

**STERLING AND FRANCINE  
CLARK ART INSTITUTE**

AUDITED FINANCIAL STATEMENTS

As of and for the year ended June 30, 2024  
(with summarized financial information as of and  
for the year ended June 30, 2023)

# STERLING AND FRANCINE CLARK ART INSTITUTE

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying financial statements of Sterling and Francine Clark Art Institute ("the Clark," a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sterling and Francine Clark Art Institute as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sterling and Francine Clark Art Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sterling and Francine Clark Art Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Report on Summarized Comparative Information***

We have previously audited Sterling and Francine Clark Art Institute's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 18, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*UHY LLP*

Albany, New York  
November 18, 2024

**STERLING AND FRANCINE CLARK ART INSTITUTE**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2024**  
**WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and equivalents	\$ 2,890,872	\$ 2,925,915
Unconditional promises to give - current	2,465,249	1,005,259
Other receivables	896,834	734,090
Inventory - museum shop	403,470	366,986
Prepaid expenses	294,979	382,049
	<u>6,951,404</u>	<u>5,414,299</u>
Total current assets		
<b>NON-CURRENT ASSETS</b>		
Long-term investments	491,218,498	460,184,831
Charitable trusts receivable	12,136,463	11,138,689
Unconditional promises to give - long-term	7,958,043	2,647,446
Mortgages receivable - employees	113,757	123,895
Property and equipment, net	173,037,894	177,983,975
Right-of-use assets	149,256	198,401
Art and library collections	1	1
	<u>691,565,316</u>	<u>657,691,537</u>
Total assets		
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 3,045,693	\$ 2,169,530
Accrued salaries and payroll liabilities	989,997	938,018
Lease liabilities - current	53,539	49,512
Current portion of long-term debt	2,335,000	2,190,000
	<u>6,424,229</u>	<u>5,347,060</u>
Total current liabilities		
<b>LONG-TERM DEBT, net of current portion</b>	<b>73,655,656</b>	<b>76,503,433</b>
<b>LEASE LIABILITIES - LONG-TERM</b>	<b>101,312</b>	<b>154,851</b>
<b>OTHER LONG-TERM LIABILITIES</b>	<b>885,224</b>	<b>724,892</b>
	<u>81,066,421</u>	<u>82,730,236</u>
Total liabilities		
<b>NET ASSETS</b>		
Without donor restrictions	417,595,870	405,597,939
With donor restrictions	192,903,025	169,363,362
	<u>610,498,895</u>	<u>574,961,301</u>
Total net assets		
Total liabilities and net assets	<u>\$ 691,565,316</u>	<u>\$ 657,691,537</u>

See notes to financial statements.

# STERLING AND FRANCINE CLARK ART INSTITUTE

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2024

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2023

	Year Ended June 30,			
	Without Donor Restrictions	With Donor Restrictions	Total 2024	Total 2023
<b>OPERATING ACTIVITIES</b>				
<b>Revenue and support</b>				
Investment support for operating activities	\$ 12,473,064	\$ 7,054,526	\$ 19,527,590	\$ 17,201,499
Museum shop, net	70,145	-	70,145	(63,429)
Admissions	1,068,060	-	1,068,060	784,574
Exhibition fees	9,663	-	9,663	86,478
Public education programs	3,750	-	3,750	7,682
Grant income	60,000	1,020,213	1,080,213	940,000
Contributions	863,081	5,318,472	6,181,553	5,443,481
Membership - Friends of the Clark	1,281,573	-	1,281,573	1,292,585
Occupancy, event and other income	488,607	-	488,607	370,409
Net assets released from restrictions:				
Satisfaction of program purposes	10,339,160	(10,339,160)	-	-
Total revenue and support	<u>26,657,103</u>	<u>3,054,051</u>	<u>29,711,154</u>	<u>26,063,279</u>
<b>Expenses</b>				
<b>Program Services</b>				
Library and research & academic programs	5,519,161	-	5,519,161	5,176,688
Museum programs	17,317,930	-	17,317,930	16,416,869
External relations	3,216,605	-	3,216,605	2,784,450
Total program expenses	<u>26,053,696</u>	<u>-</u>	<u>26,053,696</u>	<u>24,378,007</u>
<b>Support Services</b>				
Management and general	4,642,723	-	4,642,723	4,574,462
Fund-raising	2,492,601	-	2,492,601	1,844,625
Total support services	<u>7,135,324</u>	<u>-</u>	<u>7,135,324</u>	<u>6,419,087</u>
Total expenses	<u>33,189,020</u>	<u>-</u>	<u>33,189,020</u>	<u>30,797,094</u>
Change in net assets from operating activities	<u>(6,531,917)</u>	<u>3,054,051</u>	<u>(3,477,866)</u>	<u>(4,733,815)</u>
<b>NON-OPERATING ACTIVITIES</b>				
Net investment gain (loss) after operating support	18,958,322	4,868,016	23,826,338	(5,948,647)
Contributions	-	16,015,159	16,015,159	54,043
Net assets released from restrictions	397,563	(397,563)	-	-
Disposal of property and equipment	-	-	-	3,500
Collection items purchased	(826,037)	-	(826,037)	(2,508,303)
Total non-operating activities	<u>18,529,848</u>	<u>20,485,612</u>	<u>39,015,460</u>	<u>(8,399,407)</u>
Change in net assets	11,997,931	23,539,663	35,537,594	(13,133,222)
Net assets, beginning	<u>405,597,939</u>	<u>169,363,362</u>	<u>574,961,301</u>	<u>588,094,523</u>
Net assets, ending	<u>\$ 417,595,870</u>	<u>\$ 192,903,025</u>	<u>\$ 610,498,895</u>	<u>\$ 574,961,301</u>

