

# **The Barnes Foundation**

Consolidated Financial Report and  
Supplementary Information  
June 30, 2023

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## **Independent Auditor's Report**

RSM US LLP

Board of Trustees  
The Barnes Foundation

### **Opinion**

We have audited the consolidated financial statements of The Barnes Foundation and CP 2023 (d/b/a Calder Gardens) (the Organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities and changes in net assets and cash flows for the period from January 1, 2023 through June 30, 2023, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in their net assets and their cash flows for the period from January 1, 2023 through June 30, 2023 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 (GAAS). 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Emphasis of Matter**

As discussed in Note 1 to the financial statement, the Foundation changed from a fiscal period ending on December 31, to June 30. Our opinion is not modified with respect to this 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*RSM VS LLP*

Blue Bell, Pennsylvania  
December 14, 2023

**The Barnes Foundation**

**Consolidated Statement of Financial Position  
June 30, 2023**

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**Assets**

Cash and cash equivalents	\$ 3,067,303
Accounts receivable	282,014
Contributions receivable (Note 4)	10,719,406
Accrued interest receivable	90,433
Inventory	1,485,403
Prepaid expenses	1,633,973
Investments (Note 5)	130,794,457
Property and equipment, net (Note 7)	95,776,779
Objects of art	5,775,387

<b>Total assets</b>	<b>\$ 249,625,155</b>
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**Liabilities and Net Assets**

Liabilities:

Accounts payable	\$ 732,361
Accrued expenses	2,536,105
Deferred revenue	1,016,065
<b>Total liabilities</b>	<b>4,284,531</b>

Net assets:

Without donor restrictions	
Undesignated	92,507,359
Designated by the Board for liquidity reserve (Note 15)	13,642,610
	106,149,969

With donor restrictions (Note 9)	139,190,655
<b>Total net assets</b>	<b>245,340,624</b>

<b>Total liabilities and net assets</b>	<b>\$ 249,625,155</b>
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See notes to consolidated financial statements.

## The Barnes Foundation

### Consolidated Statement of Activities and Changes in Net Assets Period From January 1, 2023 Through June 30, 2023

	Without Donor Restriction	With Donor Restrictions	Total
Revenues:			
Contributions of cash and other financial assets	\$ 2,100,038	\$ 11,982,724	\$ 14,082,762
Contributions of nonfinancial assets	2,208,122	-	2,208,122
Membership revenue	780,490	-	780,490
Admissions revenue	1,432,573	-	1,432,573
Retail sales	776,989	-	776,989
Event revenue	585,176	-	585,176
Education revenue	189,526	-	189,526
Licensing and merchandising revenue	29,545	-	29,545
Publications revenue	22,302	-	22,302
Miscellaneous earned revenue	616	-	616
Investment return, net of fees	983,448	7,763,648	8,747,096
<b>Total revenues</b>	<b>9,108,825</b>	<b>19,746,372</b>	<b>28,855,197</b>
Operating expenses:			
Salaries and benefits	7,909,755	-	7,909,755
In-kind advertising and other	2,208,122	-	2,208,122
Depreciation	2,702,884	-	2,702,884
Facility costs	1,112,865	-	1,112,865
Administrative expenses	1,287,375	-	1,287,375
Gift shop cost of goods sold	362,696	-	362,696
Professional and consulting fees	1,132,832	-	1,132,832
Other	763,687	-	763,687
<b>Total operating expenses</b>	<b>17,480,216</b>	<b>-</b>	<b>17,480,216</b>
<b>Operating income (deficit) before net assets release</b>	<b>(8,371,391)</b>	<b>19,746,372</b>	<b>11,374,981</b>
Net assets released from restrictions (Note 10)	5,483,079	(5,483,079)	-
<b>Change in net assets</b>	<b>(2,888,312)</b>	<b>14,263,293</b>	<b>11,374,981</b>
Net assets:			
Beginning	109,038,281	124,927,362	233,965,643
Ending	\$ 106,149,969	\$ 139,190,655	\$ 245,340,624

See notes to consolidated financial statements.

