(1,431,410)</u>
Cash flows from investing activities:		
Capital expenditures	(187,510)	(718,620)
Acquisition of investments	(3,650,447)	(7,788,982)
Proceeds from maturity/sale of investments	5,898,612	7,766,391
Net cash provided by (used in) investing activities	<u>2,060,655</u>	<u>(741,211)</u>
Cash flows from financing activities:		
Principal repayments of bonds payable	(327,939)	(320,592)
Principal repayments of finance lease obligations	(5,863)	(5,863)
Interest and dividends restricted for permanent reinvestment	1,688	2,171
Net cash used in financing activities	<u>(332,114)</u>	<u>(324,284)</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	224,432	(2,496,905)
Cash, cash equivalents, and restricted cash, beginning of year	<u>563,898</u>	<u>3,060,803</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 788,330</u>	<u>\$ 563,898</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 43,103</u>	<u>\$ 50,468</u>
Supplemental disclosures of noncash activity:		
Unrealized gain on investments	<u>\$ 117,780</u>	<u>\$ 482,087</u>
Donated securities	<u>\$ 86,252</u>	<u>\$ 147,729</u>
Donated gifts in kind	<u>\$ 1,809</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies

Organization

The Montclair Art Museum (the “Museum” or “MAM”) is a private, not-for-profit corporation founded in 1914, located in Montclair, New Jersey.

Mission Statement

The Museum, through art, creates experiences that inspire, challenge, and foster community to shape our shared future.

The Museum collects, exhibits, preserves, and interprets American and Native American art, honoring the creative accomplishments of a diverse range of artists, past and present.

Vision, Values and Diversity Statement

The Museum’s vision and values guide its actions:

- Respect – The Museum cares for the works in its collection, artistic expression, the land and environment, and the people it serves.
- Collaboration - Through partnerships with artists, scholars, community members, and institutions, the Museum ensures that it’s collective work reflects diverse perspectives, input, and expertise.
- Engagement and Education – Through exhibitions; family, student, and public programs; and studio art classes, the Museum cultivates creativity and personal expression, and sparks critical conversations and learning for people of all ages and abilities.
- Inclusion – The Museum strives to create an accessible and welcoming environment that fosters open dialogue and empathy for all.

2. Summary of Significant Accounting Policies

The financial statements of the Museum have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Significant accounting policies are described below:

Financial Statement Presentation

The Museum prepares its financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") *Accounting for Contributions Received and Made*, and FASB ASC *Presentation of Financial Statements of Not-for-Profit Entities*. FASB ASC, *Presentation of Financial Statements of Not-for-Profit Entities* establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories: net assets with donor restrictions and net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. In addition, the standard requires the presentation of qualitative information on how The Museum manages its liquid available resources and liquidity risks. Quantitative information that communicates the availability of a nonprofit's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year is required to be presented on the face of the financial statement and/or in the notes to the financial statements. FASB ASC, *Accounting for Contributions Received and Made* requires that unconditional promises to give be recorded as receivables and revenue and requires the organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

Accordingly, net assets of the Museum and changes therein are classified and reported as follows:

Net assets without donor restrictions are comprised of net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets in the amounts of \$2,760,327 and \$2,899,901 as of June 30, 2025 and 2024, respectively, to be held for specific purposes and board-designated endowment.

Net assets with donor restrictions represent amounts with donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Art Collections

The collections, which were acquired through purchases and contributions since the Museum's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired or as net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

The Montclair Art Museum
Notes to the Financial Statements
June 30, 2025 and 2024

In September 2022, the Association of Art Museum Directors (“AAMD”) revised their policy for deaccession as follows: funds received from the disposal of a deaccessioned work of art including any earnings and appreciation thereon, may be used only for the acquisition of works of art in a manner consistent with the Museum’s policy on the use of restricted acquisition funds or for direct care of works of art.

Revenue and Support Recognition

Revenue is measured based on consideration specified in a contract with a customer. This occurs with the transfer of control of the sale at a specific point in time. The Museum recognizes program income when the services are provided. Membership dues, which are nonrefundable, are comprised of an exchange element based on the fair value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. The Museum recognizes the exchange portion of membership dues over the period, and the contribution portion immediately. With the exception of goods and services provided in connection with membership dues, which are transferred over the period to which the dues relate, all goods and services are transferred at a point in time. The Museum records special events revenue equal to the fair value of direct benefits to donors, and contribution revenue for the excess received when the event takes place. There are no multi-year contracts and performance obligations are typically satisfied within one year or less.

The Museum recognizes contributions and pledges when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. State contracts and grants of the Museum are conditioned upon certain performance requirements.

