STERLING AND FRANCINE CLARK ART INSTITUTE

AUDITED FINANCIAL STATEMENTS

Year ended June 30, 2023

STERLING AND FRANCINE CLARK ART INSTITUTE

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
of Sterling and Francine Clark Art Institute

Opinion

We have audited the accompanying financial statements of Sterling and Francine Clark Art Institute ("the Clark," a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sterling and Francine Clark Art Institute as of June 30, 2023, and the changes in its net assets and its cash flows for the year 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sterling and Francine Clark Art Institute 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.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the charitable trust receivable as of June 30, 2022 was initially calculated based on an outdated estimated fair value. The updated estimated fair value of the charitable remainder trust resulted in a restatement of net assets as of June 30, 2022 by $2,748,343. Our opinion is not modified with respect to that matter.

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 Sterling and Francine Clark Art Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sterling and Francine Clark Art Institute'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 Sterling and Francine Clark Art Institute'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.

UHY LLP

Albany, New York
November 18, 2023

STERLING AND FRANCINE CLARK ART INSTITUTE
STATEMENT OF FINANCIAL POSITION
June 30, 2023

ASSETS	
CURRENT ASSETS	
Cash and equivalents	$ 2,925,915
Unconditional promises to give - current	1,005,259
Other receivables	734,090
Inventory - museum shop	366,986
Prepaid expenses	382,049
Total current assets	5,414,299
NON-CURRENT ASSETS	
Long-term investments	460,184,831
Charitable trusts receivable	13,394,820
Unconditional promises to give - long-term	391,315
Mortgages receivable - employees	123,895
Property and equipment, net	177,983,975
Right-of-use assets	198,401
Art and library collections	1
Total assets	$ 657,691,537
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 2,169,530
Accrued salaries and payroll liabilities	938,018
Lease liabilities - current	49,512
Notes payable due within one year	2,190,000
Total current liabilities	5,347,060
OTHER LONG-TERM LIABILITIES	724,892
LEASE LIABILITIES - LONG-TERM	154,851
LONG-TERM DEBT	76,503,433
Total liabilities	82,730,236
NET ASSETS	
Without donor restrictions	405,597,939
With donor restrictions	169,363,362
Total net assets	574,961,301
Total liabilities and net assets	$ 657,691,537

See notes to financial statements.

STERLING AND FRANCINE CLARK ART INSTITUTE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Revenue and support			
Investment support for operating activities	$ 11,231,871	$ 5,969,628	**$ 17,201,499**
Museum shop, net	(63,429)	-	**(63,429)**
Admissions	784,574	-	**784,574**
Exhibition fees	86,478	-	**86,478**
Public education programs	7,682	-	**7,682**
Grant income	135,000	805,000	**940,000**
Contributions	1,708,623	3,734,858	**5,443,481**
Membership - Friends of the Clark	1,292,585	-	**1,292,585**
Occupancy, event and other income	370,409	-	**370,409**
Net assets released from restrictions:			
Satisfaction of program purposes	7,932,299	(7,932,299)	**-**
Total revenue and support	23,486,092	2,577,187	**26,063,279**
Expenses			
Program Services			
Library and research & academic programs	5,176,688	-	**5,176,688**
Museum programs	16,416,869	-	**16,416,869**
External relations	2,784,450	-	**2,784,450**
Total program expenses	24,378,007	-	**24,378,007**
Support Services			
Management and general	4,574,462	-	**4,574,462**
Fund-raising	1,844,625	-	**1,844,625**
Total support services	6,419,087	-	**6,419,087**
Total expenses	30,797,094	-	**30,797,094**
Change in net assets from operating activities	(7,311,002)	2,577,187	**(4,733,815)**
NON-OPERATING ACTIVITIES			
Net investment loss after operating support	(2,940,679)	(3,007,968)	**(5,948,647)**
Contributions	-	54,043	**54,043**
Disposal of property and equipment	3,500	-	**3,500**
CARES Act Employer Retention Credit	-	-	**-**
Collection items purchased	(2,508,303)	-	**(2,508,303)**
Total non-operating activities	(5,445,482)	(2,953,925)	**(8,399,407)**
Change in net assets	(12,756,484)	(376,738)	**(13,133,222)**
Net assets, beginning (as restated)	418,354,423	169,740,100	**588,094,523**
Net assets, ending	$ 405,597,939	$ 169,363,362	**$ 574,961,301**

See notes to financial statements.