See notes to financial statements.

**STERLING AND FRANCINE CLARK ART INSTITUTE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2024**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2023**

	Program Services			Support Services			Total 2024	Total 2023
	Library and Research & Academic Programs	Museum Programs	External Relations	Management and General	Fundraising	Buildings and Grounds		
Compensation and related expenses								
Salaries	\$ 1,091,650	\$ 2,993,261	\$ 933,073	\$ 1,810,204	\$ 1,050,024	\$ 1,255,227	<b>\$ 9,133,439</b>	\$ 8,034,424
Payroll taxes	76,613	210,068	65,510	127,041	73,691	88,093	<b>641,016</b>	563,644
Employee benefits	256,952	704,552	219,714	426,085	247,154	295,455	<b>2,149,912</b>	1,865,946
Total	1,425,215	3,907,881	1,218,297	2,363,330	1,370,869	1,638,775	<b>11,924,367</b>	10,464,014
Conservation and care of collection	2,991	80,038	-	-	-	-	<b>83,029</b>	73,749
Operational expenses	207,126	-	600,081	-	-	-	<b>807,207</b>	683,960
Exhibitions and community events	127,658	1,909,792	173,632	-	468,769	36,631	<b>2,716,482</b>	2,777,016
Maintenance and repairs	69,108	110,621	89,847	99,844	-	2,666,059	<b>3,035,479</b>	2,345,117
Administrative	156,695	226,182	191,047	917,898	365,252	226,015	<b>2,083,089</b>	2,722,134
Professional and contract services	364,225	1,899,603	512,379	655,040	132,531	54,224	<b>3,618,002</b>	2,835,728
Food service, net	-	-	465,016	-	-	-	<b>465,016</b>	386,000
Debt interest	-	-	-	-	-	2,558,902	<b>2,558,902</b>	2,459,165
Depreciation	76,658	-	-	-	-	6,926,633	<b>7,003,291</b>	6,983,094
Total expenses	2,429,676	8,134,117	3,250,299	4,036,112	2,337,421	14,107,239	<b>34,294,864</b>	31,729,977
Allocation of building and grounds	3,089,485	9,183,813	1,072,150	606,611	155,180	(14,107,239)	-	-
Total expenses	5,519,161	17,317,930	4,322,449	4,642,723	2,492,601	-	<b>34,294,864</b>	31,729,977
Less expenses included with revenues on the Statement of Activities	-	-	(1,105,844)	-	-	-	<b>(1,105,844)</b>	(932,883)
Total expenses included in the expense section of the Statement of Activities	<u>\$ 5,519,161</u>	<u>\$ 17,317,930</u>	<u>\$ 3,216,605</u>	<u>\$ 4,642,723</u>	<u>\$ 2,492,601</u>	<u>\$ -</u>	<u><b>\$ 33,189,020</b></u>	<u>\$ 30,797,094</u>

See notes to financial statements.