A portion of the Museum’s revenue is derived from cost-reimbursable state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Museum has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

Disaggregation of Revenue

In the following table, revenue is disaggregated by timing of satisfaction of performance obligations for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Performance obligations satisfied at a point in time	<u>\$ 1,775,103</u>	<u>\$ 1,685,060</u>
Performance obligations satisfied over time	<u>\$ 353,147</u>	<u>\$ 300,312</u>

The Montclair Art Museum
Notes to the Financial Statements
June 30, 2025 and 2024

Revenue from performance obligations satisfied at a point in time is comprised of program fees from the Museum’s various programs such as art school tuition, education programs, curatorial programs, admission fees, as well as gift shop sales made at the Museum and the Museum’s fundraising efforts. Revenue from performance obligations satisfied over time is comprised of membership dues.

Deferred Revenue

Deferred revenue is comprised of amounts received for program events which will be recognized as income in future periods when the services are performed or the event occurs. The Museum’s Yard School of Art tuition fees received in the current fiscal year for the next semester are deferred until the instruction commences, since the Museum recognizes tuition revenue in the period in which the related instruction is performed.

The following table provides information about significant changes in deferred revenue for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Deferred revenue, beginning of year	\$ 353,877	\$ 326,895
Revenue recognized that was included in deferred revenue at the beginning of year	(353,877)	(326,895)
Increase in deferred revenue due to cash received during the period	<u>458,400</u>	<u>353,877</u>
Deferred revenue, end of year	<u><u>\$ 458,400</u></u>	<u><u>\$ 353,877</u></u>

Cash Equivalents and Restricted Cash

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and mature within three months or less. The Museum has \$50,001 and \$33,998 of restricted cash as of June 30, 2025 and 2024, respectively. The funds are restricted for educational and curatorial program activities.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position to the sum of the corresponding amounts within the statement of cash flows as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 738,329	\$ 529,900
Cash - restricted	<u>50,001</u>	<u>33,998</u>
Total	<u><u>\$ 788,330</u></u>	<u><u>\$ 563,898</u></u>

Inventories

Inventories are comprised principally of merchandise available for sale in the gift shop located on the premises. At June 30, 2025 and 2024, the Museum has stated inventories prospectively at the lower of cost or net realizable value. Inventories amounted to \$32,049 and \$33,623 at June 30, 2025 and 2024, respectively.

Accounts, Grants, and Pledges Receivable, Allowances for Uncollectible Accounts and Credit Losses, and Provision for Discount to Net Present Value and Uncollectible Pledges

Accounts, grants, and pledges receivable are stated at the amounts management expects to collect from outstanding balances. Management considers the following factors when determining the collectability of specific customer accounts: customer creditworthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. Past due balances over 90 days and other higher risk amounts are reviewed individually for collectability. If the financial condition of the Museum's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. The Museum established an allowance for uncollectible accounts with respect to pledges of \$4,466 and \$9,263 at June 30, 2025 and 2024, respectively. Management has recorded a discount on pledged amounts of \$0 and \$4,643 at June 30, 2025 and 2024, respectively. Total receivables, net at July 1, 2023 amounted to \$574,147.

Buildings, Grounds and Equipment

Buildings, grounds and equipment are recorded at cost when purchased or, at fair value at date of gift, when donated. Cost includes the allocation of interest incurred in connection with the construction. Gifts of long-lived assets are reported as an increase in net assets without donor restrictions, unless there are explicit restrictions that specify how the assets are to be used. Proceeds from the sale of fixed assets, if without donor restrictions, are transferred to the net assets without donor restrictions, or if restricted, to net assets with donor restrictions for fixed asset acquisitions.

Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

Maintenance, repairs and renewals which neither materially add to the value of property nor appreciably prolong its life are charged to expense as incurred.

The Museum continually evaluates whether current events or circumstances warrant adjustments to the carrying value or estimated useful lives of fixed assets in accordance with the provisions of FASB ASC, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

Deferred Bond Financing Costs

Costs incurred in connection with obtaining financing, such as origination fees, commitment fees, legal, and other third party costs, are capitalized and amortized over the life of the related debt using a method that approximates the effective interest method.

The Museum follows the provisions of FASB ASU 2015-03, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issue Costs*. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Amortization of debt issuance costs are reported as interest expense in accordance with this standard.

Investments

The Museum records investments in accordance with FASB ASC, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under this standard, securities purchased for investment are carried at market value; those received as gifts are recorded at market value at date of gift and all investments in debt securities are reported at their fair market values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income or loss (including interest and dividends) and gains and losses on the sale of investments are included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by the donor or law. A decline in the market value of an investment security below its cost that is designated to be other than temporary is recognized through an impairment charge. That impairment charge would be included in the statement of activities and a new cost basis would be established. For the years ended June 30, 2025 and 2024, the Museum did not record any impairment charge in the statement of activities.

Leases

The Museum applies FASB ASC 842 to determine whether an arrangement is or contains a lease at inception. The Museum leases equipment. Operating leases are included in operating lease right of use asset and operating lease liability on the accompanying statement of financial position. Finance leases are included in finance lease right of use asset and finance lease liability on the accompanying statement of financial position.