## The Barnes Foundation

### Consolidated Statement of Cash Flows Period From January 1, 2023 Through June 30, 2023

Cash flows from operating activities:	
Change in net assets	\$ 11,374,981
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	2,702,884
Amortization	109,288
Net unrealized gain on investments	(6,384,950)
Gain on sale of investments	(1,259,486)
Change in discount on contributions receivable	(363,652)
Contributions restricted to capital projects	(9,693,979)
(Increase) decrease in assets:	
Accounts receivable	(199,363)
Contributions receivable	602,704
Accrued interest receivable	(23,545)
Inventory	(163,245)
Prepaid expenses	(626,327)
Increase (decrease) in liabilities:	
Accounts payable	126,354
Accrued expenses	(1,217,356)
Deferred revenue	39,967
<b>Net cash used in operating activities</b>	<b>(4,975,725)</b>
Cash flows from investing activities:	
Proceeds from sale of investments	28,669,213
Purchases of investments	(36,286,622)
Purchase of property and equipment	(3,171,844)
<b>Net cash used in investing activities</b>	<b>(10,789,253)</b>
Cash flows from financing activities:	
Collection of contributions restricted to endowment	1,164,046
Collection of contributions restricted to capital projects	9,693,979
<b>Net cash provided by financing activities</b>	<b>10,858,025</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,906,953)</b>
Cash and cash equivalents:	
Beginning	7,974,256
Ending	\$ 3,067,303
Supplemental disclosure of cash flow information:	
Property and equipment in accrued expenses	\$ 1,672,842

See notes to consolidated financial statements.

## The Barnes Foundation

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Operations and Summary of Significant Accounting Policies

**Nature of operations:** The Barnes Foundation (the Foundation) was chartered by the Commonwealth of Pennsylvania in 1922, as a privately endowed, nonprofit educational institution, for the purpose of promoting the advancement of education and the appreciation of the fine arts and horticulture. The Foundation facilities include a gallery located in Philadelphia, Pennsylvania and an arboretum located in Merion, Pennsylvania, which are open to the public at designated times, along with a country estate located in Chester Springs, Pennsylvania, that is not generally open to the public. In 2017, the Foundation entered into an Educational Collaboration and Lease Agreement with St. Joseph University (SJU). Under the agreement, SJU is permitted to utilize the Merion facilities for its educational program and conducts the horticulture program.

In August 2020, CP 2023 was formed (pursuant to a filing with the Pennsylvania Department of State in February 2023, CP 2023 is now doing business as “Calder Gardens”), a supporting organization of the Foundation established to create an environment for installations and presentations to focus on the art of Alexander Calder. This venue is being specifically designed to house a rotating selection of Calder artworks in cooperation with the Calder Foundation (CALDER). CP 2023 and its Board will provide strategic direction, guide the building and planning process for the facility, secure a lease for the land which the building will occupy, obtain funding for the building project, raise an endowment to support its operations and support the raising of additional operating resources. In July 2021, the Foundation entered into a collaboration and service agreement with CP 2023 and CALDER to provide administration and operational support for CP2023 and the planned venue. CP 2023, its Board and related committees will continue to oversee the project until its completion, expected to occur in 2025. The facility will then operate as part of the operations of the Foundation.

**Principles of consolidation:** The consolidated financial statements include the accounts of the Foundation and CP 2023 (collectively, the Organization). All significant intercompany balances have been eliminated in consolidation.

**Change in fiscal year:** On April 19, 2023, the Board of Trustees authorized a change from a fiscal period ending on December 31, to June 30. The change in fiscal year was made to conform to the reporting period that is predominant in the industry. In accordance with this change, the consolidated statement of financial and the related consolidated statements of activities and changes in net assets and cash flows for the period ended June 30, 2023, cover a period of six months.

A summary of the Organization’s significant accounting policies is as follows:

**Cash and cash equivalents:** The Organization considers all short-term securities purchased with a maturity of three months or less to be cash equivalents.

**Investments:** Investments in equity securities with readily determinable fair values and all investments in debt securities are measured and stated at fair value (as more fully described in Note 5). Interest and dividend income is recognized when earned. Any unrealized or realized gains or losses are reported in the consolidated statement of activities and changes in net assets as a change in net assets without donor restrictions, unless explicit donor intent or law restricts their use, in which case unrealized gains or losses are reported in the consolidated statement of activities and changes in net assets as a change in net assets with donor restrictions.

The fair value of each investment is determined at the consolidated statements of financial position date in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, Fair Value Measurements and Disclosures. Accordingly, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. Fair value measurements are separately disclosed by level within the fair value hierarchy.



## The Barnes Foundation

### Notes to Consolidated Financial Statements

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#### **Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)**

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities.

**Level 2:** Observable inputs other than Level 1 prices such as quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3:** Unobservable inputs that are supported by little or no market activity that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following is a description of the valuation methodologies used for instruments measured at fair value. These valuation methodologies were applied to all of the Foundation's financial assets and liabilities that are carried at fair value as of June 30, 2023.

The fair value of securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers (Level 1). When listed prices or quotes are not available, fair value is based upon quoted market prices for similar or identical assets or other observable inputs (Level 2) or significant management judgment or estimation based upon unobservable inputs due to limited or no market activity of the instrument (Level 3).