**STERLING AND FRANCINE CLARK ART INSTITUTE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2024**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2023**

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 35,537,594	\$ (13,133,222)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	7,003,291	6,983,094
Realized and unrealized gains on investments	(43,451,251)	(10,191,552)
Gain on disposal of property	-	(3,500)
Amortization of premium from long-term debt	(512,777)	(508,525)
Acquisitions for art and library collections	826,037	2,508,303
(Increase) decrease in operating assets:		
Unconditional promises to give	(6,770,587)	(10,714)
Other receivables	(162,744)	1,410,808
Inventory - museum shop	(36,484)	(38,669)
Prepaid expenses	87,070	(110,097)
Charitable trusts receivable	(997,774)	(2,217,397)
Right-of-use assets	49,145	(189,114)
Increase (decrease) in operating liabilities:		
Accounts payable and other liabilities	1,088,474	636,517
Lease liabilities	(49,512)	186,990
Net cash used in operating activities	<u>(7,389,518)</u>	<u>(14,677,078)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from net investment transactions	12,417,583	20,558,215
Payments for property and equipment	(2,057,209)	(1,116,408)
Proceeds from disposal of property	-	3,500
Principal payments on mortgages receivable	10,138	10,264
Acquisitions for art and library collections	(826,037)	(2,508,303)
Net cash provided by investing activities	<u>9,544,475</u>	<u>16,947,268</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	(2,190,000)	(2,605,918)
Net cash used in financing activities	<u>(2,190,000)</u>	<u>(2,605,918)</u>
<b>Decrease in cash and cash equivalents</b>	<b>(35,043)</b>	<b>(335,728)</b>
<b>Cash and cash equivalents, beginning</b>	<b>2,925,915</b>	<b>3,261,643</b>
<b>Cash and cash equivalents, ending</b>	<b><u>\$ 2,890,872</u></b>	<b><u>\$ 2,925,915</u></b>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURE</b>		
Interest paid	<u>\$ 3,071,679</u>	<u>\$ 2,966,473</u>

See notes to financial statements.



**STERLING AND FRANCINE CLARK ART INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2024**  
**WITH SUMMARIZED FINANCIAL INFORMATION AS OF AND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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

**Nature of Activities**

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

**Income Taxes**

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

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition. The Clark's tax returns are subject to examination by taxing authorities for all years ending on or after June 30, 2021.

**Basis of Accounting and Financial Statement Presentation**

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

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

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

**Recently Adopted Accounting Pronouncement**

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13" or "ASC 326"), which applies a current expected credit loss ("CECL") model, which is a new impairment model based on expected losses rather than incurred losses. The expected credit losses and subsequent adjustments to such losses will be recorded through an allowance account deducted from the amortized cost basis of the financial asset, with the net carrying value of the financial asset presented on the statement of financial position at the amount expected to be collected. The credit loss expense and subsequent adjustments to such losses are recorded as a provision for (or reversal of) credit loss expense in the statement of activities. The CECL model is expected to result in more timely recognition of credit losses. The Clark adopted the updates using the modified retrospective method for all financial assets measured at amortized costs on July 1, 2023, with no material impact on the financial statements.

**STERLING AND FRANCINE CLARK ART INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2024**  
**WITH SUMMARIZED FINANCIAL INFORMATION AS OF AND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**NOTE 1 — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(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. Unconditional promises to give are initially recorded at fair value and subsequently reported at amortized cost. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Clark uses an allowance method for promises to give based upon management's analysis of the accounts and prior collection experience.

**Cash and Equivalents**

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

**Inventories**

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

**Investments**

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

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

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

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

**STERLING AND FRANCINE CLARK ART INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2024**  
**WITH SUMMARIZED FINANCIAL INFORMATION AS OF AND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**NOTE 1 — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(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 – Investments held by Williams College**

In February 2017, the Clark entered into a participation agreement with Williams College (the "College") wherein the Clark transferred substantially all of its endowment to the College to invest in the College's investment pool. The supported organization reports its investments held in the pool at fair value in accordance with GAAP. Fair value is defined as the amount that would be received as a result of selling an asset or, the amount that would be paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

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

The Clark, with input from its investment managers, has performed due diligence in the valuation of its private equity, marketable alternative investments and investments held by Williams College to ensure they are recorded at fair value as of June 30, 2024 and 2023.