ROU assets represent the Museum's right to use an underlying asset for the lease term and lease liabilities represent the Museum's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Museum's leases do not provide an implicit rate, the Museum uses a risk-free rate of 3.81% to the office equipment class of assets based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives.

The Museum's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Museum will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Museum's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Museum has elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset that the Museum is reasonably certain to exercise. The Museum recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term.

Fair Value Measurements

In accordance with FASB ASC, *Fair Value Measurements and Disclosures*, fair value is defined as a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). A fair value measurement assumes that the transaction to sell the asset or transfer the liability either occurs in the principal market (or in its absence, the most advantageous market) for the asset or liability.

The Fair Value Measurements Topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The measurement of fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable liquid market price existed (an exit price). An exit price valuation will include margins for risk even if they are not observable. As the Museum is released from risk, the margins for risk will also be released through net realized capital gains (losses) in net income.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Museum has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities measured at fair value 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 (including a business);
- Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost);
- Income approach - Techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. For some assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, observable market transactions and market information might not be available. When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or settle or otherwise fulfill a liability is not relevant when measuring fair value.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2025 and 2024.

Equity securities: Valued at the closing price reported in the active market in which the individual securities are traded.

Mutual funds: Valued at the net asset value (NAV) of shares held by the Museum as of the date of the financial statements.

Exchange traded funds: The carrying amounts are valued at the closing price reported in the active market in which the individual securities are traded.

Corporate bonds: Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risk.

Mortgage-backed securities: Valued at the closing price reported on the active market on which the individual securities are traded.

U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

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

The Museum invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks, any of which could affect their market value. Although the Museum invests in a diversified portfolio of investment securities, it is possible that changes in the market value of investment securities will occur and such changes could materially affect the value of the Museum's investments as reported in the statement of financial position and the statement of activities.

Management, in conjunction with its Investment Manager, review investments for other than temporary decline in accordance with the requirements of fair value measurements. The Museum's investments are comprised primarily of investments in mutual funds, equity and fixed income securities.

Within the balance of the funds certain individual investments may have fair values measured below cost. The severity of any impairment and the duration of any impairment correlate with current market conditions.

Based upon the near-term prospects of the issuer of any of those securities in relation to the severity and duration of the impairment, and based upon the Museum's ability and intent to hold those investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Museum does not consider those investments to be other-than-temporarily impaired at June 30, 2025.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Museum to concentrations of credit risk, are comprised primarily of cash, cash equivalents and restricted cash. At times, amounts invested with financial institutions may be in excess of FDIC insurance limits. Management believes that the Museum has no significant risk of loss on these accounts due to the failure of the institutions.

Concentration of credit risk associated with investments is considered low due to the credit quality of the financial institutions holding these investments.

In addition, the Museum has a risk associated with the collections of its pledges receivable. Management considers this risk low due to the credit quality of the individuals who have made the respective pledges.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities, revenues and expenses and changes therein, and disclosures of contingent assets and contingent liabilities and accompanying notes. It is reasonably possible that the Museum's estimates may change in the near term.

Contributed Services

Volunteers contribute their time to the Museum's operations and various programs. The voluntary services are performed principally by the officers, trustees, volunteer council members, and educational program docents. The value of this contributed time is not reflected in the financial statements since it does not meet the criteria for recognition under U.S. generally accepted accounting principles.

In-Kind Contributions

The Museum follows the provisions of ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which requires nonprofits to present contributed nonfinancial assets as a separate line item in the statement of activities apart from contributions of cash or other financial assets.

In-kind contributions are reflected as contributions at their fair value on the date of donation and are reported as without donor restrictions unless explicit donor stipulations specify how donated assets must be used. During the years ended June 30, 2025 and 2024, in-kind contributions totaled \$1,809 and \$0, respectively.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program and supporting services benefited. The financial statements report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated to a program based on level of activity. Support costs are allocated to a program based on total program costs.

Program expenses are those related to curatorial, education, membership and retail store related activities. Supporting service expenses are those related to the finance and administrative functions associated to those programs. Fundraising includes the direct costs of special events and the allocation of employees' salaries and other costs involved in fund-raising and special events based on methods considered by management to be reasonable.

The Montclair Art Museum
Notes to the Financial Statements
June 30, 2025 and 2024

The expenses that are allocated include salaries and wages, pension plan contributions, other employee benefits, payroll taxes, insurance, supplies and special program supplies, marketing, printing, photography, and publications, postage, shipping, and transportation, miscellaneous, and professional and other services which are allocated on the basis of estimates of time and effort. Facilities, equipment, and telephone, finance lease expense, and depreciation are allocated on a square footage and usage basis. Interest and financing fees are direct supporting services management expenses, while event expenses are direct supporting services for fundraising expenses.

Advertising

It is the Museum's policy to expense advertising costs as incurred. Advertising expense for the years ended June 30, 2025 and 2024 amounted to \$25,952 and \$36,837, respectively.

