STERLING AND FRANCINE
CLARK ART INSTITUTE

Financial Statements

June 30, 2021

Table of Contents

Adelson & Company PC
CERTIFIED PUBLIC ACCOUNTANTS
Established 1938
AUDIT | TAX | ADVISORY

Gary J. Moynihan, CPA
Carol J. Leibinger-Healey, CPA
David M. Irwin, Jr., CPA
Allison L. Bedard, CPA
Of Counsel:
Richard F. LaFleche, CPA
Vincent T. Viscuso, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
STERLING AND FRANCINE CLARK ART INSTITUTE
225 South Street
Williamstown, MA 01267

Report on the Financial Statements

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
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, 2021, 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.

100 NORTH STREET, PITTSFIELD, MA 01201, PHONE (413) 443-6408, FAX (413) 443-7838
WWW.ADELSONCPA.COM ■ EMAIL: INFO@ADELSONCPA.COM

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Organization implemented the provisions of the Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases* (Topic 842) and Update 2019-03, Updating the Definition of *Collections* (Topic 958). Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited the Sterling and Francine Clark Art Institute's 2020 financial statements, and our report dated November 5, 2020 expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Adelson + Company PC

ADELSON & COMPANY PC

November 11, 2021

Sterling and Francine Clark Art Institute
STATEMENT OF FINANCIAL POSITION
June 30, 2021

	2021	Comparative 2020
Assets		
Current assets		
Cash and equivalents	$ 3,131,819	$ 2,849,723
Unconditional promises to give-current (Note 5)	6,015,466	6,890,076
Other receivables	1,433,494	608,052
Inventory-museum shop	373,834	431,710
Prepaid expenses	384,346	316,005
Total current assets	11,338,959	11,095,566
Other assets		
Long-term investments, at fair value (Note 4)	537,950,069	372,869,262
Charitable trusts receivable (Note 3)	7,971,267	7,637,317
Unconditional promises to give-long-term (Note 5)	579,728	5,147,388
Mortgages receivable-employees (Note 7)	143,795	236,573
Property and equipment, net (Note 6)	189,992,834	196,299,598
Right-of-use assets	31,575	53,863
Art and library collections	1	1
Total assets	$ 748,008,228	$ 593,339,568
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	$ 1,150,689	$ 984,810
Accrued salaries and payroll liabilities	1,122,392	994,106
Lease liabilities-current (Note 10)	25,226	23,275
Notes payable due within one year (Note 8)	1,135,000	885,000
Total current liabilities	3,433,307	2,887,191
Other long-term liabilities	15,507	-
Lease liabilities-long term (Note 10)	10,858	36,084
Long-term debt (Note 8)	82,100,052	83,603,347
Total liabilities	85,559,724	86,526,622
Net assets (Note 11)		
Without donor restrictions	473,684,739	361,078,822
With donor restrictions	188,763,765	145,734,124
Total net assets	662,448,504	506,812,946
Total liabilities and net assets	$ 748,008,228	$ 593,339,568

See notes to financial statements.