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

Investment income is recorded as:

- A change in net assets with donor restrictions if the terms of the gift require that it be added to the principal of a permanent endowment fund;

**STERLING AND FRANCINE CLARK ART INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2024**  
**WITH SUMMARIZED FINANCIAL INFORMATION AS OF AND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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

**Basis of Reporting – Investments held by Williams College** (Continued)

- A change in net assets with donor restrictions if the terms of the gift impose restrictions on the current use of the income or net realized and unrealized gains or losses; and
- A change in net assets without donor restrictions in all other cases.

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

**Retirement Plans**

The Sterling and Francine Clark Art Institute Retirement Plan (“Plan”) is a Defined Contribution (Money Purchase) plan which was effective as of April 1, 1963. Employees who work at least 1,000 hours per year are eligible after completing one year of employment. The Clark’s contributions to this plan totaled \$615,488 and \$547,364 for the years ended June 30, 2024 and 2023, respectively.

In October 2002, the Clark established a Supplemental Defined Contribution Plan for its Highly Compensated Employees. The Clark’s contribution to this plan was \$10,702 and \$10,712 for the years ended June 30, 2024 and 2023, respectively.

Effective July 1, 2021, the Clark established a supplemental executive retirement plan (SERP) for the Executive Director in recognition of service to the Clark. In accordance with Internal Revenue Code section 457(f), the plan is a nonqualified, employer funded deferred compensation plan. Vested accrued contributions are adjusted annually based on the investment performance of the endowment. The Clark’s contribution to this plan was \$160,332 and \$124,803 for the years ended June 30, 2024 and 2023, respectively.

**Property and Equipment**

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

**Art and Library Collections and Deaccession**

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

**STERLING AND FRANCINE CLARK ART INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2024**  
**WITH SUMMARIZED FINANCIAL INFORMATION AS OF AND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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

**Art and Library Collections and Deaccession (Continued)**

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

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

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

**Revenue Recognition**

***Admissions***

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

***Memberships***

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

***Contributions and Grants***

The Clark recognizes contributions when cash, securities, or other assets; unconditional promises to give or non-exchange grants; or notification of a beneficial interest are received. Grants, which are exchange transactions, are recorded as services are provided. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

***Museum Shop Income***

Museum shop sales are recognized at the time of purchase.

***Occupancy, Event and Other Income***

The Clark recognizes occupancy, event and other income, at the point in time the exchange transaction occurs.

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

**Allowance for Credit Losses**

Other receivables and mortgages receivable are both within the scope of CECL. The carrying amount of other receivables or mortgages receivable are reduced by an allowance for credit losses that reflects the Institute's estimate of amounts that will not be collected. Each receivable balance where all or a portion of the balance exceeds 90 days from the invoice due date is individually reviewed. Based on the assessment of the customer's current creditworthiness, the portion, if any, of the balance that will not be collected is estimated. Additionally, a five-year weighted-average of write-offs is applied to the aggregate remaining other receivables or mortgages receivable to estimate an additional allowance covering those amounts not specifically identified. The weighted-average gives greater weight to the most recent years and is adjusted for management's estimate of any changes in expected future economic conditions that might give rise to results that differ from past experience. Other receivables and mortgages receivable are charged to the allowance for credit losses when, it is probable that the receivable is worthless.

**Functional Allocation of Expenses**

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

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

**Right of Use Assets and Liabilities**

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

**Advertising**

The Clark expenses advertising costs as incurred. Advertising expense was \$457,946 and \$394,763 for the years ended June 30, 2024 and 2023, respectively.

**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.

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

**Subsequent Events**

Management has evaluated subsequent events for potential recognition or disclosure through November 18, 2024, the date which the financial statements were available to be issued.

**Reclassifications**

Certain prior year balances have been reclassified to conform to current year presentation.

**Prior Year Summarized Information**

The financial statements include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Clark's previously issued financial statements for the year ended June 30, 2023, from which the summarized information was derived.

**NOTE 2 — CONCENTRATION OF CREDIT RISK**

Financial instruments, which potentially subject the Clark to concentrations of credit risk, consist principally of cash and equivalents, invested cash, and short-term investments. The Clark maintains its cash and invested cash in various bank deposit accounts, which at times may exceed federally insured limits. Bank deposits at June 30, 2024 were \$12,455,827 of which \$1,930,580 was insured and \$10,525,247 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 an irrevocable remainder trust agreement for which a third party has been named as the trustee. Contribution revenues and related receivables are recorded at the date the Clark becomes aware of the deferred gift, based on the estimated fair value. The present value of future distributions is an estimate calculated based on the trust fair value plus certain discount factors and actuarial assumptions. The discount rate used in determining the net present value of the charitable trusts receivable was 6% as of June 30, 2024 and 2023, based on the terms and date of the contribution. Changes in the values of the beneficial interest in these trusts are recorded as an increase or decrease in contribution income within the net assets with donor restrictions on the statement of activities.