STERLING AND FRANCINE CLARK ART INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2023

	Program Services			Support Services			
	Library and Research & Academic Programs	Museum Programs	External Relations	Management and General	Fundraising	Buildings and Grounds	Total
Compensation and related expenses							
Salaries	$ 1,056,817	$ 2,583,249	$ 820,282	$ 1,660,005	$ 713,111	$ 1,200,960	**$ 8,034,424**
Payroll taxes	74,140	181,226	57,542	116,456	50,028	84,252	**563,644**
Employee benefits	245,442	599,950	190,488	385,530	165,617	278,919	**1,865,946**
Total	1,376,399	3,364,425	1,068,312	2,161,991	928,756	1,564,131	**10,464,014**
Conservation and care of collection	-	73,749	-	-	-	-	**73,749**
Operational expenses	225,739	-	458,221	-	-	-	**683,960**
Exhibitions and community events	189,690	2,125,955	143,404	-	296,756	21,211	**2,777,016**
Maintenance and repairs	39,816	126,312	83,676	123,738	-	1,971,575	**2,345,117**
Administrative	119,625	286,275	161,119	1,503,880	447,297	203,938	**2,722,134**
Professional and contract services	270,538	1,876,221	416,818	219,186	27,111	25,854	**2,835,728**
Food service, net	-	-	386,000	-	-	-	**386,000**
Debt interest	-	-	-	-	-	2,459,165	**2,459,165**
Depreciation	73,927	-	-	-	-	6,909,167	**6,983,094**
Total expenses	2,295,734	7,852,937	2,717,550	4,008,795	1,699,920	13,155,041	**31,729,977**
Allocation of building and grounds	2,880,954	8,563,932	999,783	565,667	144,705	(13,155,041)	**-**
Total expenses	5,176,688	16,416,869	3,717,333	4,574,462	1,844,625	-	**31,729,977**
Less expenses included with revenues on the Statement of Activities	-	-	(932,883)	-	-	-	**(932,883)**
Total expenses included in the expense section of the Statement of Activities	$ 5,176,688	$ 16,416,869	$ 2,784,450	$ 4,574,462	$ 1,844,625	$ -	**$ 30,797,094**

See notes to financial statements.

STERLING AND FRANCINE CLARK ART INSTITUTE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (13,133,222)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	6,983,094
Realized and unrealized gains on investments	(10,191,552)
Gain on disposal of property	(3,500)
Amortization of premium from long-term debt	(508,525)
Acquisitions for art and library collections	2,508,303
(Increase) decrease in operating assets:	
Unconditional promises to give	(10,714)
Other receivables	1,410,808
Inventory - museum shop	(38,669)
Prepaid expenses	(110,097)
Charitable trusts receivable	(2,217,397)
Right-of-use assets	(189,114)
Increase (decrease) in operating liabilities:	
Accounts payable and other liabilities	636,517
Lease liabilities	186,990
Net cash provided by operating activities	(14,677,078)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from net investment transactions	20,558,215
Payments for property and equipment	(1,116,408)
Proceeds from disposal of property	3,500
Principal payments on mortgages receivable	10,264
Acquisitions for art and library collections	(2,508,303)
Net cash provided by investing activities	16,947,268
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on long-term debt	(2,605,918)
Net cash used in financing activities	(2,605,918)
Decrease in cash and cash equivalents	(335,728)
Cash and cash equivalents, beginning	3,261,643
Cash and cash equivalents, ending	$ 2,925,915
SUPPLEMENTAL CASH FLOW DISCLOSURE	
Interest paid	$ 2,966,473

See notes to financial statements.

NOTE 1 — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Sterling and Francine Clark Art Institute (the “Clark”) is a nonprofit charitable corporation which advances scholarship and the public understanding of art through the preservation, enhancement, presentation, and interpretation of its collections, and through a variety of programs that both address its diverse audiences and serve the art history and museum fields.

Income Taxes

The Clark is exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code and state taxes under applicable state law. In addition, the Clark qualifies for the charitable contribution deduction and has been classified as an organization that is not a private foundation under Section 509(a)(3).

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition. The Clark’s tax returns are subject to examination by taxing authorities for all years ending on or after June 30, 2020.

Basis of Accounting and Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

> **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the organization’s management and may be internally designated by the board of trustees.

> **Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the organization or passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds will be maintained in perpetuity.

Contributions

Contributions received (excluding Art and Library Collection items) are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support within net assets without donor restrictions.

NOTE 1 — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give

Unconditional promises to give are recognized as contribution revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Clark uses an allowance method for promises to give based upon management's analysis of the accounts and prior collection experience.

Cash and Equivalents

For the purpose of the statement of cash flows, the Clark considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Inventories

Inventories are stated at the lower of acquisition cost or net realizable value. Cost is determined by the first-in, first-out method.

