



PORTLAND MUSEUM *of* ART

FINANCIAL STATEMENTS

January 31, 2025 and 2024

With Independent Auditor's Report



BDMP Assurance, LLP

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Portland Museum of Art

Opinion

We have audited the accompanying financial statements of Portland Museum of Art (the PMA), which comprise the balance sheets as of January 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the PMA as of January 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards (U.S. 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 PMA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 PMA'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 U.S. 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 U.S. 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 PMA'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 PMA'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.

BSP Assurance, LLP

Manchester, New Hampshire
July 28, 2025

PORTLAND MUSEUM OF ART

Balance Sheets

January 31, 2025 and 2024

ASSETS

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 13,424,815	\$ 11,356,897
Accounts receivable	27,884	22,081
Inventory	218,892	131,405
Prepaid expenses	170,575	236,661
Contributions receivable, net	4,558,755	7,805,966
Art collection (Note 1)	1	1
Land, buildings and equipment, net	14,025,525	14,484,398
Campus unification in progress	7,527,143	6,245,108
Land held for future use	3,016,815	3,016,815
Investments	<u>53,114,402</u>	<u>49,798,142</u>
Total assets	<u>\$ 96,084,807</u>	<u>\$ 93,097,474</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 1,736,639	\$ 2,237,752
Deferred revenue	<u>350,002</u>	<u>112,032</u>
Total liabilities	<u>2,086,641</u>	<u>2,349,784</u>
Net assets		
Without donor restrictions	<u>29,703,266</u>	<u>28,465,794</u>
With donor restrictions		
Temporary in nature	19,378,024	17,427,498
Perpetual in nature	<u>44,916,876</u>	<u>44,854,398</u>
Total net assets with donor restrictions	<u>64,294,900</u>	<u>62,281,896</u>
Total net assets	<u>93,998,166</u>	<u>90,747,690</u>
Total liabilities and net assets	<u>\$ 96,084,807</u>	<u>\$ 93,097,474</u>

The accompanying notes are an integral part of these financial statements.

PORTLAND MUSEUM OF ART

Statements of Activities

Years Ended January 31, 2025 and 2024

	<u>2025</u>				<u>2024</u>			
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
	<u>Temporary in Nature</u>	<u>Perpetual in Nature</u>			<u>Temporary in Nature</u>	<u>Perpetual in Nature</u>		
Changes in net assets								
Public support and revenues								
Contributions and grants	\$ 3,169,479	\$ 4,457,913	\$ 62,478	\$ 7,689,870	\$ 3,010,621	\$ 6,260,730	\$ 118,723	\$ 9,390,074
Memberships	443,959	-	-	443,959	690,808	-	-	690,808
Admissions and program revenues	1,096,652	-	-	1,096,652	870,907	-	-	870,907
PMA Store revenues	384,034	-	-	384,034	336,185	-	-	336,185
Investment return	644,946	5,128,835	-	5,773,781	403,614	3,570,758	-	3,974,372
Total public support and revenues	<u>5,739,070</u>	<u>9,586,748</u>	<u>62,478</u>	<u>15,388,296</u>	<u>5,312,135</u>	<u>9,831,488</u>	<u>118,723</u>	<u>15,262,346</u>
Net assets released from restrictions								
Satisfaction of program or capital asset purchase restrictions	5,349,614	(5,349,614)	-	-	4,658,136	(4,658,136)	-	-
Restricted earnings transferred by spending policy for operations	2,286,608	(2,286,608)	-	-	1,569,478	(1,569,478)	-	-
Total net assets released from restrictions	<u>7,636,222</u>	<u>(7,636,222)</u>	<u>-</u>	<u>-</u>	<u>6,227,614</u>	<u>(6,227,614)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>13,375,292</u>	<u>1,950,526</u>	<u>62,478</u>	<u>15,388,296</u>	<u>11,539,749</u>	<u>3,603,874</u>	<u>118,723</u>	<u>15,262,346</u>
Expenses								
Program								
Exhibits and collections	6,084,926	-	-	6,084,926	5,694,604	-	-	5,694,604
Education	1,748,991	-	-	1,748,991	2,374,211	-	-	2,374,211
Collection items purchased	591,920	-	-	591,920	261,559	-	-	261,559
PMA Store	562,087	-	-	562,087	585,269	-	-	585,269
Management and general	458,388	-	-	458,388	541,743	-	-	541,743
Development and membership	2,691,508	-	-	2,691,508	2,461,425	-	-	2,461,425
Total expenses	<u>12,137,820</u>	<u>-</u>	<u>-</u>	<u>12,137,820</u>	<u>11,918,811</u>	<u>-</u>	<u>-</u>	<u>11,918,811</u>
Change in net assets	1,237,472	1,950,526	62,478	3,250,476	(379,062)	3,603,874	118,723	3,343,535
Net assets, beginning of year	<u>28,465,794</u>	<u>17,427,498</u>	<u>44,854,398</u>	<u>90,747,690</u>	<u>28,844,856</u>	<u>13,823,624</u>	<u>44,735,675</u>	<u>87,404,155</u>
Net assets, end of year	<u>\$ 29,703,266</u>	<u>\$ 19,378,024</u>	<u>\$ 44,916,876</u>	<u>\$ 93,998,166</u>	<u>\$ 28,465,794</u>	<u>\$ 17,427,498</u>	<u>\$ 44,854,398</u>	<u>\$ 90,747,690</u>