Sterling and Francine Clark Art Institute
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Comparative Total 2020
Operating activities				
Revenue and support				
Investment support for operating activities (Note 4)	$ 11,274,606	$ 4,238,274	$ 15,512,880	$ 15,401,160
Museum shop, net	(41,210)	-	(41,210)	71,768
Admissions	553,094	-	553,094	1,013,454
Exhibition fees	29,499	-	29,499	31,963
Public education programs	-	-	-	26,617
Grant income	60,000	410,863	470,863	1,481,328
Contributions	320,244	3,915,015	4,235,259	5,265,786
Membership-Friends of the Clark	1,156,092	-	1,156,092	1,151,074
Occupancy, Event and other income	228,215	-	228,215	527,098
Net assets released from restrictions:				
Satisfaction of program purposes	6,048,851	(6,048,851)	-	-
Total revenue and support	19,629,391	2,515,301	22,144,692	24,970,248
Expenses				
Program Services				
Research and academic programs	4,580,834		4,580,834	4,677,817
Museum programs	13,981,722		13,981,722	14,877,899
External relations	2,513,778		2,513,778	2,381,757
Total program expenses	21,076,334		21,076,334	21,937,473
Support Services				
Management and general	3,408,247		3,408,247	3,528,538
Fund-raising	1,261,489		1,261,489	1,341,638
Total support services	4,669,736		4,669,736	4,870,176
Total expenses	25,746,070	-	25,746,070	26,807,649
Change in net assets from operating activities	(6,116,679)	2,515,301	(3,601,378)	(1,837,401)
Non-operating activities				
Net investment income after operating support	118,201,965	40,497,200	158,699,165	(10,026,204)
Contributions	-	47,112	47,112	15,130,101
Net assets released from restriction	29,972	(29,972)	-	-
CARES Act Employer Retention Payroll Tax credit	1,367,139	-	1,367,139	475,020
Collection items purchased	(876,480)	-	(876,480)	(326,004)
Total non-operating activities	118,722,596	40,514,340	159,236,936	5,252,913
Change in net assets	112,605,917	43,029,641	155,635,558	3,415,512
Net assets, beginning	361,078,822	145,734,124	506,812,946	503,397,434
Net assets, ending	$ 473,684,739	$ 188,763,765	$ 662,448,504	$ 506,812,946

See notes to financial statements.

Sterling and Francine Clark Art Institute
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

	Program Services			Support Services				
	Research and Academic Programs	Museum Programs	External Relations	Management and General	Fund-Raising	Buildings and Grounds	Total 2021	Comparative 2020
Compensation and Related Expenses								
Salaries	$ 768,500	$ 2,012,781	$ 750,581	$ 1,485,527	$ 665,756	$ 976,765	$ 6,659,910	$ 6,716,461
Payroll taxes	54,967	143,966	53,686	106,253	47,618	69,863	476,353	473,054
Employee benefits	181,156	474,466	163,840	350,178	156,937	230,250	1,556,827	1,477,994
Total	1,004,623	2,631,213	968,107	1,941,958	870,311	1,276,878	8,693,090	8,667,509
Conservation and care of collection	10	46,106	-	-	-	-	46,116	63,020
Operational expenses	187,029	-	250,356	-	-	-	437,385	519,494
Exhibitions and community events	66,437	1,077,416	124,089	-	72,239	7,750	1,347,931	2,250,207
Maintenance and repairs	38,390	106,530	20,359	64,229	-	1,777,587	2,007,095	2,062,063
Administrative	49,089	124,404	131,773	595,979	147,533	212,586	1,261,364	1,493,508
Professional and contract services	270,776	1,402,619	287,221	238,466	26,202	21,742	2,247,026	2,282,200
Food service, net	-	-	261,590	-	-	-	261,590	190,569
Bond interest	-	-	-	-	-	2,938,471	2,938,471	2,974,723
Depreciation and amortization	73,601	-	-	-	-	6,965,345	7,038,946	6,964,368
Total expenses	1,689,955	5,388,288	2,043,495	2,840,632	1,116,285	13,200,359	26,279,014	27,467,661
Allocation of Building and Grounds	2,890,879	8,593,434	1,003,227	567,615	145,204	(13,200,359)	-	-
Total expenses	4,580,834	13,981,722	3,046,722	3,408,247	1,261,489	-	26,279,014	27,467,661
Less expenses included with revenues on the Statement of Activities	-	-	(532,944)	-	-	-	(532,944)	(660,012)
Total expenses included in the expense section of the Statement of Activities	$ 4,580,834	$ 13,981,722	$ 2,513,778	$ 3,408,247	$ 1,261,489	$ -	$ 25,746,070	$ 26,807,649

See notes to financial statements.