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**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:

	<u>2024</u>	<u>2023</u>
Invested cash	\$ 14,528,888	\$ 12,946,831
Investments held by Williams College	471,384,764	441,266,577
Private investments - offshore	2,442,712	2,723,378
Real estate funds	<u>2,862,134</u>	<u>3,248,045</u>
Total long-term investments	<u>\$ 491,218,498</u>	<u>\$ 460,184,831</u>

Investment returns are summarized as follows:

	<u>2024</u>	<u>2023</u>
Net gain in investments	\$ 43,451,251	\$ 10,191,552
Interest and dividends	949,328	1,815,109
Less share of investment pool expenses	<u>(1,046,651)</u>	<u>(753,809)</u>
Net investment return	<u>\$ 43,353,928</u>	<u>\$ 11,252,852</u>
Investment support for operating activities	\$ 19,527,590	\$ 17,201,499
Net investment income (deficit) after operating support	<u>23,826,338</u>	<u>(5,948,647)</u>
Net investment return	<u>\$ 43,353,928</u>	<u>\$ 11,252,852</u>

**Investments held by Williams College**

In February 2017, the Clark entered into a participation agreement with Williams College (the "College") wherein the Clark transferred substantially all of its endowment to the College to invest in the College's investment pool. The College will manage the investments on the Clark's behalf in accordance with the College's investment policies and objectives which are closely aligned with the Clark's policies and objectives as disclosed in Note 11. The participation agreement is subject to the Clark's spending policy as disclosed and the balance of which is reflected as investments held by Williams College 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, 2024 and 2023, the annual draw to support operations and museum programs including board designated reserve funds for exhibitions and publications, and funding for capital improvements and equipment was \$20.05 million and \$18.75 million, respectively, while the annual draw to support a reserve fund available for art and library acquisitions was \$230,000 and \$260,000, respectively. Additional draws for non-operating expenses have been made with Board approval.

**NOTE 5 — PROMISES TO GIVE**

Unconditional promises are included in the financial statements as pledges receivable and revenue in the appropriate net asset category. Pledges with a maturity of more than one year are recorded after discounting to the present value of the future cash flows using a discount rate commensurate with the terms of the contribution. Discount rates range from 4.625% to 7.000%.



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**NOTE 5 — PROMISES TO GIVE (Continued)**

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

	<u>2024</u>	<u>2023</u>
In one year or less	\$ 2,594,999	\$ 1,058,167
Between one year and five years	7,010,000	1,040,000
In more than five years	4,315,790	4,315,790
Less:		
Unamortized discount	(2,014,053)	(1,347,193)
Allowance for uncollectibles	(1,483,444)	(1,414,059)
Total	10,423,292	3,652,705
Portion to be realized within one year	(2,465,249)	(1,005,259)
Unconditional promises to give, long-term	<u>\$ 7,958,043</u>	<u>\$ 2,647,446</u>

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

	<u>2024</u>	<u>2023</u>
Balance July 1	\$ 3,652,705	\$ 3,534,556
New promises received	12,207,045	1,355,001
Receipts	(4,700,213)	(1,397,500)
Change in discount included in contribution revenue	(666,860)	164,380
Change in allowance included in contribution revenue	(69,385)	(3,732)
Balance June 30	<u>\$ 10,423,292</u>	<u>\$ 3,652,705</u>

**NOTE 6 — PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Land	\$ 1,472,802	\$ 1,472,802
Buildings and improvements	246,689,762	245,132,944
Furniture and equipment	9,935,558	9,659,478
Vehicles	228,562	214,588
Total	258,326,684	256,479,812
Accumulated depreciation	(86,283,577)	(79,280,286)
Subtotal	172,043,107	177,199,526
Construction in progress	994,787	784,449
Property and equipment, net	<u>\$ 173,037,894</u>	<u>\$ 177,983,975</u>

Depreciation expense was \$7,003,291 and \$6,983,094 for the years ended June 30, 2024 and 2023, respectively.