The Foundation measures its private investments using net asset value (NAV) per share (or its equivalent), provided by the investment managers, as a practical expedient for fair value. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

**Contributions receivable:** Contributions receivable, which represent unconditional promises to give, are recognized as revenue in the period received and as assets, decreases of liabilities or expenses, depending on the form of the benefits received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are recorded at fair value, which is measured as present value of the estimated cash flows beyond one year, using current market rates appropriate for the expected term of the promise to give.

Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recorded when the conditions on which they depend are substantially met.

**Inventory:** Gallery shop inventory consists of purchased items and is stated at the lower of cost (determined by the first-in, first-out method) or net realizable value.

**Property and equipment and depreciation:** Property and equipment is stated at cost. The cost of property and equipment is depreciated over the estimated useful lives of the related assets on a straight-line basis ranging from three to 30 years.

## The Barnes Foundation

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

**Objects of art:** The Foundation owns a collection of paintings, sculptures, antiques and other objects of art. The Foundation has capitalized collection items purchased directly by the Foundation at cost, and those contributed other than by its Founder at the fair market value on the date of the gift. Substantially all of the collection objects were donated to the Foundation by its Founder and are recorded at a \$1 nominal value, in accordance with a resolution of the Board of Trustees at the time of the gift. The Foundation has determined that it is not practical to establish a fair value of the Founder's original contribution as of the date of the gift because records relating to the fair value at the date of the contribution are unreliable or do not exist.

**Deferred revenue:** Deferred revenue consists of amounts received where recognition of those amounts as revenue is conditioned upon the Foundation performing services in future periods. On June 30, 2023, deferred revenue was \$1,016,065. Of this amount, \$661,094 related to membership revenue, which will be recognized as the Foundation fulfills its obligation to provide benefits to members over their membership period and \$354,971 represents amounts paid in advance for admissions tickets, classes and events.

**Sources of revenue:** The Foundation derives its significant revenue from the following principal sources:

**Contributions:** Contributions, without purpose or time restrictions, are reported as revenue without donor restrictions and are recognized as revenue in the period received. Contributions with donor-imposed restrictions that limit the use of the asset, are reported as revenue with donor restrictions and are released to net assets without donor restrictions when an expense is incurred that satisfies the donor restrictions.

Contributions include federal government grants, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts received from government grants are recognized as contributions with donor restrictions and subsequently released from restrictions, as qualifying expenditures are spent.

**Membership revenue:** The Foundation sells non-refundable museum memberships allowing members to utilize certain benefits during a 12-month period. A portion of the membership cost represents an exchange transaction based on benefits provided to the member and a portion represents a contribution to the Foundation, determined as the excess of the membership cost over the estimated value of the members' benefits. The revenue related to the contribution is recognized in the period received and is reported as contributions. The portion of the membership revenue related to membership benefits is recognized ratably over the annual membership period. The terms, benefits and prices of each membership level are outlined on the Foundation's website and related materials and are established based on stand-alone selling prices. The Foundation determines the value of the members' benefits based on the fair value of the benefits provided in combination with historical data indicating member utilization of the benefits.

**Contributions of nonfinancial assets:** The Foundation recognizes donated advertising utilized based on current rates for similar services provided by the donor.

**Admissions revenue:** The performance obligation related to admissions revenues is to provide customer access to the Foundation's collection and/or public program on a specific date. Admissions prices are based on published rates and tickets are non-refundable. The Foundation adjusts the liability related to tickets purchased in advance at the end of the year. Revenue from admissions is recognized as of the date of visitation.

## The Barnes Foundation

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

**Retail sales:** The performance obligation related to retail sales is to provide customers with merchandise that they select while visiting the on-site operation or via the Foundation's website. The transaction price is the stated retail price unless the customer is a museum member or staff member and a discount is provided. Most sales occur on-site and the sales revenue is recognized at the point in time that the sale occurs.

**Event revenue and commissions:** The performance obligation related to event revenue is to provide space to customers who host events for invited guests. The rental fees are based on fair market values. In most cases, payment is received in advance of the event and is recognized as deferred revenue. Event revenue is recognized when the event occurs. Commissions from the Foundation's food service provider based on food and beverage purchases related to events are generally received after the event occurs.

Commission revenue is recognized in the period earned. Commissions from the Foundation's food service provider based on food and beverage purchases resulting from the operation of the on-site outlets are recognized in the period earned. Payment for commissions is received monthly after the sale to the customer.

**Net assets:** The Organization classifies net assets into two categories: with donor restrictions and without donor restrictions. All contributions are considered to be without donor restrictions, unless specifically restricted by the donor. Assets with donor restrictions are contributions with donor-imposed time or purpose restrictions.