Investments

Investments are presented in the financial statements at fair value. Unrealized gains and losses are included in the changes in net assets. Investment categories and their respective valuations are:

Invested cash (Note 4) may comprise of cash and/or money market funds that are classified as long-term investments. Invested cash is valued at cost, which approximates fair value.

Corporate stocks, corporate and government bonds, mutual funds, and other publicly traded securities are generally valued based on the closing price listed on public securities pricing services.

Investments in privately held partnerships, including alternative investments such as private equity, real estate and hedge fund limited partnerships, and investments held by others are valued at fair value based on the NAV reported by the managers as described under Basis of Reporting as follows.

Basis of Reporting – Alternative investments

Marketable alternative investments include hedge funds and emerging market securities. Private investments, real estate, commodities and marketable alternative investments generally consist of funds and limited partnerships managed by external managers. These external investment vehicles often do not have quoted market prices. In the absence of quoted market prices, the fair value is determined by the external managers. Most of these external managers calculate the Clark's capital account or net assets value (NAV) in accordance with, or in a manner consistent with, US GAAP. As a practical expedient, the Clark is permitted under US GAAP to estimate the fair value of its investments managed by these external managers using the reported NAV provided by the external managers. Due to the inherent uncertainties of valuation, these estimated fair values may differ significantly from the values that would have been realized had a readily available market for these investments existed, and these differences could be material.

NOTE 1 — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Reporting – Investments held by others

The supported organization reports its investments held in the pool at fair value in accordance with GAAP. Fair value is defined as the amount that would be received as a result of selling an asset or, the amount that would be paid to transfer a liability (i.e. the exit price) in an orderly transaction between market participants at the measurement date.

Certain investment vehicles held in the pool do not have quoted market prices. These include 1) hedge fund investments with managers of global long/short equities and absolute return strategies; 2) investments in venture capital, buyout, real asset and real estate partnerships; and 3) certain other commingled funds. In the absence of quoted market prices of these investment vehicles, the fair value is determined by the supported organization based on information provided by external managers. Most of these external managers calculate the supported organization's capital account or net asset value (NAV) in accordance with, or in a manner consistent with, GAAP. GAAP permits the supported organization to estimate the fair value of these investments by using the reported NAV provided by the external managers as a practical expedient. Due to the inherent uncertainties of valuation, these estimated fair values may differ significantly from the values that would have been reported had a readily available market for these investments existed, and these differences could be material.

The Clark, with input from its investment managers, has performed due diligence in the valuation of its private equity, marketable alternative investments and investments held by others to ensure they are recorded at fair value as of June 30, 2023.

Furthermore, while the Clark believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value could result in a different estimate of fair value at the reporting date.

Investment income is recorded as:

- A change in net assets with donor restrictions if the terms of the gift require that it be added to the principal of a permanent endowment fund;
- A change in net assets with donor restrictions if the terms of the gift impose restrictions on the current use of the income or net realized and unrealized gains or losses; and
- A change in net assets without donor restrictions in all other cases.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments and related activity reported on the financial statements.

Retirement Plans

The Sterling and Francine Clark Art Institute Retirement Plan ("Plan") is a Defined Contribution (Money Purchase) plan which was effective as of April 1, 1963. Employees who work at least 1,000 hours per year are eligible after completing one year of employment. The Clark's contributions to this plan totaled $547,367 for the year ended June 30, 2023.

NOTE 1 — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement Plans (Continued)

In October 2002, the Clark established a Supplemental Defined Contribution Plan for its Highly Compensated Employees. The Clark's contribution to this plan was $10,712 for the year ended June 30, 2023.

Effective July 1, 2021, the Clark established a supplemental executive retirement plan (SERP) for the Executive Director in recognition of service to the Clark. In accordance with Internal Revenue Code section 457(f), the plan is a nonqualified, employer funded deferred compensation plan. Vested accrued contributions are adjusted annually based on the investment performance of the endowment. The Clark's contribution to this plan was $124,803 for the year ended June 30, 2023.

Property and Equipment

The Clark capitalizes all expenditures for property and equipment with a useful life greater than one year and a cost in excess of $5,000. Purchased equipment is recorded at cost. Donated equipment is recorded at fair market value at the date of the donation. Depreciation of buildings and equipment is provided over the estimated useful lives of the assets using the straight-line method.