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**NOTE 7 — MORTGAGES RECEIVABLE – EMPLOYEES**

Prior to termination of certain employee benefits in September 2019, the Clark has provided mortgage loans with below-market to market interest rates to employees for recruitment and retention purposes. The terms of these mortgage loans range from 18 to 20 years and the interest rates range from 2.125% to 2.89% per annum. Participating employees are required to make periodic principal and interest mortgage payments.

**NOTE 8 — LONG-TERM DEBT**

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

	<u>2024</u>	<u>2023</u>
\$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 rates ranging from 2.375% to 5%, interest only payments until 2020 then principal and interest payments beginning in 2021.	35,790,000	37,980,000
\$15,370,000 Series 2022 tax-exempt refunding of Series 2016 stepped coupon bonds, due July 2041, interest only payments at 2.55% until 2037.	<u>15,370,000</u>	<u>15,370,000</u>
Total long-term debt	71,320,000	73,510,000
Amortizable bond premiums and costs of issuance	<u>4,670,656</u>	<u>5,183,433</u>
Total notes payable plus amortizable costs of issuance	75,990,656	78,693,433
Amount due within one year	<u>2,335,000</u>	<u>2,190,000</u>
Amount due after one year	<u><u>\$ 73,655,656</u></u>	<u><u>\$ 76,503,433</u></u>

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

2025	\$ 2,335,000
2026	2,475,000
2027	2,605,000
2028	2,760,000
2029	2,935,000
Thereafter through 2042	<u>58,210,000</u>
Total	<u><u>\$ 71,320,000</u></u>

Interest expense for the years ended June 30, 2024 and 2023 was \$3,071,679 and \$2,966,473, respectively. Bond premiums and debt issuance costs are amortized over the life of the related underlying debt.

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**NOTE 9 — LINE OF CREDIT**

The Clark has the ability to borrow up to \$5 million on an unsecured line of credit with J.P. Morgan, at an “Adjusted SOFR Rate” (the “Note Rate”) equal to the sum of the Applicable Margin, 0.80% per annum, plus the SOFR Rate applicable to the interest period, plus the Unsecured to Secured Rate Adjustment, 0.10% per annum, and at the rate of 3.00% per annum above the Note Rate at the Bank’s option. The line of credit has a final maturity date of June 25, 2025. No funds were borrowed during the fiscal year ended June 30, 2024.

**NOTE 10 — NET ASSETS**

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

	<u>2024</u>	<u>2023</u>
Designated for the acquisition of art	\$ 8,972,344	\$ 8,682,995
Undesignated	<u>408,623,526</u>	<u>396,914,944</u>
Total net assets without donor restrictions	<u>\$ 417,595,870</u>	<u>\$ 405,597,939</u>

Net assets with donor restrictions for the year ended June 30, 2024 consisted of the following:

	<u>Restricted as of June 30, 2023</u>	<u>Revenue Year Ended June 30, 2024</u>	<u>Investment Return Year Ended June 30, 2024</u>	<u>Releases Year Ended June 30, 2024</u>	<u>Restricted as of June 30, 2024</u>
<b>Subject to expenditure for specified purpose:</b>					
Research and academic programs	\$ 814,038	\$ -	\$ 57,697	\$ 76,918	\$ 794,817
Museum programs	11,673,062	4,757,507	-	3,292,536	13,138,033
Capital expenditures	<u>2,405,205</u>	<u>1,084,290</u>	<u>-</u>	<u>1,349,860</u>	<u>2,139,635</u>
Total subject to expenditure for specified purpose	<u>14,892,305</u>	<u>5,841,797</u>	<u>57,697</u>	<u>4,719,314</u>	<u>16,072,485</u>
<b>Subject to passage of time:</b>	<u>12,427,908</u>	<u>1,062,234</u>	<u>-</u>	<u>-</u>	<u>13,490,142</u>
<b>Subject to the Clark’s spending policy and appropriation:</b>					
Investment in perpetuity (including amounts above original gifts of \$118.4 million) which, once appropriated, is expendable to support:					
Clark Fund, income expendable	21,723,701	-	-	-	21,723,701
Manton Fund, income purpose restricted	79,138,655	-	7,388,309	4,072,298	82,454,666
Starr Foundation, income purpose restricted	8,957,579	-	836,271	460,713	9,333,137
Other endowment funds, income purpose restricted	<u>32,223,214</u>	<u>15,449,813</u>	<u>3,640,265</u>	<u>1,484,398</u>	<u>49,828,894</u>
Total net assets with donor restrictions subject to the Clark’s spending policy and appropriation	<u>142,043,149</u>	<u>15,449,813</u>	<u>11,864,845</u>	<u>6,017,409</u>	<u>163,340,398</u>
Total net assets with donor restrictions	<u>\$ 169,363,362</u>	<u>\$ 22,353,844</u>	<u>\$ 11,922,542</u>	<u>\$ 10,736,723</u>	<u>\$ 192,903,025</u>