Income Taxes

The Museum is exempt from federal income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code, and is also exempt from state income taxes under Chapter 104 of Title 54, Revised Statutes of the New Jersey Law. The Museum has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). Accordingly, no provision for federal or state income taxes has been presented in the accompanying financial statements.

The Museum follows the provisions of FASB ASC, *Income Taxes*. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition as they relate to those tax positions.

The Museum does not expect a significant increase or decrease to the total amounts of unrecognized tax positions during the fiscal year ended June 30, 2025. However, the Museum is subject to regular audit by tax authorities. The Museum believes that it has appropriate support for the positions taken on its tax returns.

Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued each year. Management believes its nonprofit status would be upheld upon examination.

As required by law, the Museum files informational returns with both the United States federal and State of New Jersey jurisdictions on an annual basis – Form 990 with the Internal Revenue Service, and Form CRI-300R with the State. These returns are subject to examination by these authorities within certain statutorily defined periods for federal and for the State of New Jersey.

Reclassification

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

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after June 30, 2025 through the date of the independent auditors' report and the date the financial statements were available to be issued, September 12, 2025. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no nonrecognized subsequent events that require additional disclosure.

3. Liquidity and Availability

The Museum receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions which fall within the Museum's general operating expenses to fund their programs and mission. The Museum also has established an endowment that will exist in perpetuity; the income generated from such endowment is used to fund programs.

In addition, the Museum receives support without donor restrictions; such support has historically represented a majority of annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions. The Museum also generates program income from its various mission supporting programs that take place each year.

The Museum considers investment income without donor restrictions, appropriated earnings from donor-restricted and contributions without donor restrictions, contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations, and program income generated to be available to meet cash needs for general expenditures.

General expenditures within one year include administrative and general expenses and fundraising expenses to be paid in the subsequent year. Annual operations are defined as activities occurring during the Museum's fiscal year.

The Museum manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term commitments and obligations continue to be met through the Museum's endowment and investment policy which ensures adequate liquid assets.

The Museum strives to maintain financial assets available to meet general expenditures at a level that represents seasonal cash needs for administrative, general, and fundraising expenses.

The Montclair Art Museum
Notes to the Financial Statements
June 30, 2025 and 2024

As of June 30, 2025 and 2024, the following table shows the total financial assets held by the Museum and the amounts of those financial assets that could readily be made available within one year of the statement of financial position date to meet general expenditures:

Financial assets at year end:	2025	2024
Cash and cash equivalents	\$ 738,329	\$ 529,900
Cash - restricted	50,001	33,998
Accounts receivable	48,442	4,671
Grants receivable	87,080	144,092
Pledges receivable, net	217,839	449,256
Other receivable	100,075	37,951
Investments, at market value	10,905,481	12,141,773
Investments, at market value - restricted	1,015,361	1,096,253
Total financial assets	13,162,608	14,437,894
Less amounts not available to be used within one year:		
Cash - restricted	(50,001)	(33,998)
Pledges receivable in one to five years, net	-	(189,594)
Investments, at market value - restricted	(1,015,361)	(1,096,253)
Board designated funds	(2,760,327)	(2,899,901)
Net assets with donor restrictions	(1,942,192)	(2,029,948)
Financial assets not available to be used within one year	(5,767,881)	(6,249,694)
Financial assets available to meet general expenditures within one year	\$ 7,394,727	\$ 8,188,200

4. Pledges Receivable

Pledges receivable representing unconditional promises to give at June 30, 2025 and 2024, are as follows:

	2025	2024
Receivable in less than one year	\$ 222,305	\$ 259,662
Receivable in one to five years	-	203,500
Less: discount to net present value at 2%	-	(4,643)
Less: allowance for uncollectible pledges	(4,466)	(9,263)
Net unconditional pledges receivable	\$ 217,839	\$ 449,256

The Montclair Art Museum
Notes to the Financial Statements
June 30, 2025 and 2024

5. Buildings, Grounds and Equipment

Buildings, grounds and equipment at June 30, 2025 and 2024, are comprised of the following:

	Estimated Useful Lives	2025	2024
Grounds		\$ 132,700	\$ 132,700
Buildings	5 - 40 years	18,162,676	18,029,834
Equipment	3 - 15 years	2,896,819	2,879,940
Construction in Progress		36,620	35,000
		<u>21,228,815</u>	<u>21,077,474</u>
Less: accumulated depreciation		<u>13,304,662</u>	<u>12,809,518</u>
		<u>\$ 7,924,153</u>	<u>\$ 8,267,956</u>

Total depreciation expense charged to operations for the years ended June 30, 2025 and 2024 amounted to \$531,313 and \$517,290, respectively.

6. Investments - Donor Designated Endowments (SPMIFA)

The Museum’s endowment is comprised of individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Museum has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as net assets with donor restrictions held in perpetuity as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions held in perpetuity is classified as net assets with donor restriction for time or purposes or board designated net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, The Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Museum, and (7) the Museum’s investment policies.