The accompanying notes are an integral part of these financial statements.

PORTLAND MUSEUM OF ART
Statement of Functional Expenses
Year Ended January 31, 2025

	<u>Program</u>				<u>Total Program</u>	<u>Management and General</u>	<u>Development and Membership</u>	<u>Total Expenses</u>
	<u>Exhibits and Collections</u>	<u>Education</u>	<u>Collection Items Purchased</u>	<u>PMA Store</u>				
Acquisition of art for the collection	\$ -	\$ -	\$ 591,920	\$ -	\$ 591,920	\$ -	\$ -	\$ 591,920
Advertising and promotion	195,553	149,166	-	7,502	352,221	3,485	51,252	406,958
Cost of goods sold	-	-	-	158,328	158,328	-	-	158,328
Depreciation	192,739	81,160	-	19,339	293,238	72,132	119,251	484,621
Education	133,558	153,699	-	1,989	289,246	728	9,131	299,105
Exhibitions and collections care	561,763	2,914	-	556	565,233	282	1,325	566,840
Fundraising and membership	171,226	86,258	-	6,979	264,463	13,068	58,953	336,484
Information technology	236,195	52,433	-	12,083	300,711	10,216	30,218	341,145
Insurance	124,954	10,632	-	2,032	137,618	1,030	4,825	143,473
Meetings and conferences	8,735	5,040	-	245	14,020	3,254	6,386	23,660
Occupancy	446,953	60,201	-	10,121	517,275	5,280	23,838	546,393
Office expenses	38,422	15,641	-	8,127	62,190	1,688	5,220	69,098
Professional fees and outside services	533,088	305,060	-	33,404	871,552	59,107	127,740	1,058,399
Salaries and benefits	3,379,434	809,897	-	300,180	4,489,511	287,755	2,245,453	7,022,719
Travel	62,306	16,890	-	1,202	80,398	363	7,916	88,677
Total expenses	<u>\$ 6,084,926</u>	<u>\$ 1,748,991</u>	<u>\$ 591,920</u>	<u>\$ 562,087</u>	<u>\$ 8,987,924</u>	<u>\$ 458,388</u>	<u>\$ 2,691,508</u>	<u>\$ 12,137,820</u>

The accompanying notes are an integral part of these financial statements.