Sterling and Francine Clark Art Institute
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021

	2021	Comparative 2020
Operating activities		
Change in net assets	$ 155,635,558	$ 3,415,512
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	7,038,946	6,964,368
Realized and unrealized losses (gains) on investments	(176,031,631)	(4,614,974)
Interest and dividends receivable	-	122,600
Interest accrued on long term debt	5,558	5,390
Amortization of premium from long-term debt	(373,853)	(305,249)
Acquisitions for art and library collections	876,480	326,004
(Increase) decrease in operating assets:		
Unconditional promises to give	5,442,270	(8,844,421)
Other receivables	(825,442)	(417,631)
Inventory-museum shop	57,876	(7,535)
Prepaid expenses	(68,341)	8,079
Charitable trusts receivable	(333,950)	(3,497,135)
Increase (decrease) in operating liabilities:		
Accounts payable and other liabilities	286,397	(462,145)
Net cash provided (used) by operating activities	(8,290,132)	(7,307,137)
Investing activities		
Proceeds from net investment transactions	10,950,824	8,340,767
Payments for property and equipment	(709,894)	(427,704)
Principal payments on mortgages receivable	92,778	112,196
Acquisitions for art and library collections	(876,480)	(326,004)
Net cash provided (used) by investing activities	9,457,228	7,699,255
Financing activities		
Principal payments on long-term debt	(885,000)	-
Net cash provided (used) by financing activities	(885,000)	-
Increase (decrease) in cash and cash equivalents	282,096	392,118
Cash and cash equivalents, beginning	2,849,723	2,457,605
Cash and cash equivalents, ending	$ 3,131,819	$ 2,849,723

See notes to financial statements.

STERLING AND FRANCINE CLARK ART INSTITUTE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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.

Change in Accounting Principle
In February 2016, the FASB issued ASU No. 2016-02, *Leases* to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on the state of financial positions the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. The Clark applied the new standard on a modified retrospective basis. The presentation and disclosures of leases have been enhanced in accordance with the standard. As a result, net assets without donor restrictions at June 30, 2020 have been restated from $361,084,318 to $361,078,822.

In March 2019, the FASB issued ASU No. 2019-03, Updating the Definition of *Collections* (Topic 958). This standard modifies the definition of the term *collections* and requires that the Organization disclose its policy for the use of proceeds from when collection items are deaccessioned. The Clark applied the new standard on a prospective basis. The disclosure for collections has been enhanced in accordance with the standard.

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, 2018.

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 the board of directors.

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, where by the donor has stipulated the funds will be maintained in perpetuity.

NOTE 1 - (Continued)

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.

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.

Contributed Services
Volunteers contribute services to the Clark in all aspects of its programs for which no value has been recognized in the financial statements because these services did not meet the criteria for recognition under generally accepted accounting principles.

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:

Cash and cash equivalents are 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 beneficial interest held by others are valued at fair value based on the NAV reported by the managers as described under Basis of Reporting following.

NOTE 1 - (Continued)

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.

Basis of Reporting – Beneficial interest 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 beneficial interest held by others to ensure they are recorded at fair value as of June 30, 2021 and 2020.

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.

NOTE 1 - (Continued)

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 $499,703 and $512,000 for the years ended June 30, 2021 and 2020.

In October 2002, the Clark established a Supplemental Defined Contribution Plan for its Highly Compensated Employees. The Clark's contribution to this Plan was $7,846 and $7,000 for the years ended June 30, 2021 and 2020.

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 considered assets in the monetary sense. Purchased collection items are reported as nonoperating 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 purpose of removing works of art from the permanent collection is 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, preserved, and cared for, and activities verifying their existence and assessing their condition are continuously performed.

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. Revenue is recognized when the membership is purchased.

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.

NOTE 1 - (Continued)

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 allocation 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.

Advertising
The Clark expenses advertising costs as incurred. Advertising expense was $290,298 and $264,520 for the years ended June 30, 2021 and 2020.