**Income taxes:** The Organization is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Foundation did not pay any unrelated business income taxes for the period from January 1, 2023 through June 30, 2023.

Management has evaluated the Organization's tax positions and concluded that the Organization had taken no material uncertain tax positions that require adjustment to the consolidated financial statements. Consequently, no accrual for interest and penalties was deemed necessary for the period from January 1, 2023 through June 30, 2023. The Organization files income tax returns in the United States federal jurisdiction. Generally, the Organization is no longer subject to income tax examinations by the United States federal, state or local tax authorities for years before 2020.

**Functional expense allocation:** The costs of providing various programs and other activities have been summarized on a functional basis in the schedule of functional allocation of expenses in Note 13. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Use of estimates:** The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## The Barnes Foundation

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

**Leases:** The Foundation determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. The Foundation recognizes most leases on its balances sheets as right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the income statement. The Foundation made an accounting policy election available to not recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon adoption of ASC 842, Leases). To determine present value of lease payments, the Foundation made an accounting policy election available to nonpublic companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

**Subsequent events:** The Organization has evaluated events occurring after June 30, 2023, through December 14, 2023, the date of issuance of these consolidated financial statements, and concluded no events or transactions that require recognition or disclosure in the consolidated financial statements.

#### Note 2. CP 2023 d/b/a Calder Gardens Activity

CP 2023 was formed in 2020 to raise funds and support the construction of a new facility to showcase art by Alexander Calder. Supporters of the project have pledged approximately \$73.0 million to cover the cost of the construction of the facility and create an endowment. Of this amount, approximately \$21.38 million was collected through June 30, 2023. The balance of pledges is contingent on the occurrence of events in the future and have not been reflected in these consolidated financial statements.

#### Note 3. Credit and Financial Risk

The Organization has deposits with major financial institutions which exceed Federal Depository Insurance Corporation limits. The Organization believes it limits any significant credit risk on cash and cash equivalents by placing its deposits with high credit quality financial institutions.

The Foundation's contributions receivable are unsecured. The Foundation periodically reminds donors of their commitments.

The Foundation's investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

#### Note 4. Contributions Receivable

Contributions receivable consist of the following:

Second Century Campaign	\$ 9,032,173
Other	1,687,233
	<u>\$ 10,719,406</u>

## The Barnes Foundation

### Notes to Consolidated Financial Statements

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#### Note 4. Contributions Receivable (Continued)

The Foundation has initiated a capital campaign to raise endowment and multi-year project support for initiatives which support the key priorities of its strategic plan. Launched in conjunction with the Foundation's 100th anniversary, the Second Century Campaign has a stated goal of \$100.0 million.

The Foundation recorded contributions receivable for funding from various sources that are due to be received as follows:

Due within:	
Less than one year	\$ 2,883,414
One to five years	3,415,000
More than five years	6,521,302
Gross unconditional contributions receivable	<u>12,819,716</u>
Less unamortized discount	<u>2,100,310</u>
	<u><u>\$ 10,719,406</u></u>

The discount to net present value represents a discount for funding to be received in future years. This discount rate was approximately 4% at June 30, 2023. All contributions receivable at June 30, 2023, are considered collectible.

At June 30, 2023, five donors accounted for 67% of gross contributions receivable.

During the year ended December 31, 2022, the Foundation met the conditions under the Employee Retention Credit (ERC), which included satisfying the eligibility requirements of ERC and the incurrence of allowable qualifying expenses. During the period from January 1, 2023 through June 30, 2023, the Foundation received a partial payment of \$527,703 related to its ERC claim. The remaining receivable of \$918,380 was owed to the Foundation as of June 30, 2023. As of the date of these financial statements, this amount has been received by the Foundation.

#### Note 5. Investments

Investments, at fair value, consist of the following:

U.S. equity mutual funds and exchange traded funds (ETF's)	\$ 38,133,994
International equity mutual funds and ETF's	24,543,947
Fixed income mutual funds	27,076,599
U.S. equity securities	4,560,834
Money market funds	4,396,340
Private investments	19,073,650
Real estate investment trusts	1,030,510
Commodity mutual funds	2,983,646
U.S. government and agency notes and bonds	8,994,937
	<u><u>\$ 130,794,457</u></u>

## The Barnes Foundation

### Notes to Consolidated Financial Statements

#### Note 6. Fair Value of Financial Instruments

**Fair value on a recurring basis:** The tables below presents the balance of assets measured at fair value on a recurring basis as of June 30, 2023:

	Assets Measured at Fair Value	Fair Value Measurements at June 30, 2023 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
U.S. equity mutual funds	\$ 38,133,994	\$ 38,133,994	\$ -	\$ -
International equity mutual funds and ETF's	24,543,947	24,543,947	-	-
Fixed income mutual funds	27,076,599	-	27,076,599	-
U.S. equity securities	4,560,834	4,560,834	-	-
Money market funds	4,396,340	4,396,340	-	-
Real estate investment trusts	1,030,510	-	1,030,510	-
Commodity mutual funds	2,983,646	2,983,646	-	-
U.S. government and agency notes and bonds	8,994,937	8,994,937	-	-
	111,720,807	\$ 83,613,698	\$ 28,107,109	\$ -
Private investments valued at NAV (a)	19,073,650			
	<u>\$ 130,794,457</u>			

(a) In accordance with ASU 2015-07, Subtopic 820-10, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the above fair value hierarchy table. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.

Private investments include limited partnership investment funds, which invest in private equity, credit, real estate and infrastructure. Private investments have various redemption frequencies defined in the respective offering memorandum. At June 30, 2023, the Foundation had approximately \$14.3 million in unfunded commitments for private investments.

At June 30, 2023, the Foundation did not have any financial instruments that are recorded at fair value on a non-recurring basis. In addition, there was no change in valuation techniques used to measure fair value of the assets.

## The Barnes Foundation

### Notes to Consolidated Financial Statements

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#### Note 7. Property and Equipment

Property and equipment consists of the following:

Merion and Chester Springs:	
Land	\$ 155,589
Buildings and improvements	14,127,175
Equipment	25,625
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	14,308,389
Less accumulated depreciation	12,594,565
	<hr/>
	1,713,824
Philadelphia:	
Buildings and improvements	128,404,792
Furniture and fixtures	2,865,215
Equipment	2,059,004
Technology equipment/software	1,955,628
Construction in progress	309,595
	<hr/>
	135,594,234
Less accumulated depreciation	51,279,670
	<hr/>
	84,314,564
CP 2023:	
Construction in progress	9,748,391
	<hr/>
	<u>\$ 95,776,779</u>

#### Note 8. Line of Credit

The Foundation has an available line of credit with a bank in the amount of \$2.0 million dated as of July 29, 2021, which renews annually and expires on July 31, 2024. If used, the borrowings under the line bear interest at a rate of SOFR plus 1.75%. The line is collateralized by an account at the same bank which holds an amount equivalent to the value of the line, representing a portion of the Foundation's board designated endowment. The Foundation had no borrowings under the line of credit during the period from January 1, 2023 through June 30, 2023, and no amounts outstanding on the line as of June 30, 2023, and through the date of these consolidated financial statements.

## The Barnes Foundation

### Notes to Consolidated Financial Statements

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#### Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following:

Net assets held in perpetuity:	
General operating/other purposes	\$ 50,767,120
Scholarly activities	45,312,067
Education	13,366,247
	<hr/>
	109,445,434
Subject to expenditure for specified purpose:	
Capital renovations	3,012,769
General operating/other purposes	2,881,494
Scholarly activities	2,904,982
Education	1,069,845
CP 2023	19,876,131
	<hr/>
Total net assets with donor restrictions	<u><u>\$ 139,190,655</u></u>

Scholarly activities of the Foundation include the curatorial, conservation, archives, registration, publication and special exhibition functions.

#### Note 10. Net Assets Released From Restrictions

Net assets were released from restrictions by satisfying purpose restrictions during the period from January 1, 2023 through June 30, 2023, as follows:

Capital renovations	\$ 677,409
General operating/other purposes	3,228,380
Scholarly activities	1,056,820
Education	462,439
CP 2023	58,031
	<hr/>
	<u><u>\$ 5,483,079</u></u>

Scholarly activities of the Foundation include the curatorial, conservation, archives, registration, publication and special exhibition functions.

#### Note 11. Leases

The Foundation has leases for office equipment. The Foundation has an ROU asset of approximately \$35,000, which is included in property and equipment at June 30, 2023. The related ROU lease liability of approximately \$37,000, is included in accrued expenses at June 30, 2023, and has future minimum payments through 2026.

On January 8, 2008, the Foundation executed a Ground Sublease with The Philadelphia Authority for Industrial Development (PAID) for a parcel of land located on the Benjamin Franklin Parkway in Philadelphia. The land, which is owned by the City of Philadelphia, was leased to PAID under a Master Lease on the same date. The lease is a 99-year lease, commencing with the completion of certain conditions. The Foundation paid a base rent of \$10 for the term of the lease and was obligated under the lease to pay certain additional costs. The initial term of the lease commenced in October 2008, when the City had vacated the premises.