Art and Library Collections and Deaccession

The Art and Library Collections, which were acquired through purchases and contributions since the Clark's inception, are included as an asset on the statement of financial position valued at a $1 and are not recognized on the statement of financial position as permitted by accounting principles generally accepted in the United States of America and in conformity with the practice followed by many museums. Purchased collection items are reported as non-operating items which decrease net assets without donor restrictions in the year in which the items are acquired, or in net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Contributed collection items are excluded from the financial statements. Proceeds from deaccessions or insurance recovery are reflected as increases in the appropriate net asset classes.

The acquisition, accessioning, deaccessioning, care, and loans of works in the collections are conducted in a manner that conforms to the Clark's mission, complies with applicable law, and conforms to the AAM Code of Ethics for Museums.

Deaccessioning of works in the collections is conducted in accordance with the AAMD Policy on Deaccessioning and the Clark's board-approved Collections Management Policy. The purpose of removing works of art from the permanent collection through sale, exchange, or other means is solely for the advancement of the Clark's mission and to strengthen the collection through the acquisition of more relevant and meaningful works for the permanent collection. Therefore, any assets accrued through deaccessioning shall be employed only to acquire additional accessioned works of art.

The Clark's policy is to maintain and continue to acquire significant, relevant and meaningful works of art for its collection and books for its library. Each item is cataloged, protected, secured, preserved, and cared for, and activities verifying their existence and assessing their condition are continuously performed.

NOTE 1 — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Admissions

Ticket sales, which are nonrefundable, are recognized as revenue upon the Clark fulfilling its obligation of admitting and presenting the service to each ticketholder. Accordingly, the performance obligation is satisfied at a point in time.

Memberships

The Clark offers one-year, nonrefundable, memberships for which benefits include discounts on admissions, at the museum shop, and on various programs. Membership revenue is recognized as income over the membership year as benefits associated with membership are provided throughout the membership year. Memberships received in advance for the following fiscal year are reflected as deferred revenue.

Contributions and Grants

The Clark recognizes contributions when cash, securities, or other assets; unconditional promises to give or non-exchange grants; or notification of a beneficial interest are received. Grants, which are exchange transactions, are recorded as services are provided. 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 met.

Museum Shop Income

Museum shop sales are recognized at the time of purchase.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function which are summarized in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Therefore, these expenses require allocations on a reasonable basis that is consistently applied. The expenses that are allocated are:

- Buildings and Grounds expenses, including salaries and benefits, which are allocated on a square footage basis of the building and the location of the various programs and activities.
- Fundraising salaries and benefits which are allocated on a departmental basis as estimated percentages of time and effort of fundraising activities.

Right of Use Assets and Liabilities

In accordance with a lease policy, The Clark assesses whether an arrangement qualifies as a lease (i.e. conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term.

NOTE 1 — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The Clark expenses advertising costs as incurred. Advertising expense was $394,763 for the year ended June 30, 2023.

Use of Estimates

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

Subsequent Events

Management has evaluated subsequent events through November 18, 2023, the date which the financial statements were available for issue, and has determined that there are no additional adjustments or disclosures required.

NOTE 2 — CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the Clark to concentrations of credit risk, consist principally of cash and equivalents, invested cash, and short-term investments. The Clark maintains its cash and invested cash in various bank deposit accounts, which at times may exceed federally insured limits. Bank deposits at June 30, 2023 were $16,037,354 of which $2,147,745 was insured and $13,889,609 was uninsured. The Clark has not experienced any losses in such accounts. The credit risk in regard to its investments is outlined in Note 1.

NOTE 3 — CHARITABLE TRUSTS RECEIVABLE

The Clark has been named as the beneficiary of irrevocable remainder trust agreements for which a third party has been named as the trustee. Contribution revenues and a related receivables are recorded at the date the Clark becomes aware of the deferred gift, based on the estimated fair value. The present value of future distributions is an estimate calculated based on the trust fair value plus certain discount factors and actuarial assumptions. The discount rates used in determining the net present value of the charitable trusts receivable was from 5% to 6% at June 30, 2023, based on the terms and date of the contribution. Changes in the values of the beneficial interest in these trusts are recorded as an increase or decrease in contribution income within the net assets with donor restrictions on the statement of activities.