The Montclair Art Museum
Notes to the Financial Statements
June 30, 2025 and 2024

Investment Return Objectives, Risk Parameters and Strategies: The Museum has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

Endowment assets are invested by approved third party institutional managers in well diversified investments, which include equity and debt securities, that are intended over time to result in an inflation-protected rate of return while maintaining sufficient liquidity to make an annual distribution of up to 5%. Accordingly, the Museum expects its endowment assets, over time, to produce an average gross rate of return of approximately 6-7% annually. Actual returns in any given year may vary from this amount.

Investment risk is measured in terms of the total endowment fund; investment assets and allocation among managers, asset classes and investment strategies are intended not to expose the fund to unacceptable levels of risk.

Spending Policy: The Museum has established a spending policy of appropriating for distribution each year no more than 5% of its endowment fund’s average fair value of the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In certain prior years the Board of Trustees has approved necessary appropriations in excess of this level. Investment fees and other direct investment expenses shall be in addition to this appropriation.

In establishing this policy, the Museum considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, some of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

The Museum intends that the current spending policy should allow its endowment funds, net of appropriations, to grow at a nominal average rate of 1-2% annually, which is consistent with the Museum’s objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Endowment net asset composition by type of fund as of June 30, 2025 is as follows:

	Net Assets With Board Designation	Net Assets With Donor Restrictions	Total Net Endowment Assets
	<u> </u>	<u> </u>	<u> </u>
Donor-restricted endowment funds		\$ 1,576,783	\$ 1,576,783
Board-designated endowment funds	\$ 2,760,327		2,760,327
Total funds	<u>\$ 2,760,327</u>	<u>\$ 1,576,783</u>	<u>\$ 4,337,110</u>

The Montclair Art Museum
Notes to the Financial Statements
June 30, 2025 and 2024

Endowment net asset composition by type of fund as of June 30, 2024 is as follows:

	Net Assets With Board Designation	Net Assets With Donor Restrictions	Total Net Endowment Assets
Donor-restricted endowment funds		\$ 1,532,978	\$ 1,532,978
Board-designated endowment funds	\$ 2,899,901		2,899,901
Total funds	<u>\$ 2,899,901</u>	<u>\$ 1,532,978</u>	<u>\$ 4,432,879</u>

Changes in endowment net assets for the year ended June 30, 2025 are as follows:

	Net Assets With Board Designation	Net Assets With Donor Restrictions	Total Net Endowment Assets
Endowment net assets:			
Beginning of year	\$ 2,899,901	\$ 1,532,978	\$ 4,432,879
Investment income	63,725	33,603	97,328
Net appreciation	100,535	79,379	179,914
Amounts appropriated for expenditure	(303,834)	(69,177)	(373,011)
End of year	<u>\$ 2,760,327</u>	<u>\$ 1,576,783</u>	<u>\$ 4,337,110</u>

Changes in endowment net assets for the year ended June 30, 2024 are as follows:

	Net Assets With Board Designation	Net Assets With Donor Restrictions	Total Net Endowment Assets
Endowment net assets:			
Beginning of year	\$ 3,121,540	\$ 1,498,800	\$ 4,620,340
Investment income	70,308	42,554	112,862
Net appreciation	76,323	60,504	136,827
Amounts appropriated for expenditure	(368,270)	(68,880)	(437,150)
End of year	<u>\$ 2,899,901</u>	<u>\$ 1,532,978</u>	<u>\$ 4,432,879</u>

The Montclair Art Museum
Notes to the Financial Statements
June 30, 2025 and 2024

7. Investments

Investments at June 30, 2025 are comprised of the following:

	June 30, 2025			Unrealized Gain
	Cost	Fair Value (Level 1)	Fair Value (Level 2)	
Equity securities (by sector):				
Basic materials	\$ 191,119	\$ 303,973		\$ 112,854
Communications	198,711	316,146		117,435
Consumer non-cyclical	191,579	454,180		262,601
Consumer cyclical	111,095	174,267		63,172
Energy	251,941	315,885		63,944
Financials	379,850	819,623		439,773
Healthcare	374,247	502,771		128,524
Industrials	300,203	584,402		284,199
Real estate	286,175	342,626		56,451
Technology	467,205	1,189,702		722,497
Utilities	448,987	656,855		207,868
Total	<u>3,201,112</u>	<u>5,660,430</u>		<u>2,459,318</u>
Fixed income securities:				
Corporate bonds	5,034,615		\$ 5,117,483	82,868
Treasury bills	496,549		500,652	4,103
Mortgage-backed securities	788		805	17
Total	<u>5,531,952</u>		<u>5,618,940</u>	<u>86,988</u>
Exchange traded funds:				
Commodities focused	1,699	9,354		7,655
Total	<u>1,699</u>	<u>9,354</u>		<u>7,655</u>
Mutual funds:				
Equity funds	562,588	632,118		69,530
Total	<u>562,588</u>	<u>632,118</u>		<u>69,530</u>
	<u>\$ 9,297,351</u>	<u>\$ 6,301,902</u>	<u>\$ 5,618,940</u>	<u>\$ 2,623,491</u>