## The Barnes Foundation

### Notes to Consolidated Financial Statements

#### Note 11. Leases (Continued)

On July 29, 2022, CP 2023, executed a lease with the City of Philadelphia, by and through its Department of Parks and Recreation, for a parcel of land located along the southern side of Benjamin Franklin Parkway between the Vine Street Expressway, 21st street, and 22nd street, in Philadelphia, Pennsylvania, to construct, maintain, and operate a museum building to display artwork by Alexander Calder and his family members. The lease consists of an initial term of up to one year, followed by a 99-year operating term which commenced on May 31, 2023 and was recorded by the Records Department of the City of Philadelphia on June 15, 2023. CP 2023 paid a base rent of \$1 for the term of the lease.

#### Note 12. Pension Plans

The Foundation has a 403(b) Elective Deferral Plan (the Plan) where eligible employees may elect to contribute up to the annual Internal Revenue Service contribution limits. The Foundation will match 50% of amounts deferred by employees, up to 3% of the employee's base salary. The Foundation contributed \$163,151 through June 30, 2023 to the Plan.

#### Note 13. Functional Allocation of Expenses

The Foundation classifies its operations into three categories: Collections Care, which includes curatorial activities and special exhibitions, publications, archives and special collections, conservation of the collections and visual resources operations for its art program; Visitation, which includes public operations, retail operations and event operations and support; and Education, which includes programming for adult learners and school-age visitors, for its art programs.

The following chart sets forth the Foundation's expenses classified by function. Certain expenses are attributable to more than one program or support function. General insurance and information technology are allocated based on employee headcount. Audio visual expenses and marketing costs are allocated based on the level of support expended for various programming. The following expense categories are allocated based on the percentage of operating hours that are dedicated to that function or program activity: security, operations and depreciation expense. The cost of the Foundation's fine arts insurance coverage is allocated directly to Collections Care.

	2023							Total Expenses
	Program Activities				Supporting Activities			
	Collection Care	Visitation	Education	Programs Subtotal	Management and General	Fundraising	Supporting Subtotal	
Salaries and benefits	\$ 1,331,727	\$ 2,824,425	\$ 855,374	\$ 5,011,526	\$ 1,779,883	\$ 1,118,346	\$ 2,898,229	\$ 7,909,755
Professional Services	251,545	185,825	34,751	472,121	433,752	235,498	669,250	1,141,371
Advertising	-	254,310	54,319	308,629	-	-	-	308,629
Facility expenses	605,504	302,726	148,949	1,057,179	37,344	553	37,897	1,095,076
Information technology	41,357	117,660	26,005	185,022	55,572	26,676	82,248	267,270
Insurance	133,777	97,105	16,932	247,814	26,709	17,792	44,501	292,315
Gallery Shop expenses	-	362,696	-	362,696	-	-	-	362,696
Travel and office expenses	190,362	50,857	16,382	257,601	53,306	105,156	158,462	416,063
Bank/Credit Card fees	399	115,799	6,892	123,090	18,201	31,539	49,740	172,830
Depreciation	1,345,226	834,968	417,484	2,597,678	103,907	1,299	105,206	2,702,884
In-kind contributions	2,500	2,204,464	1,158	2,208,122	-	-	-	2,208,122
Fundraising and Special Events	6,518	12,785	2,633	21,936	163	142,398	142,561	164,497
Miscellaneous/Other	173,603	107,473	78,341	359,417	44,577	34,714	79,291	438,708
	\$ 4,082,518	\$ 7,471,093	\$ 1,659,220	\$ 13,212,831	\$ 2,553,414	\$ 1,713,971	\$ 4,267,385	\$ 17,480,216

## The Barnes Foundation

### Notes to Consolidated Financial Statements

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#### Note 14. Liquidity and Availability of Financial Assets

The Foundation's working capital needs and cash flows have seasonal variations during the year attributable to a concentration of contributions received near the end of the calendar year. To manage liquidity, the Foundation utilizes its annual endowment draw to provide for its cash needs, which may vary from month to month based on cash requirements. Approximately 15% of the Foundation's endowment portfolio is not convertible to cash within the next 12 months.