NOTE 4 — INVESTMENTS

Investments are presented in the financial statements at fair value. The table below details the fair value investment category at June 30:

	2023
Invested cash	$ 12,946,831
Investments held by others	441,266,577
Private investments - offshore	2,723,378
Real estate funds	3,248,045
Total long-term investments	$ 460,184,831

Investment returns are summarized as follows:

	2023
Net gain (loss) in investments	$ 10,191,552
Interest and dividends	1,815,109
Less share of investment pool expenses	(753,809)
Net investment return	$ 11,252,852
Investment support for operating activities	$ 17,201,499
Net investment income (deficit) after operating support	(5,948,647)
Net investment return	$ 11,252,852

Investments held by others

In February 2017, the Clark entered into a participation agreement with a supported organization wherein the Clark agreed to transfer substantially all of its investment portfolio over to the supported organization to invest in the supported organization's investment pool. The supported organization will manage the investments on the Clark's behalf in accordance with the supported organization's investment policies and objectives which are closely aligned with the Clark's policies and objectives as disclosed in Note 11. The participation agreement is subject to the Clark's spending policy as disclosed and the balance of which is reflected as investments held by others included within long-term investments on the statement of financial position.

Spending Policy

The Board directed spending policy is up to a 5% annual draw of a calculated average of the past 12 quarters of market value of investments. For the year ended June 30, 2023, the annual draw to support operations and museum programs including board designated reserve funds for exhibitions and publications, and funding for capital improvements and equipment was $18.75 million, while the annual draw to support a reserve fund available for art and library acquisitions was $260,000 for the year. Additional draws for non-operating expenses have been made with Board approval.

NOTE 5 — PROMISES TO GIVE

Unconditional promises are included in the financial statements as pledges receivable and revenue in the appropriate net asset category. Pledges with a maturity of more than one year are recorded after discounting to the present value of the future cash flows using a discount rate of 7%.

Unconditional promises on June 30 are expected to be realized in the following periods:

	2023
In one year or less	$ 1,058,167
Between one year and five years	1,855,790
Less:	
Unamortized discount	(103,324)
Allowance for uncollectibles	(1,414,059)
Total	1,396,574
Portion to be realized within one year	(1,005,259)
Unconditional promises to give, long-term	$ 391,315

The table below presents information about the changes in unconditional promises to give for the year ended June 30, 2023:

Balance July 1, 2022	$ 1,385,860
New promises received	1,355,001
Receipts	(1,397,500)
Change in discount included in contribution revenue	56,945
Change in allowance included in contribution revenue	(3,732)
Balance June 30, 2023	$ 1,396,574

NOTE 6 — PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2023
Land	$ 1,472,802
Buildings and improvements	245,132,944
Furniture and equipment	9,659,478
Vehicles	214,588
Total	256,479,812
Accumulated depreciation	(79,280,286)
Subtotal	177,199,526
Construction in progress	784,449
Property and equipment, net	$ 177,983,975

Depreciation expense was $6,983,093 for the year ended June 30, 2023.

NOTE 7 — MORTGAGES RECEIVABLE – EMPLOYEES

The Clark has provided mortgage loans with below-market to market interest rates to employees for recruitment and retention purposes. The terms of these mortgage loans range from 18 to 20 years and the interest rates range from 2.125% to 2.89% per annum. Participating employees are required to make periodic principal and interest mortgage payments.

NOTE 8 — LONG-TERM DEBT

Long-term debt consisted of the following at June 30:

	2023
$20,160,000 Massachusetts Development Finance Agency Revenue Bonds Series 2015, due July 2036, interest only payments at 5% until 2032.	$ 20,160,000
$56,530,000 Massachusetts Development Finance Agency Revenue Bonds Series 2016, due July 2041, interest only payments at rates ranging from 2.375% to 5% until 2022.	37,980,000
$15,370,000 Series 2022 tax-exempt refunding of Series 2016 stepped coupon bonds, due July 2041, interest only payments at 2.55% until 2037.	15,370,000
Total long-term debt	73,510,000
Amortizable bond premiums and costs of issuance	5,183,433
Total notes payable plus amortizable costs of issuance	78,693,433
Amount due within one year	2,190,000
Amount due after one year	$ 76,503,433

The above debt requires the following principal payments for the years ending June 30:

2024	$ 2,190,000
2025	2,335,000
2026	2,475,000
2027	2,605,000
2028	2,760,000
Thereafter through 2042	61,145,000
Total	$ 73,510,000

Interest expense for the year ended June 30, 2023 was $2,966,473. Bond premiums and debt issuance costs are amortized over the life of the related underlying debt.

NOTE 9 — LINE OF CREDIT

The Clark has the ability to borrow up to $5 million on an unsecured line of credit with J.P. Morgan, at an "Adjusted SOFR Rate" (the "Note Rate") equal to the sum of the Applicable Margin, 0.80% per annum, plus the SOFR Rate applicable to the interest period, plus the Unsecured to Secured Rate Adjustment, 0.10% per annum, and at the rate of 3.00% per annum above the Note Rate at the Bank's option. The line of credit has a final maturity date of June 26,2024. No funds were borrowed during the fiscal year ended June 30, 2023.