The Montclair Art Museum
Notes to the Financial Statements
June 30, 2025 and 2024

Investments at June 30, 2024 are comprised of the following:

	June 30, 2024			
	Cost	Fair Value (Level 1)	Fair Value (Level 2)	Unrealized Gain
Equity securities (by sector):				
Basic materials	\$ 135,972	\$ 180,436		\$ 44,464
Communications	110,421	121,242		10,821
Consumer non-cyclical	556,184	793,296		237,112
Consumer cyclical	634,108	740,779		106,671
Energy	289,390	311,408		22,018
Financials	546,278	926,652		380,374
Healthcare	496,065	723,815		227,750
Industrials	553,931	781,386		227,455
Real estate	94,932	128,573		33,641
Technology	1,000,986	1,946,305		945,319
Utilities	639,666	789,802		150,136
Total	5,057,933	7,443,694		2,385,761
Fixed income securities:				
Corporate bonds	5,173,938		\$ 5,223,561	49,623
Mortgage-backed securities	994		1,009	15
Total	5,174,932		5,224,570	49,638
Mutual funds:				
Equity funds	549,332	569,762		20,430
Total	549,332	569,762		20,430
	<u>\$ 10,782,197</u>	<u>\$ 8,013,456</u>	<u>\$ 5,224,570</u>	<u>\$ 2,455,829</u>

The Museum had restricted investments in the amount of \$1,015,361 and \$1,096,253 at June 30, 2025 and 2024, respectively.

Return on investments for the years ended June 30, 2025 and 2024, is comprised of the following:

	2025	2024
Interest and dividend income	\$ 404,539	\$ 528,724
Realized gain on investments	837,439	269,664
Unrealized gain on investments	117,780	482,087
Investment fees	(110,490)	(110,318)
Total return on investments	<u>\$ 1,249,268</u>	<u>\$ 1,170,157</u>

8. 403(b) Retirement Plan

The Museum provides a 403(b) retirement plan for the benefit of employees that work at least half time on an annual basis. The plan allows employees to make tax deferred contributions which are used to purchase mutual funds. The Museum matches the employees' contributions up to a maximum of 2% of annual salary. The Museum may elect to make an employer discretionary contribution for employees with at least two years of service. For the years ended June 30, 2025 and 2024, the Museum did not make discretionary contributions to the plan.

Employees may draw from their plans upon retirement, termination or hardship. Termination of the plan will not affect amounts due to participants under the plan. During the years ended June 30, 2025 and 2024, the Museum contributed \$18,393 and \$17,788 respectively, to the plan.

9. Bonds and Derivatives

During 2001 and 2002, the Museum constructed a three-story addition (the "Project") to the existing museum structure. Additionally, a significant portion of the existing building was rehabilitated to improve galleries, public areas and administrative offices. The purpose of the expansion is to better accommodate the cultural needs of the community and the region.

The 2001 expansion of the Museum was financed by the issuance of \$5.4 million of tax-exempt bonds through the New Jersey Economic Development Authority (The Montclair Art Museum Project) Series 2000. In April 2014, the Museum refinanced the original debt for the construction and rehabilitation with the 2014 series, designated as the New Jersey Economic Development Authority Economic Development Bonds (The Montclair Art Museum Project) Series 2014 with an initial principal amount of \$4,549,200. The 2014 Series have a maturity date of April 1, 2030, and a fixed interest rate of 3.42%.

Due to the adverse effect of the COVID-19 pandemic, the Museum received a waiver of principal payments on 2014 series debt from April 2021 to September 2021. The principal payment waivers, totaling \$130,180, reduced the Museum's ability to fully amortize the 2014 debt by its expected maturity.

In August 2021, the Museum amended its New Jersey Economic Development Authority Bonds to lower the interest rate for the remaining term of the loan. The new rate on the loan was set at 2.2% from August 1, 2021 until April 1, 2030. The new monthly loan payment is \$30,865, and fees related to the refinancing will be amortized over the remaining life of the bonds. The 2021 loan rate amendment will allow the 2014 debt to be fully amortized by its maturity.

Bond financing costs incurred in connection with the related debt liability are being amortized using a method that approximates the effective interest method over the life of the bond. Deferred bond financing costs are presented net of accumulated amortization of \$107,955 and \$95,539 as of June 30, 2025 and 2024, respectively, and are reported in the statement of financial position as a direct deduction from the carrying amount of the related debt liability.

Amortization of these costs amounted to \$12,416 for both the years ended June 30, 2025 and 2024, and is reported as interest expense in the accompanying statement of functional expenses.