As of June 30, 2023, the following financial assets are available to meet annual operating needs of the following fiscal year:

Financial assets at June 30:

Cash and cash equivalents	\$ 3,067,303
Accounts and contributions receivable, net	11,001,420
Accrued interest receivable	90,433
Investments	130,794,457
Total financial assets	<u>144,953,613</u>

Less amounts not available for general expenditures within one year:

Pledges receivable greater than one year, net	7,835,992
Investments—not convertible to cash in the next 12 months	19,073,650
Cash encumbered by donor restrictions	1,354,711
Contributions receivable subject to donor restrictions	1,940,023
Investments subject to donor restrictions	91,022,197
Total financial assets unavailable within one year	<u>121,226,573</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 23,727,040</u>

To manage unanticipated liquidity needs, the Foundation has a committed line of credit in the amount of \$2.0 million, as described in Note 8. Additionally, the Foundation has board-designated net assets without donor restrictions of approximately \$13.6 million as of June 30, 2023, subject to its annual spending policy as described in Note 16.

#### Note 15. Board-Designated Funds

The Board of Trustees of the Barnes Foundation has a standing policy that bequests received without donor restrictions are designated for long-term investment (Board Designated Funds). In addition, the Board may from time to time designate funds to establish an operating reserve with the objective of providing funds to be drawn upon in the event of financial distress or an immediate liquidity need.

The value of Board Designated Endowment funds was \$13,642,610 at June 30, 2023.

#### Note 16. Endowments

The Foundation follows the standard which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also require disclosures about endowment funds, both donor-restricted endowment funds and Board Designated Endowment funds.

## The Barnes Foundation

### Notes to Consolidated Financial Statements

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#### Note 16. Endowments (Continued)

The Foundation's endowment consists of four donor-restricted funds (Scholarly Activity Endowment, Education Endowment, Capital Renovation Endowment and General Support Endowment) that were established for activities related to the care of and research about the collection, support of the Foundation's education programs and general support of the Foundation's operations and physical plant. Endowment assets include a managed pool of investments. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported as assets with donor restrictions.

**Interpretation of relevant law:** The Commonwealth of Pennsylvania has not adopted UPMIFA. State law allows non-profit organizations to make an election to adopt a total return investment policy as provided by Act 141 (1988) of Pennsylvania legislature, 15 Pa.C.S.A. Section (total return election). In 2010, the Foundation made a total return election. The Foundation is free to adopt any prudent investment policy and make withdrawals consistent with its goals of preserving the endowment funds, while making funds available for continued operations. The Foundation has reviewed its donor agreements and has determined that none of the agreements contain any explicit limitations on withdrawals.

**Spending policy, return objectives and risk parameters:** The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the program supported by its endowment, while seeking to maintain the purchasing power of the endowment assets.

The corpus of the endowment assets are held in perpetuity for Scholarly Activities, Education Program Support, and General Operating Support based on donor restrictions. At June 30, 2023, endowment assets are invested primarily in a diversified portfolio of marketable securities. Funds awaiting investment are held in a savings account at an FDIC-insured financial institution.

The Foundation used a 5% spending rate in 2023 to determine the amount of endowment earnings to be allocated to operations. The spending rate is subject to review annually by the Foundation's Board of Trustees. For the period January 1, 2023 to June 30, 2023, the Board of Trustees elected to apply the spending rate to the average quarterly endowment balances in the prior three years, after deducting the value of any new funds collected in respect of the Second Century Campaign. The Board further authorized a draw of 5% on the principal value of new funds received during the prior first three years, based on the original contributed value of such funds. In addition, distributions from outside trusts are available to be credited to operations.

The value of endowment earnings credited to operations was \$4,660,000 for the period January 1, 2023 to June 30, 2023. Dividends, interest and changes in investment value on donor restricted net assets are recorded as increases or decreases in net assets with donor restrictions.

**Funds with deficiencies:** From time to time, the fair value of assets associated with donor restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. As of June 30, 2023, no deficiencies of this nature existed in the endowment funds.

## The Barnes Foundation

### Notes to Consolidated Financial Statements

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#### Note 16. Endowments (Continued)

Changes in endowment funds for the period from January 1, 2023 through June 30, 2023, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowments net assets, beginning of the year	\$ 12,859,779	\$ 102,526,609	\$ 115,386,388
Contributions	555,000	1,170,201	1,725,201
Net investment gain	958,879	7,600,457	8,559,336
Appropriation of endowment assets for expenditure	(731,048)	(3,928,952)	(4,660,000)
Endowment net assets, end of year	<u>\$ 13,642,610</u>	<u>\$ 107,368,315</u>	<u>\$ 121,010,925</u>