PORTLAND MUSEUM OF ART
Statement of Functional Expenses
Year Ended January 31, 2024

	Program				Total Program	Management and General	Development and Membership	Total Expenses
	Exhibits and Collections	Education	Collection Items Purchased	PMA Store				
Acquisition of art for the collection	\$ -	\$ -	\$ 261,559	\$ -	\$ 261,559	\$ -	\$ -	\$ 261,559
Advertising and promotion	-	124,183	-	-	124,183	-	4,042	128,225
Cost of goods sold	-	-	-	158,994	158,994	-	-	158,994
Depreciation	204,664	86,199	-	20,533	311,396	76,575	126,648	514,619
Education	61,565	120,392	-	1,974	183,931	26,583	50,045	260,559
Exhibitions and collections care	329,429	17,166	-	-	346,595	-	480	347,075
Fundraising and membership	12,116	98,786	-	-	110,902	-	188,990	299,892
Information technology	226,957	79,068	-	12,311	318,336	32,045	107,210	457,591
Insurance	130,932	9,803	-	1,461	142,196	4,394	3,467	150,057
Meetings and conferences	1,221	12,043	-	93	13,357	7,947	7,189	28,493
Occupancy	445,174	83,879	-	10,281	539,334	3,518	22,224	565,076
Office expenses	31,361	52,487	-	9,242	93,090	10,753	23,229	127,072
Professional fees and outside services	337,449	566,076	-	47,084	950,609	76,798	287,573	1,314,980
Salaries and benefits	3,862,638	1,121,721	-	323,225	5,307,584	299,975	1,614,710	7,222,269
Travel	<u>51,098</u>	<u>2,408</u>	<u>-</u>	<u>71</u>	<u>53,577</u>	<u>3,155</u>	<u>25,618</u>	<u>82,350</u>
Total expenses	<u>\$ 5,694,604</u>	<u>\$ 2,374,211</u>	<u>\$ 261,559</u>	<u>\$ 585,269</u>	<u>\$ 8,915,643</u>	<u>\$ 541,743</u>	<u>\$ 2,461,425</u>	<u>\$ 11,918,811</u>

The accompanying notes are an integral part of these financial statements.

PORTLAND MUSEUM OF ART

Statements of Cash Flows

Years Ended January 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Change in net assets	\$ 3,250,476	\$ 3,343,535
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	484,621	514,619
Change in fair value of investments	(2,777,379)	(2,692,593)
Restricted contributions – perpetual in nature	(62,478)	(118,723)
Contributions restricted for acquisition and preservation, investment or collection	(4,397,913)	(6,260,730)
Collection items purchased	591,920	261,559
Change in operating assets and liabilities		
Accounts and other receivables	145,014	1,360,872
Inventory	(87,487)	(31,660)
Prepaid expenses	66,086	106,695
Accounts payable and accrued expenses	(487,090)	800,190
Deferred revenue	237,970	2,463
Net cash used by operating activities	<u>(3,036,260)</u>	<u>(2,713,773)</u>
Cash flows from investing activities		
Acquisition of land, buildings and equipment, land held for future use and payments for campus unification in progress	(1,321,808)	(2,054,493)
Payments for purchase of collection items	(591,920)	(261,559)
Proceeds from sale of investments	1,368,954	12,847,471
Purchases of investments	(2,118,650)	(13,038,727)
Net cash used by investing activities	<u>(2,663,424)</u>	<u>(2,507,308)</u>
Cash flows from financing activities		
Proceeds from restricted contributions – perpetual in nature	100,478	1,256,329
Proceeds from contributions restricted for acquisition and preservation, investment or collection	7,667,124	6,503,241
Net cash provided by financing activities	<u>7,767,602</u>	<u>7,759,570</u>
Net increase in cash and cash equivalents	2,067,918	2,538,489
Cash and cash equivalents, beginning of year	<u>11,356,897</u>	<u>8,818,408</u>
Cash and cash equivalents, end of year	<u><u>13,424,815</u></u>	<u><u>11,356,897</u></u>
Supplemental disclosures of noncash investing and financing transactions:		
Buildings improvements and equipment reported in accounts payable	\$ <u> -</u>	\$ <u>508,236</u>

The accompanying notes are an integral part of these financial statements.