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 11, 2021, the date which the financial statements were available for issue, and has determined that there are no additional adjustments or disclosures required.

Summarized Comparative Financial Information
The financial information for the year ended June 30, 2020, presented for comparative purposes, is not intended to be a complete financial statement presentation. Certain items in the comparative prior year totals may have been reclassified to conform to the current year presentation.

NOTE 2 - CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the Clark to concentrations of credit risk, consist principally of cash and investments. The Clark maintains its unrestricted cash in various bank deposit accounts, which at times may exceed federally insured limits. Bank deposits at June 30, 2021 were $3,108,690 of which $1,723,087 was insured and $1,385,603 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 several remainder trust agreements for which a third party has been named as the trustee. Amounts to be collected within the next fiscal year are reported as current assets. The present value of amounts to be received in future fiscal years is reported as long-term assets, net of discount rates of 6% to 7%. Amortization of the discount and changes in actuarial assumptions 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:

	2021	Comparative 2020
Invested cash	$ 11,857,437	$ 11,270,823
Beneficial interest held by others	516,742,460	352,398,749
Private investments - offshore	5,574,725	5,214,220
Real estate funds	3,775,447	3,985,470
Total long-term investments	$ 537,950,069	$ 372,869,262

Investment returns are summarized as follows:

	2021	Comparative 2020
Net gains on investments	$ 176,031,631	$ 4,614,974
Interest and dividends	1,418,941	1,711,788
Less share of investment pool expenses	(3,238,527)	(951,806)
Net investment return	$ 174,212,045	$ 5,374,956
Investment support for operating activities	$ 15,512,880	$ 15,401,160
Net investment income (deficit) after operating support	158,699,165	(10,026,204)
Net investment return	$ 174,212,045	$ 5,374,956

Beneficial interest 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 12. As of June 30, 2020, the supported organization had received $312,000,000 pursuant to this agreement, which is subject to the Clark's spending policy as disclosed and the balance of which is reflected as beneficial interest 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 years ended June 30, 2021 and 2020, 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 $16.56 million and $16.14 million, respectively, while the annual draw to support a reserve fund available for art and library acquisitions was $195,001 and $230,001 for each year. Additional draws for non-operating expenses have been made with Board approval.

NOTE 5 - PROMISES TO GIVE

Unconditional Promises

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:

	2021	Comparative 2020
In one year or less	$ 6,332,069	$ 7,252,711
Between one year and five years	2,160,747	7,704,589
Less: Unamortized discount	(183,162)	(961,285)
Allowance for uncollectibles	(1,714,460)	(1,958,551)
Total	6,595,194	12,037,464
Portion to be realized within one year	(6,015,466)	(6,890,076)
Unconditional promises to give, long-term	$ 579,728	$ 5,147,388

The table below presents information about the changes in unconditional promises to give for the year ended June 30, 2021:

Balance July 1, 2020	$ 12,037,464
New promises received	701,956
Payments received	(7,166,441)
Change in discount included in contribution revenue in the statement of activities	778,123
Change in allowance included in contribution revenue in the statement of activities	244,092
Balance June 30, 2021	$ 6,595,194

NOTE 6 - PROPERTY AND EQUIPMENT CONSISTED OF THE FOLLOWING AT JUNE 30:

	2021	Comparative 2020
Land	$ 1,472,802	$ 1,472,802
Buildings and improvements	244,083,366	243,784,639
Furniture and equipment	9,314,684	9,082,014
Vehicles	214,588	214,588
Total	255,085,440	254,554,043
Accumulated depreciation	(65,358,106)	(58,341,448)
Subtotal	189,727,334	196,212,595
Construction in progress	265,500	87,003
Property and equipment, net	$ 189,992,834	$ 196,299,598

Depreciation expense was $7,016,658 and $6,958,872 for the years ended June 30, 2021 and 2020, respectively.