## The Barnes Foundation

### Consolidating Statement of Financial Position June 30, 2023

	The Barnes Foundation	CP2023	Eliminations	Consolidated Barnes
<b>Assets</b>				
Cash and cash equivalents	\$ 1,113,225	\$ 1,954,078	\$ -	\$ 3,067,303
Accounts receivable	42,356	239,658	-	282,014
Contributions receivable (Note 4)	10,719,406	-	-	10,719,406
Accrued interest receivable	90,433	-	-	90,433
Inventory	1,485,403	-	-	1,485,403
Prepaid expenses	1,633,973	-	-	1,633,973
Investments (Note 5)	121,187,615	9,606,842	-	130,794,457
Property and equipment, net (Note 7)	86,028,388	9,748,391	-	95,776,779
Objects of art	5,775,387	-	-	5,775,387
<b>Total assets</b>	<b>\$ 228,076,186</b>	<b>\$ 21,548,969</b>	<b>\$ -</b>	<b>\$ 249,625,155</b>
<b>Liabilities and Net Assets</b>				
Liabilities:				
Accounts payable	\$ 732,361	\$ -	\$ -	\$ 732,361
Accrued expenses	863,263	1,672,842	-	2,536,105
Deferred revenue	1,016,065	-	-	1,016,065
<b>Total liabilities</b>	<b>2,611,689</b>	<b>1,672,842</b>	<b>-</b>	<b>4,284,531</b>
Net assets:				
Without donor restrictions				
Undesignated	92,507,359	-	-	92,507,359
Designated by the Board for liquidity reserve (Note 15)	13,642,610	-	-	13,642,610
	106,149,969	-	-	106,149,969
With donor restrictions (Note 9)	119,314,528	19,876,127	-	139,190,655
<b>Total net assets</b>	<b>225,464,497</b>	<b>19,876,127</b>	<b>-</b>	<b>245,340,624</b>
<b>Total liabilities and net assets</b>	<b>\$ 228,076,186</b>	<b>\$ 21,548,969</b>	<b>\$ -</b>	<b>\$ 249,625,155</b>

## The Barnes Foundation

### Consolidating Statement of Activities and Changes in Net Assets Period From January 1, 2023 Through June 30, 2023

	The Barnes Foundation	CP2023	Eliminations	Consolidated Barnes
Changes in net assets without donor restrictions:				
Revenues:				
Contributions of cash and other financial assets	\$ 2,100,038	\$ -	\$ -	\$ 2,100,038
Contributions of nonfinancial assets	2,208,122	-	-	2,208,122
Membership revenue	780,490	-	-	780,490
Admissions revenue	1,432,573	-	-	1,432,573
Retail sales	776,989	-	-	776,989
Event revenue	585,176	-	-	585,176
Education revenue	189,526	-	-	189,526
Licensing and merchandising revenue	29,545	-	-	29,545
Publications revenue	22,302	-	-	22,302
Miscellaneous earned revenue	35,616	-	(35,000)	616
Investment return, net of fees	983,448	-	-	983,448
<b>Total revenues</b>	<b>9,143,825</b>	<b>-</b>	<b>(35,000)</b>	<b>9,108,825</b>
Operating expenses:				
Salaries and benefits	7,909,755	-	-	7,909,755
In-kind advertising and other	2,208,122	-	-	2,208,122
Depreciation	2,702,884	-	-	2,702,884
Facility costs	1,105,122	7,743	-	1,112,865
Administrative expenses	1,282,474	39,901	(35,000)	1,287,375
Gift shop cost of goods sold	362,696	-	-	362,696
Professional and consulting fees	1,123,449	9,383	-	1,132,832
Other	762,683	1,004	-	763,687
<b>Total operating expenses</b>	<b>17,457,185</b>	<b>58,031</b>	<b>(35,000)</b>	<b>17,480,216</b>
<b>Operating income before net assets release</b>	<b>(8,313,360)</b>	<b>(58,031)</b>	<b>-</b>	<b>(8,371,391)</b>
Net assets released from restrictions	5,425,048	58,031	-	5,483,079
<b>Change in net assets without donor restrictions</b>	<b>(2,888,312)</b>	<b>-</b>	<b>-</b>	<b>(2,888,312)</b>
Changes in net assets with donor restrictions:				
Contributions of cash and other financial assets	2,617,780	9,364,944	-	11,982,724
Investment return, net of fees	7,635,658	127,990	-	7,763,648
	10,253,438	9,492,934	-	19,746,372
Net assets released from restrictions	(5,425,048)	(58,031)	-	(5,483,079)
<b>Change in net assets with donor restrictions</b>	<b>(5,425,048)</b>	<b>(58,031)</b>	<b>-</b>	<b>(5,483,079)</b>
<b>Total increase in net assets</b>	<b>1,940,078</b>	<b>9,434,903</b>	<b>-</b>	<b>11,374,981</b>
Net assets:				
Beginning	223,524,420	10,441,223	-	233,965,643
Ending	<b>\$ 225,464,498</b>	<b>\$ 19,876,126</b>	<b>\$ -</b>	<b>\$ 245,340,624</b>