PORTLAND MUSEUM OF ART

Notes to Financial Statements

January 31, 2025 and 2024

Nature of Organization

The Portland Museum of Art (the PMA), founded in 1882, is a not-for-profit educational institution dedicated to critical excellence in the visual arts. Art acquisitions, collections care and maintenance, exhibitions, programs, and general operations are supported by membership, private and corporate donations, endowment income, foundations, and grants from national and state agencies. The PMA's Mission, Vision, Values, and Goals are:

Mission

Art for All. The PMA seeks to create an inclusive space that champions open expression and makes art accessible to all.

Vision

To be a central gathering place where a strong artistic vision and the collection drive conversation, creativity, cultural vitality, and economic impact.

Values

COURAGE. We believe in bold choices, leading with humility and integrity.

EQUITY. We value all identities and seek to understand and eliminate disparities and barriers.

SERVICE. We embrace our responsibility to be in service to others and responsive to the changing needs of our community and the world.

SUSTAINABILITY. We prioritize thoughtful stewardship of the earth's resources in all we do.

TRUST. We believe in being active listeners and transparent partners, striving every day to earn the trust of our communities, audiences, and employees.

Goal Areas

ARTISTIC VISION

Cultivate curiosity and wonder through an artistic program that honors excellence, ideas, innovation, Maine's rich artistic legacy, and the relationship between the local and global.

CAMPUS UNIFICATION

Reimagine the campus as an architecturally innovative gathering place for art, conversation, creativity, environmental responsibility, historic preservation, and partnerships.

EXPERIENCE

Broaden and deepen connections with audiences through experiential and immersive opportunities, community partnerships, and expanded outreach.

PORTLAND MUSEUM OF ART

Notes to Financial Statements

January 31, 2025 and 2024

PEOPLE

Empower staff, Board, and volunteers through a culture that reflects inclusion, flexibility, and shared responsibility.

CULTURE OF PHILANTHROPY

Inspire gratitude and generosity by living our values and delivering on mission and vision.

1. Summary of Significant Accounting Policies

Financial Statement Basis of Presentation

The PMA reports information regarding its financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions: Net assets that do not have donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the PMA. These net assets may be used at the discretion of the PMA's management and 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 PMA or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents, Including Limitations on Use

Cash and cash equivalents include money market funds and other investments with original maturities of three months or less, which are not held for investment purposes. The PMA maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The PMA has not experienced any losses in such accounts and management believes the PMA is not exposed to any significant risk with respect to these accounts.

Cash and cash equivalents includes funds received from donors with restrictions temporary in nature amounting to \$6,602,630 and \$10,601,268 at January 31, 2025 and 2024, respectively.

PORTLAND MUSEUM OF ART

Notes to Financial Statements

January 31, 2025 and 2024

Inventory

The PMA Store inventory is carried at the lower of cost or net realizable value using the weighted average method.

Contributions

Unconditional promises to give, also known as pledges, are recorded as contributions receivable when the pledge is made. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

There were no conditional promises to give at January 31, 2025 and 2024.

Contributions of assets other than cash are recorded at their estimated fair value on the date received. Amortization of any discount is recorded as additional contribution revenue in accordance with donor restrictions, if any. Management estimates an allowance for uncollectible contributions receivable based on past collection history. The allowance for uncollectible contributions receivable was \$88,827 and \$201,600 at January 31, 2025 and 2024, respectively.

The PMA reports donations of cash and other assets that must be used to acquire long-lived assets as changes in net assets with donor restrictions. Absent explicit donor stipulations about how these long-lived assets must be maintained, the PMA reports expirations of donor restrictions when the long-lived assets are acquired or donated long-lived assets are placed in service.