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**NOTE 10 — NET ASSETS (Continued)**

Net assets with donor restrictions for the year ended June 30, 2023 consisted of the following:

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

**NOTE 11 — ENDOWMENTS**

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

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

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

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**NOTE 11 — ENDOWMENTS** (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 reasonable stable, long-term returns (income and appreciation). To accomplish this, the Clark’s investment portfolio is invested in a diversified portfolio and the “total return” concept used in evaluating the portfolio’s return and determining annual distributions. The Investment Spending Policy approved by the Board is disclosed in Note 4.

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

As of the fiscal year-ending June 30, 2024, 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:

	<u>2024</u>	<u>2023</u>
Endowment net assets, beginning of year	\$ 142,043,149	\$ 144,589,739
Allocated investment return		
Investment income	259,806	475,277
Realized and unrealized gains (losses)	11,891,480	2,668,603
Less share of investment pool expenses	<u>(286,441)</u>	<u>(197,381)</u>
Total allocated investment return	11,864,845	2,946,499
Contributions	15,449,813	-
Released from restrictions	<u>(6,017,409)</u>	<u>(5,493,089)</u>
Subtotal	<u>21,297,249</u>	<u>(2,546,590)</u>
Endowment net assets, end of year	<u>\$ 163,340,398</u>	<u>\$ 142,043,149</u>

**NOTE 12 — RIGHT OF USE ASSETS AND LIABILITIES**

The Clark has operating leases of buildings for storage space. 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.

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

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

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

The Clark has lease agreements with lease and non-lease components. The Clark has elected the practical expedient to account for the lease and non-lease components as a single lease component.

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

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
Operating lease right-of use assets	<u>\$ 149,256</u>	<u>\$ 198,401</u>
<b>Liabilities</b>		
Current operating lease liabilities	53,539	49,512
Long-term lease liabilities	<u>101,312</u>	<u>154,851</u>
Total lease liabilities	<u>\$ 154,851</u>	<u>\$ 204,363</u>

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

<u>Lease Cost</u>	<u>Classification</u>	<u>2024</u>	<u>2023</u>
Operating lease expense	Program expenses	\$ 38,101	\$ 27,975
Operating lease expense	Support expenses	<u>20,146</u>	<u>5,037</u>
	Total	<u>\$ 58,247</u>	<u>\$ 33,012</u>

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

	<u>2024</u>	<u>2023</u>
<b>Weighted average remaining lease term (years)</b>		
Operating leases	3.1	4
<b>Weighted average discount rate</b>		
Operating leases	5.0%	5.0%

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

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

<u>Year Ending June 30,</u>	<u>Operating</u>
2025	\$ 60,072
2026	51,301
2027	31,995
2028	<u>24,356</u>
Total minimum lease payments	167,724
Less: Amount representing interest	<u>(12,873)</u>
Present Value of net minimum lease payments	<u><u>\$ 154,851</u></u>

Operating lease payments in the table above include approximately \$49,252 related to options to extend lease terms that are reasonably certain to be exercised.

**NOTE 13 — FAIR VALUE MEASUREMENTS**

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

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

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

Charitable Remainder Trust: The fair value of the charitable remainder trust receivable was estimated based upon the present value of future distributions is an estimate calculated based on the trust fair value plus certain discount factors and actuarial assumptions. The discount rate used in determining the net present value of the charitable trusts receivable was 6% at June 30, 2024 and 2023, based on the terms and dates of the contributions (Level 3).

Alternative investments and investments held by Williams College: 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.