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 CONSISTED OF THE FOLLOWING AT JUNE 30:

	2021	Comparative 2020
$25,000,000 Massachusetts Health and Education Facilities Authority Revenue Bonds Series 2010, originally due July 2040 and paid in full July 2020, interest only payments at 5% until 2020, partially refinanced during FY 2017 using the proceeds of the $56,530,000 Series 2016 bond issue disclosed below	$ -	$ 885,000
$20,160,000 Massachusetts Development Finance Agency Revenue Bonds Series 2015, due July 2036, interest only payments at 5% until 2032	20,160,000	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 2021	56,530,000	56,530,000
$150,000 note payable, due September 2034, interest accrued at 2.95% per annum, payable upon maturity	185,190	179,632
Total long-term debt	76,875,190	77,754,632
Amortizable bond premiums and costs of issuance	6,359,862	6,733,715
Total notes payable less amortizable costs of issuance	83,235,052	84,488,347
Amount due within one year	1,135,000	885,000
Amount due after one year	$ 82,100,052	$ 83,603,347

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

2022	$ 1,135,000
2023	1,175,000
2024	1,240,000
2025	2,190,000
2026	2,335,000
Thereafter through 2042	68,800,190
Total	$ 76,875,190

Interest expense paid for the years ended June 30, 2021 and 2020 was $3,309,356 and $3,279,972. 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 LIBOR Rate" equal to the sum of the Applicable Margin, 0.80% per annum, plus the LIBOR Rate applicable to the interest period multiplied by the Statutory Reserve Rate, and at the rate of 3.00% per annum above the "Adjusted LIBOR Rate" at the Bank's option. The line of credit has a final maturity date of June 29, 2022. No funds were borrowed during the fiscal year ended June 30, 2021.

NOTE 10 - OPERATING LEASES

The Clark has an operating lease for storage space. The lease has a remaining lease term of 17 months. The 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.

The following is a schedule displaying the undiscounted cash flows due related to operating leases as of June 30, 2021, along with a reconciliation to the discounted amount recorded on the June 30, 2021 state of financial position presented:

2022	$ 27,030
2023	11,401
Total undiscounted cash flows	38,431
Less: impact of present value discount	(2,347)
(discount rate at 5%)	36,084
Less: current portion of operating lease liability	25,226
Noncurrent portion of operating lease liability	$ 10,858

NOTE 11 - NET ASSETS CONSISTED OF THE FOLLOWING:

	Restricted as of June 30, 2020	Revenue Year Ended June 30, 2021	Releases Year Ended June 30, 2021	Restricted as of June 30, 2021
Subject to expenditure for specified purpose:				
Research and academic programs	$ 540,246	$ 425,398	$ 104,574	$ 861,070
Museum programs	10,929,335	2,347,646	1,621,398	11,655,583
Capital expenditures	4,210,551	1,333,855	156,466	5,387,940
Total subject to expenditure for specified purpose	15,680,132	4,106,899	1,882,438	17,904,593
Subject to passage of time:	6,703,194	391,055	-	7,094,249
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	66,219,160	31,378,145	3,275,789	94,321,516
Starr Foundation, income purpose restricted	7,485,680	3,547,111	370,283	10,662,508
Other endowment funds, income purpose restricted	27,922,257	9,685,254	550,313	37,057,198
Total net assets with donor restrictions subject to the Clark' s spending policy and appropriation	123,350,798	44,610,510	4,196,385	163,764,923
Total net assets with donor restrictions	$ 145,734,124	$ 49,108,464	$ 6,078,823	$ 188,763,765

Net assets without donor restrictions for the period ending June 30, 2021 includes $11,864,673 of Board Designated funds that are, in practice, used exclusively for the acquisition of art.

NOTE 12 - 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.

(Continued)

NOTE 12 - (Continued)

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 reasonably 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, 2021, no donor restricted endowment funds are below the donor required principal amount.