NOTE 10 — NET ASSETS

Net assets without donor restrictions at June 30 are internally designated by the Clark as follows:

	2023
Designated for the acquisition of art	$ 8,682,995
Undesignated	396,914,944
Total net assets without donor restrictions	$ 405,597,939

Net assets with donor restrictions consisted of the following:

	Restricted as of June 30, 2022	**Revenue Year Ended June 30, 2023**	**Investment Return Year Ended June 30, 2023**	**Releases Year Ended June 30, 2023**	**Restricted as of June 30, 2023**
Subject to expenditure for specified purpose:					
Research and academic programs	$ 893,800	$ -	$ 15,161	$ 94,923	$ 814,038
Museum programs	11,683,140	2,287,121	-	2,297,199	11,673,062
Capital expenditures	2,316,868	135,425	-	47,088	2,405,205
Total subject to expenditure for specified purpose	14,893,808	2,422,546	15,161	2,439,210	14,892,305
Subject to passage of time:	10,256,553	2,171,355	-	-	12,427,908
Subject to the Clark's spending policy and appropriation:					
Investment in perpetuity (including amounts above original gifts of $102.7 million) which, once appropriated, is expendable to support:					
Clark Fund, income expendable	21,723,701	-	-	-	21,723,701
Manton Fund, income purpose restricted	81,058,442	-	1,945,799	3,865,586	79,138,655
Starr Foundation, income purpose restricted	9,174,509	-	220,233	437,163	8,957,579
Other endowment funds, income purpose restricted	32,633,087	-	780,467	1,190,340	32,223,214
Total net assets with donor restrictions subject to the Clark's spending policy and appropriation	144,589,739	-	2,946,499	5,493,089	142,043,149
Total net assets with donor restrictions	$ 169,740,100	$ 4,593,901	$ 2,961,660	$ 7,932,299	$ 169,363,362

NOTE 11 — ENDOWMENTS

The Clark's endowment consists of individual funds restricted in perpetuity by donors, established for a variety of purposes. It does not include funds without donor restrictions designated by the Board of Trustees which do not function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Clark has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act (MA UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets restricted in perpetuity (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 directive of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with MA UPMIFA, the Clark considers the following factors when making a determination to either 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 Clark, and (7) the Clark's investment policies.

The Clark has adopted investment and spending policies, approved by the Board of Trustees, that attempt to provide a predictable stream of funding to programs supported by its endowment funds while maintaining its primary objective to ensure that the purchasing power of gifts and donations is preserved over time taking into account inflation, management fees, and distributions to support operations, capital expenditures, and acquisitions. Accordingly, the Clark's investment strategy is to pursue investments which will provide reasonable stable, long-term returns (income and appreciation). To accomplish this, the Clark's investment portfolio is invested in a diversified portfolio and the "total return" concept used in evaluating the portfolio's return and determining annual distributions. The Investment Spending Policy approved by the Board is disclosed in Note 4.

The Clark's investment policy's primary objectives are to achieve optimum rates of return commensurate with the preservation of principal, given the asset mix, credit quality, and specific diversification guidelines and restrictions. From time to time, the fair market value of assets associated with donor restricted endowment funds may fall below the amount of the principal or book value. In these circumstances and in compliance with relevant laws and regulations, the Board of Trustees may review spending and regulate this if necessary. The Board of Trustees will consider the preservation of capital, requirements of the specified program or activities, donor intent, and any other relevant issues.

As of the fiscal year-ending June 30, 2023, no donor restricted endowment funds are below the donor required principal amount.

NOTE 11 — ENDOWMENTS (Continued)

Donor restricted endowment activity consisted of the following during the year ended June 30:

	2023
Endowment net assets, beginning of year	$ 144,589,739
Allocated investment return	
Investment income	475,277
Realized and unrealized gains (losses)	2,668,603
Less chare of investment pool expenses	(197,381)
Total allocated investment return	2,946,499
Contributions	-
Released from restrictions	(5,493,089)
Subtotal	(2,546,590)
Endowment net assets, end of year	$ 142,043,149

NOTE 12 — RIGHT OF USE ASSETS AND LIABILITIES

The Clark has operating leases of buildings for storage space. The leases have remaining lease terms of 3 and 5 years. Lease liability is measured at the present value of the remaining lease payments using an incremental borrowing rate of 5% and amortized on a straight-line basis over the remainder of the lease.