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**NOTE 13 — FAIR VALUE MEASUREMENTS (Continued)**

The estimated fair values of the Clark's financial assets, at June 30, 2024 are as follows:

	<b>NAV as Practical Expedient</b>	<b>Quoted Prices in Active Markets (Level 1)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total Fair Value</b>
<b>Financial assets</b>				
Cash and equivalents	\$ -	\$ 2,890,872	\$ -	\$ 2,890,872
Charitable Remainder Trust	-	-	12,136,463	12,136,463
Subtotal	-	2,890,872	12,136,463	15,027,335
Investments:				
Invested cash	-	14,528,888	-	14,528,888
Investments held by Williams College	471,384,764	-	-	471,384,764
Private investments - offshore	2,442,712	-	-	2,442,712
Real estate funds	2,862,134	-	-	2,862,134
Total investments	476,689,610	14,528,888	-	491,218,498
Total financial assets	<u>\$ 476,689,610</u>	<u>\$ 17,419,760</u>	<u>\$ 12,136,463</u>	<u>\$ 506,245,833</u>

The estimated fair values of the Clark's financial assets, at June 30, 2023 are as follows:

	<b>NAV as Practical Expedient</b>	<b>Quoted Prices in Active Markets (Level 1)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total Fair Value</b>
<b>Financial assets</b>				
Cash and equivalents	\$ -	\$ 2,925,915	\$ -	\$ 2,925,915
Charitable Remainder Trust	-	-	11,138,689	11,138,689
Subtotal	-	2,925,915	11,138,689	14,064,604
Investments:				
Invested cash	-	12,946,831	-	12,946,831
Investments held by Williams College	441,266,577	-	-	441,266,577
Private investments - offshore	2,723,378	-	-	2,723,378
Real estate funds	3,248,045	-	-	3,248,045
Total investments	447,238,000	12,946,831	-	460,184,831
Total financial assets	<u>\$ 447,238,000</u>	<u>\$ 15,872,746</u>	<u>\$ 11,138,689</u>	<u>\$ 474,249,435</u>



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**NOTE 13 — FAIR VALUE MEASUREMENTS (Continued)**

**Additional Fair Value Disclosure**

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

<u>NAV Type Investments</u>	<u>Strategy</u>	<u>Fair Value</u>	<u># of Funds Vehicles</u>	<u>Redemption Terms</u>
Investments held by Williams College	Diversified strategies - objective driven	\$ 471,384,764	1	90 days notice
Private investments - offshore	Venture capital and LBOs - offshore	2,442,712	11	N/A
Real estate and infrastructure	Real estate investments	<u>2,862,134</u>	<u>2</u>	N/A
Total NAV type investments		<u>\$ 476,689,610</u>	<u>14</u>	

The 14 funds reported on the preceding schedule, excluding the investments held by Williams College, have no remaining lock-up periods at June 30, 2024.

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, 2024, the Clark's unfunded commitments total \$465,365.

**NOTE 14 — LIQUIDITY**

The Clark's endowment funds consist of donor-restricted endowments and various investments ("investment pool"). Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 4, Spending Policy, the investment pool has a spending rate of up to 5 percent. \$21.3 million of appropriations from the investment pool will be available within the next 12 months.

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

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

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

# STERLING AND FRANCINE CLARK ART INSTITUTE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

### WITH SUMMARIZED FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

#### NOTE 14 — LIQUIDITY (Continued)

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

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

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

	<u>2024</u>
Financial assets at June 30:	
Cash and cash equivalents	\$ 2,890,872
Unconditional promises to give	10,423,292
Other receivables	896,834
Investments	<u>491,218,498</u>
Total financial assets	<u>505,429,496</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>(192,903,025)</u>
Total amount not available to be used within one year	<u>(192,903,025)</u>
Less amounts set aside for operating and other reserves that can be drawn upon if the Board of Trustees approves such action:	
Acquisition of art	<u>(8,972,344)</u>
Total amounts set aside for operating and other reserves	<u>(8,972,344)</u>
Add endowment fund appropriation for following year	<u>6,321,131</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 309,875,258</u></u>

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**NOTE 15 — CARES ACT**

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

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

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

In fiscal year 2022 and 2021, the Clark submitted for an ERC of \$737,811 and \$1,367,139, respectively, of which \$639,161 remains uncollected at June 30, 2024 and 2023 and is included within other receivables on the statement of financial position.

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

**NOTE 16 — SUBSEQUENT EVENT**

On October 21, 2024, the Clark Art Institute finalized a gift agreement with the Aso O. Tavitian Foundation to donate over 300 objects and up to \$45 million dollars to the Clark. The gift will fund the construction of the Aso O. Tavitian Wing to display paintings, sculptures, and other items from the Tavitian Collection. The new building is expected to open in 2028. Endowments will be established for curatorial related positions and the maintenance and care of the collection and building.