Donor restricted endowment activity consisted of the following during the year ended June 30, 2021:

Endowment net assets, beginning of year	$ 123,350,798
Allocated investment return	
Investment income	362,533
Realized and unrealized gains (losses)	44,975,295
Less share of investment pool expenses	(827,318)
Total allocated investment return	44,510,510
Contributions	100,000
Released from restrictions	(4,196,385)
Subtotal	40,414,125
Endowment net assets, end of year	$ 163,764,923

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 uncollectibles.

(Continued)

NOTE 13 - (Continued)

Charitable Remainder Trust: The fair value of the charitable remainder trust receivable of $7,971,267 was estimated based upon the present value at 6% and the life expectancy tables for a required 6% annual payment to the trust benefactor. Information from the trustee is not readily available as to the current fair market value of the assets held in the trust (Level 3).

Alternative investments and beneficial interest 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, 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	$ -	$ 3,131,819	$ -	$ 3,131,819
Unconditional promises to give	-	-	6,595,194	6,595,194
Charitable Remainder Trust	-	-	7,971,267	7,971,267
Subtotal	-	3,131,819	14,566,461	17,698,280
Investments:				
Invested cash	-	11,857,437	-	11,857,437
Beneficial interest held by others	516,742,460	-	-	516,742,460
Private investments - offshore	5,574,725	-	-	5,574,725
Real estate funds	3,775,447	-	-	3,775,447
Total Investments	526,092,632	11,857,437	-	537,950,069
Total Financial assets	$ 526,092,632	$ 14,989,256	$ 14,566,461	$ 555,648,349

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
Beneficial interest held by others	Diversified strategies - objective driven	$ 516,742,460	1	90 days notice
Private investments - offshore	Venture capital and LBOs - Offshore	5,574,725	12	N/A
Real estate and infrastructure	Real estate investments	3,775,447	2	N/A
Total NAV type investments		$ 526,092,632	15	

(Continued)

NOTE 13 - (Continued)

The 15 funds reported on the preceding schedule, excluding the beneficial interest held by others, have no remaining lock-up periods at June 30, 2021.

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, 2021, the Clark's unfunded commitments total $1,051,928.

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 5 percent. $17.49 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 shall have 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 a beneficial interest held by others. In accordance with a participation agreement between the Clark and a supported organization, funds may be withdrawn with 90 days’ notice.

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.

(Continued)

NOTE 14 - (Continued)

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.

	2021	Comparative 2020
Financial assets at June 30:		
Cash and cash equivalents	$ 3,131,819	$ 2,849,723
Contributions receivable	6,595,194	12,037,464
Other receivables	1,433,494	608,052
Investments	537,950,069	372,869,262
Total financial assets	549,110,576	388,364,501
Less amounts not available to be used within one year:		
Net assets with donor restrictions	188,763,765	145,734,124
Less net assets with purpose restrictions to be met in less than a year	(1,267,070)	(2,187,711)
Total amount not available to be used within one year	187,496,695	143,546,413
Less amounts set aside for operating and other reserves that can be drawn upon if the Board of Directors approves such action:		
Acquisition of art	11,864,673	8,473,173
Total amounts set aside for operating and other reserves	11,864,673	8,473,173
Add endowment fund appropriation for following year	17,487,838	16,750,000
Financial assets available to meet general expenditures over the next twelve months	$ 367,237,046	$ 253,094,915

NOTE 15 - CARES ACT

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. The pandemic, and ongoing mandatory safety standards for all business, had and continues to have a significant impact on the Clark's programs, which usually represent 5% of revenues, gains, and other support for a fiscal year. Since July 12, 2020, the Clark has been open to the public in a limited capacity as ordered by the state. As part of the CARES act, the Clark is able to apply for employee retention credits (ERC) for the period March 13, 2020 through June 30, 2021. In fiscal year 2021 and 2020, the Clark submitted for an ERC of $1,367,139 and $475,020, respectively, which is reported separately on the statement of activities and included within other receivables on the statement of financial position.