Some leases include one or more options to renew, with renewal terms that can extend the lease term from one to three years. The exercise of lease renewal options is at The Clark's sole discretion. The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

Right of use assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease right of use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The lease liability may include payments that depend on a rate or index (such as the Consumer Price Index), measured using the rate or index at the commencement date. Payments that vary because of changes in facts or circumstances occurring after the commencement date are considered variable. These payments are not recognized as part of the lease liability and are expensed in the period incurred.

The Clark has lease agreements with lease and non-lease components. For the majority of the leases (storage space leases), The Clark has not elected the practical expedient and account for lease and non-lease components separately for those classes of leases. The Clark has elected the practical expedient for building leases and account for the lease and non-lease components as a single lease component.

NOTE 12 — RIGHT OF USE ASSETS AND LIABILITIES (Continued)

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of June 30:

	2023
Assets	
Operating lease right-of use assets	$ 198,401
Liabilities	
Current operating lease liabilities	49,512
Long-term lease liabilities	154,851
Total lease liabilities	$ 204,363

The following summarizes the line items in the statement of activities which include the components of lease expense for the year ended June 30:

Lease Cost	Classification	2023
Operating lease expense	Program expenses	$ 27,975
Operating lease expense	Support expenses	5,037
	Total	$ 33,012

The following summarizes the weighted average remaining lease term and discount rate as of June 30:

	2023
Weighted average remaining lease term (years)	
Operating leases	4.0
Weighted average discount rate	
Operating leases	5.0%

Maturities of lease liabilities as of June 30, 2023 were as follows:

Year Ending June 30,	Operating
2024	$ 58,615
2025	60,072
2026	51,301
2027	31,995
2028	24,355
Total minimum lease payments	226,338
Less: Amount representing interest	(21,974)
Present Value of net minimum lease payments	$ 204,364

Operating lease payments in the table above include approximately $58,928 related to options to extend lease terms that are reasonably certain to be exercised.

NOTE 13 — FAIR VALUE MEASUREMENTS

The following methods and assumptions were used by the Clark in estimating its fair value disclosures.

Cash and equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments (Level 1).

Investments: The fair values of invested cash and marketable securities are based on quoted market prices for those or similar investments (Level 1).

Unconditional promises to give: The fair value of promises to give is estimated, at the time of the pledge, by calculating the present value of the future expected payments from the donors (Level 3) and applying an allowance for uncollectible.

Charitable Remainder Trust: The fair value of the charitable remainder trust receivable of $13,394,820 was estimated based upon the present value of future distributions is an estimate calculated based on the trust fair value plus certain discount factors and actuarial assumptions. The discount rate used in determining the net present value of the charitable trusts receivable was from 5% to 6% at June 30, 2023, based on the terms and dates of the contributions (Level 3).

Alternative investments and investments held by others: In accordance with Subtopic 820-10, certain investments that are measured at fair value using the practical expedient have not been classified in the fair value hierarchy. As such, the fair value amounts of investments presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The estimated fair values of the Clark's financial assets, none of which are held for trading purposes, at June 30, 2023 are as follows:

	NAV as Practical Expedient	Quoted Prices in Active Markets (Level 1)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Financial assets				
Cash and equivalents	$ -	$ 2,925,915	$ -	$ 2,925,915
Unconditional promises to give	-	-	1,396,574	1,396,574
Charitable Remainder Trust	-	-	13,394,820	13,394,820
Subtotal	-	2,925,915	14,791,394	17,717,309
Investments:				
Invested cash	-	12,946,831	-	12,946,831
Investments held by others	441,266,577	-	-	441,266,577
Private investments - offshore	2,723,378	-	-	2,723,378
Real estate funds	3,248,045	-	-	3,248,045
Total investments	447,238,000	12,946,831	-	460,184,831
Total financial assets	$ 447,238,000	$ 15,872,746	$ 14,791,394	$ 477,902,140

NOTE 13 — FAIR VALUE MEASUREMENTS (Continued)

Additional Fair Value Disclosure

The Clark uses net asset value (NAV) to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value (e.g. private equity partnerships) and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following required disclosure lists these NAV type investments by major category.

NAV Type Investments	Strategy	Fair Value	# of Funds Vehicles	Redemption Terms
Investments held by others	Diversified strategies - objective driven	$ 441,266,577	1	90 days notice
Private investments - offshore	Venture capital and LBOs - offshore	2,723,378	11	N/A
Real estate and infrastructure	Real estate investments	3,248,045	2	N/A
Total NAV type investments		$ 447,238,000	14	

The 14 funds reported on the preceding schedule, excluding the investments held by others, have no remaining lock-up periods at June 30, 2023.