The Montclair Art Museum
Notes to the Financial Statements
June 30, 2025 and 2024

The following is a schedule of the Museum's bond obligation, by years, of future annual principal payments, net of deferred loan costs:

Year Ending June 30,	Future Minimum Payments	Deferred Financing Bond Costs	Total
2026	\$ 335,919	\$ (12,416)	\$ 323,503
2027	342,916	(12,416)	330,500
2028	350,594	(12,416)	338,178
2029	358,543	(12,416)	346,127
2030	335,785	(10,352)	325,433
Total	<u>\$ 1,723,757</u>	<u>\$ (60,016)</u>	<u>\$ 1,663,741</u>

The related loan obligation is collateralized by the Museum's property. The loan agreement contains various covenants, which among other things, place restrictions on the Museum's ability to incur additional indebtedness and require the Museum to maintain certain financial ratios. As of the date of these reports, the Museum was in compliance with all bond covenants.

10. Commitments and Contingency

Operating Leases

The Museum has an operating lease for office equipment. The operating lease commenced in May 2025 with a lease term of 5 years.

The components of lease expense for the years ended June 30, 2025 and 2024 are as follows:

Lease expense	2025	2024
Operating lease expense	<u>\$ 3,590</u>	<u>\$ -</u>
Total	<u>\$ 3,590</u>	<u>\$ -</u>

Other information related to the lease for the year ended June 30, 2025 are as follows:

Other Information	
Operating cash flows from operating leases	\$ 1,795
ROU assets obtained in exchange for new operating lease liabilities	\$ 96,449
Weighted-average remaining lease term in years for operating leases	4.83
Weighted-average discount rate for operating leases	3.81%

The Montclair Art Museum
Notes to the Financial Statements
June 30, 2025 and 2024

Future minimum lease payments under the non-cancellable lease as of June 30, 2025, were as follows:

Year Ending June 30,	
2026	\$ 21,542
2027	21,542
2028	21,542
2029	21,542
2030	17,952
Total undiscounted cash flows	104,120
Less: present value discount	(8,859)
Total lease liabilities	<u>\$ 95,261</u>

Finance Leases

The Museum has a finance lease for equipment. The Museum's lease has a remaining lease term of approximately two months set to expire August 2025. As of June 30, 2025 and 2024, assets recorded under the finance lease were \$17,588, and accumulated depreciation associated with the finance lease was \$15,808 and \$13,053, respectively.

The components of lease expense for the years ended June 30, 2025 and 2024 are as follows:

Lease expense	2025	2024
Finance lease expense		
Amortization of ROU assets	\$ 5,863	\$ 5,863
Interest on lease liabilities	1,257	1,257
Total	<u>\$ 7,120</u>	<u>\$ 7,120</u>

Other information related to leases for the years ended June 30, 2025 and 2024 are as follows:

Other Information	2025	2024
Operating cash flows from finance leases (i.e. interest)	\$ 1,257	\$ 1,257
Financing cash flows from finance leases (i.e. principal portion)	\$ 5,863	\$ 5,863
Weighted-average remaining lease term in years for finance leases	0.17	1.17
Weighted-average discount rate for finance leases	2.85%	2.85%

The Montclair Art Museum
Notes to the Financial Statements
June 30, 2025 and 2024

Future minimum lease payments under non-cancellable leases as of June 30, 2025 were as follows:

Year Ending June 30, <u>2026</u>	<u>Amount</u>
Total undiscounted cash flows	\$ 1,782
Less: present value discount	(2)
Total lease liabilities	<u>\$ 1,780</u>

Government Grants

Government grants require fulfillment of certain basic conditions as set forth in the grant agreement. Failure to fulfill the conditions may result in the return of part or all of the funds to the government agencies. In management's opinion, all conditions of these grants have been met and no provision is required for cost adjustments.

Contingency and Risk Management

The Museum may be subject to various claims, legal proceedings, and investigations covering a wide range of matters that arise in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance and, if not so covered, are without merit or are of such kind, or involve such amounts that would not have a significant effect on the financial position or results of operations of the Museum if disposed of unfavorably.

The Museum became party to an incident that occurred at the Museum in May 2023. The Museum's insurance carrier promptly retained counsel to assist in evaluating and defending against the incident. During the year ended June 30, 2024, the parties settled for a total amount of \$150,000 which was paid entirely by the Museum's insurance carrier.

11. Concentrations

Most of the Museum's funding comes from the State of New Jersey, public, corporate and individual donors, and membership dues.