Revenue Recognition from Exchange Transactions

The PMA has multiple revenue streams that are accounted for as exchange transactions including memberships, admissions and program revenues and PMA Store revenues.

Memberships: The PMA sells various categories of memberships that typically last for a one-year or two-year term. The PMA records collected memberships as deferred revenue in accordance with U.S. generally accepted accounting principles and amortizes amounts ratably over the membership term into revenue. Payment is received at the time of membership enrollment or renewal.

Admissions and program revenues: The PMA charges stated admission fees, collects and recognizes revenue upon entry for access to the PMA's galleries and exhibitions. Revenues from programs are recognized when the program occurs and the PMA generally collects payment in advance.

PMA Store revenues: Revenue from sales of PMA Store inventory are recognized at a point of sale or upon delivery to the customer. The PMA collects cash at point of sale or credit card receipts within a few days of the sale.

PORTLAND MUSEUM OF ART

Notes to Financial Statements

January 31, 2025 and 2024

Investments

Investments in mutual funds are measured at fair value in the balance sheets based on quoted market prices. Values of investments in limited liability and closely-held companies and partnerships are based on net asset values (NAV) per share of the respective funds as reported in the financial statements of the related interest provided by the investment managers. The PMA reviews and evaluates the valuations provided by the investment managers and believes the net asset values are reasonable estimates of fair value at January 31, 2025 and 2024, but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed.

Funds have been pooled for investment purposes. Income received and realized and unrealized gains and losses are apportioned to the participating funds based on their respective units in the pool, and then apportioned to appropriate net asset categories according to donor restrictions. The units held by each fund are determined using fair and net asset values.

Art Collection Description (Unaudited)

The art collection includes more than 19,000 objects and represents significant holdings of American, European, contemporary art, and photography, as well as iconic works from Maine—highlighting the rich artistic tradition of the state and its artists. The collection includes paintings, sculpture, prints, photographs, glass, ceramics, furniture, silver, artists' books, and other media, and is highlighted by works by George Bellows, Max Beckmann, Katherine Bradford, David Moses Bridges, Marc Chagall, Frederic Church, Gustave Courbet, Stuart Davis, Edgar Degas, Lois Dodd, Leonardo Drew, David Driskell, Richard Estes, Lauren Fensterstock, Jeremy Frey, Jeffrey Gibson, Nan Goldin, Phillip Guston, John Haberle, Marsden Hartley, Childe Hassam, Reggie Burrows Hodges, Winslow Homer, Edward Hopper, Jean Auguste Dominique Ingres, Alex Katz, Rockwell Kent, Yasuo Kuniyoshi, Fitz Henry Lane, Claude Monet, Thomas Moran, Louise Nevelson, John Frederick Peto, Sigmar Polke, William Pope.L, Robert Rauschenberg, Pierre Auguste Renoir, Tim Rollins & K.O.S., John Singer Sargent, Theresa Secord, Kara Walker, Andrew Wyeth, N.C. Wyeth, James McNeill Whistler, Betty Woodman, and Marguerite Thompson Zorach. The PMA is accredited by the American Alliance of Museums and adheres to best practices in developing and managing these works of art in the public trust.

Art Collection Policies

The art collection is reflected at a nominal value. The cost of a collection item is recorded as a decrease in net assets without donor restrictions when purchased. The proceeds from sales of collection items are recorded as increases in net assets with temporary donor restricted when sold.