The Clark is obligated, under certain limited partnership agreements, to make additional capital contributions up to contractual levels. The timing and amounts of the contributions are determined by the general partners. As of June 30, 2023, the Clark's unfunded commitments total $481,649.

NOTE 14 — LIQUIDITY

The Clark's endowment funds consist of donor-restricted endowments and various investments ("investment pool"). Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 4, Spending Policy, the investment pool has a spending rate of up to 5 percent. $20.3 million of appropriations from the investment pool will be available within the next 12 months.

As part of the Clark's liquidity management, it has a policy to structure its liquid financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Clark has various sources of liquidity at its disposal to accomplish this, including cash and cash equivalents (business checking and sweep accounts), highly-liquid investments, money market accounts, current unconditional promises to give, other accounts receivable, and an available line of credit of $5 million. Financial assets in excess of daily cash requirements are to be invested in sweep accounts and money market funds.

Although the Clark does not intend to spend more from its investment pool other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process described in Note 4, Spending Policy, funds could be made available, if necessary, from the Clark's line of credit.

As stated in Note 4 – Investments, the Clark has funds in an investment pool held by others. In accordance with a participation agreement between the Clark and a supported organization, funds may be withdrawn with 90 days' notice.

NOTE 14 — LIQUIDITY (Continued)

Liquid financial assets will not include amounts that are not available for general use because of external limits such as contractual or donor-imposed restrictions or internal actions from the Board of Trustees such as Board Designated Net Assets.

An analysis will be performed at least quarterly to ensure that there are sufficient liquid assets available to meet 60 days of general expenditures and current debt payments and to also consider any Institute-wide risks and the effect they may have on liquidity. Risks to consider may include, but are not limited to, recently passed or pending legislation, the status of the Clark's financial situation, timeliness of payments of pledges receivable from grants and donors, political climate, economic trends, and the condition of financial markets.

The following reflects the Clark's financial assets as of the date of the statement of financial position, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the statement of financial position. Amounts already appropriated from the donor-restricted endowment for general expenditure within one year of the date of the statement of financial position have not been subtracted as unavailable.

	2023
Financial assets at June 30:	
Cash and cash equivalents	$ 2,925,915
Unconditional promises to give	1,396,574
Other receivables	734,090
Investments	460,184,831
Total financial assets	465,241,410
Less amounts not available to be used within one year:	
Net assets with donor restrictions	169,363,364
Total amount not available to be used within one year	169,363,364
Less amounts set aside for operating and other reserves that can be drawn upon if the Board of Trustees approves such action:	
Acquisition of art	8,682,995
Total amounts set aside for operating and other reserves	8,682,995
Add endowment fund appropriation for following year	5,859,830
Financial assets available to meet general expenditures over the next twelve months	$ 293,054,881

NOTE 15 — CARES ACT

As part of the CARES Act (2020), the Consolidated Appropriations Act (2021), and the American Rescue Plan Act, the Clark was able to apply for employee retention credits (ERC) for the period March 13, 2020 through September 30, 2021.

The CARES Act (2020) allowed for a payroll tax credit in the amount of 50% of qualified wages paid up to $10,000 per employee annually for wages paid between March 13, 2020 and December 31, 2020.

The Consolidated Appropriations Act (2021) increased the credit to 70% of qualified wages paid up to $10,000 per employee per quarter, January 1, 2021 through June 30, 2021. The American Rescue Plan Act extended the credit through September 30, 2021.

In fiscal year 2022 and 2021, the Clark submitted for an ERC of $737,811 and $1,367,139, respectively, of which $639,161 remains uncollected at June 30, 2023 and is included within other receivables on the statement of financial position.

According to the rules of the Internal Revenue Service (IRS), the Clark is required to retain ERC documentation to support the credit, including records of the number of employees and their wages for four years after the credit is paid. Should the IRS conduct an audit and reject all or some of the Clark's judgments pertaining to satisfy ERC qualification and eligibility, the Clark may be required to adjust previously reported amounts and disclosures in the financial statements.

NOTE 16 — RESTATEMENT OF NET ASSETS AS OF JUNE 30, 2022

The charitable trust receivable as of June 30, 2022 was initially calculated based on an outdated estimated fair value. The updated estimated fair value of the charitable remainder trust resulted in a restatement of net assets as of June 30, 2022 by $2,748,343. The following sets forth the previously reported and restated amounts of selected items within the statement of activities for the year ended June 30, 2023:

	As Previously Reported	As Restated
Net assets, beginning, with donor restriction	$ 166,991,757	$ 169,740,100
Net assets, beginning, total	$ 585,346,180	$ 588,094,523