This funding represented the following percentage of total support and revenue, excluding net realized and unrealized gains on investments, as follows for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Government and foundation grants	11%	17%
Public, corporate and individual donors	18%	24%
Membership dues	8%	6%

The Montclair Art Museum
Notes to the Financial Statements
June 30, 2025 and 2024

This funding also represented the following percentage of total accounts receivable as follows as of June 30:

	<u>2025</u>	<u>2024</u>
Government and foundation grants	19%	23%
Public, corporate and individual donors	81%	77%

12. Net Assets With Donor Restrictions

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

	<u>2025</u>	<u>2024</u>
Subject to time restriction for future expenditures:		
Curatorial and education activities	\$ 365,409	\$ 496,970
Endowments:		
Subject to Museum endowment spending policy and appropriation:		
General use	875,421	833,304
Not subject to spending policy and appropriation:		
Held in perpetuity	701,362	699,674
	<u>\$ 1,942,192</u>	<u>\$ 2,029,948</u>

Net assets released from restrictions as of June 30, 2025 and 2024 amounted to \$473,647 and \$683,438, respectively, due to satisfaction of specific program requirements.

Net assets with donor restrictions held in perpetuity are also held for curatorial and education activities. A portion of the investment income from these funds is allocated to net assets with donor restrictions for specific time or purposes annually based on donor stipulations. The principal balance of these funds may not be used without donor consent.

13. Refundable Advance

In April 2020 and March 2021, the Museum applied for and received funding under the United States Small Business Administration’s (SBA) Paycheck Protection Program (PPP). During the years ended June 30, 2022 and 2021, the Museum used the entire proceeds for purposes consistent with the PPP and recognized the entire PPP funding as contribution revenue (governmental grant) in the statement of activities.

The SBA reserves the right to audit PPP funding forgiveness for ten years from the date that forgiveness was awarded.

The Montclair Art Museum
Schedule of Expenditures of State Awards
Year Ended June 30, 2025

State Grantor/ Pass-through Grantor/ Program Title	Contract Number	Contract Period	Amount Expended
State of New Jersey Department of State New Jersey State Council on the Arts: General Operating Support	C-2505X010042	07/01/2024 - 06/30/2025	\$ 348,320
Total expenditures of state awards			<u>\$ 348,320</u>

See Accompanying Notes to the Schedule of Expenditures of State Awards

The Montclair Art Museum
Notes to the Schedule of Expenditures of State Awards
Year Ended June 30, 2025

1. General

The accompanying schedule of expenditures of state awards presents the activity of all state financial assistance programs of The Montclair Art Museum. The information in the schedule is presented in accordance with the requirements of the New Jersey State Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. All state financial assistance received directly from state agencies, as well as financial assistance passed through other government agencies are included on the appropriate schedule. Because this schedule presents only a selected portion of the operations of the Museum, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Museum.

2. Basis of Accounting

The accompanying schedule of expenditures of state awards is presented using the accrual basis of accounting which is described in Note 2 to the financial statements. Such expenditures are recognized following the cost principles contained in the New Jersey State Circular 15-08-OMB, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Sub-recipients

No state awards were provided to sub-recipients.

4. Relationship to State Financial Reports

The regulations and guidelines governing the preparation of state financial reports vary by state agencies and among programs administered by the same agency. Accordingly, the amounts reported in the state financial reports do not necessarily agree with the amounts reported in the accompanying schedule of expenditures of state awards, which is prepared on the accrual basis explained in Note 2.

Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of
The Montclair Art Museum
Montclair, NJ 07042

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Montclair Art Museum (the "Museum") (a nonprofit organization) which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 12, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Museum's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control. Accordingly, we do not express an opinion on the effectiveness of the Museum's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

To the Board of Trustees of
The Montclair Art Museum

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Museum's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Museum's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nisiroccia LLP

Mt. Arlington, New Jersey
September 12, 2025

The Montclair Art Museum
Schedule of Findings and Responses
Year Ended June 30, 2025

I. Summary of Auditors' Results:

An unmodified report was issued on The Montclair Art Museum's financial statements.

The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of The Montclair Art Museum.

The audit did not disclose any noncompliance which is material in relation to the financial statements of The Montclair Art Museum.

II. Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

III. Findings and Responses for State Awards:

None noted

**The Montclair Art Museum
Summary Schedule of Prior Year Findings
Year Ended June 30, 2025**

Status of Prior Year Findings:

There were no audit findings in the prior year.

Independent Auditors' Report
on the New Jersey State Council on the Arts Final Report

To the Board of Trustees of
The Montclair Art Museum
Montclair, NJ 07042

We have audited the financial statements of The Montclair Art Museum (the "Museum") (a nonprofit organization) for the year ended June 30, 2025 and have issued our report thereon dated September 12, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that any information, as it relates to accounting matters, contained in the Museum's June 30, 2025 Final Report Form submitted to the New Jersey State Council on the Arts for grants indicated on the Schedule of Expenditures of State Awards requires adjustment. However, our audit was not directed primarily toward obtaining knowledge of any misstatements.

This report is intended for the information of the Board of Trustees, management and the New Jersey State Council on the Arts, and is not intended to be, and should not be, used by anyone other than those specified parties.

Nisivoccia LLP

Mt. Arlington, New Jersey
September 12, 2025