PORTLAND MUSEUM OF ART

Notes to Financial Statements

January 31, 2025 and 2024

The collection is managed according to a policy which adheres to the standards of the American Alliance of Museums. The policy delineates responsibilities in such matters as museum ethics, acquisitions, loans, care of collections, and deaccessioning. Objects held in the collection are carefully tracked and monitored. The PMA's deaccessioning policy is that funds received from the disposal of a deaccessioned work of art including any earnings and appreciation thereon, may be used only for the acquisition of works of art in a manner consistent with the museum's policy on the use of restricted acquisition funds or for direct care of works of art. Direct care for purposes of this section means the direct costs associated with the storage or preservation of works of art. Such direct costs include for example those for (i) conservation and restoration treatments (including packing and transportation for such conservation or restoration) and (ii) materials required for storage of all classifications of works of art, such as, acid-free paper, folders, matboard, frames, mounts, and digital media migration. Funds received from the disposal of a deaccessioned work of art shall not be used for operations or capital expenses except as provided above. Direct care does not include (a) salaries of staff or (b) costs incurred for the sole purpose of temporary exhibition display.

Through January 31, 2025, no proceeds derived from deaccessioned collection items have been used for direct care of the collection.

The Director, Chief Curator, and Chief Financial Officer will produce a list of itemized expenses in consultation with the Chair of the Collection Committee, with a recommended fiscal year cap in compliance with this policy and the applicable Financial Accounting Standards Board (FASB) standards, for approval by the Finance Committee and subsequent approval by the Executive Committee or Board.

Land, Buildings and Equipment

Land, buildings and equipment are stated at historical cost on the date acquired. Buildings and equipment are depreciated using the straight-line method over their estimated useful lives.

The principal structures that comprise the PMA complex, including the historic McLellan House (1800-1801), the Charles Quincy Clapp House (1832), the L.D.M. Sweat Memorial Galleries (1911) designed by John Calvin Stevens, the award-winning Charles Shipman Payson building (1983) designed by I.M. Pei & Partners, and the Winslow Homer Studio (1884), are all valued parts of the museum and together offer a survey of the history of American architecture and the evolution of American museum spaces.

Land Held for Future Use

Land held for future use is stated at historical cost on the date acquired or improved.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on an analysis of personnel time and space utilized for the related services.

PORTLAND MUSEUM OF ART

Notes to Financial Statements

January 31, 2025 and 2024

Volunteer Services

Volunteers work directly with professional staff to further the PMA's mission. Volunteer positions include Docents and volunteers in the museum's departments. The total number of volunteer hours approximated 1,575 and 1,626 in 2025 and 2024, respectively.

Income Taxes

The PMA is a not-for-profit corporation as described in §501(c)(3) of the Internal Revenue Code (the Code) and, as such, is exempt from federal income taxes. In addition, the PMA has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of §509(a) of the Code.

Subsequent Events

Management has considered transactions or events occurring through July 28, 2025, which was the date that the financial statements were available to be issued.

2. Liquidity and Availability of Financial Assets

The PMA regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to optimize the investment of its available funds. The PMA has various sources of liquidity at its disposal, including cash and cash equivalents, investments, and a line of credit. The PMA has Board designated investments that it does not intend to spend other than the amounts appropriated for operations as part of the budget approval process. However, Board designated investments could be made available, if necessary, by the Board.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the PMA considers all expenditures related to its ongoing activities, and general and administrative services undertaken to support those ongoing activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the PMA plans to operate with a balanced budget and anticipates collecting sufficient revenue to cover expenditures not covered by donor-restricted resources or, where appropriate, borrowings.

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At January 31, the following financial assets could readily be available within one year of the balance sheet date to meet general expenditures:

	<u>2025</u>	<u>2024</u>
Financial assets		
Cash and cash equivalents	\$ 13,424,815	\$ 11,356,897
Accounts receivable	27,884	22,081
Inventory	218,892	131,405
Contributions receivable, net	4,558,755	7,805,966
Board-approved appropriation for the coming year*	<u>2,071,400</u>	<u>1,991,200</u>
Total financial assets	<u>20,301,746</u>	<u>21,307,549</u>
Assets with restrictions		
Donor-restricted net assets included in cash and cash equivalents - temporary in nature	(6,602,630)	(10,601,268)
Donor-restricted contributions receivable – perpetual in nature	(65,000)	(103,000)
Contributions receivable within one year but for restricted-purpose	(2,163,900)	(2,849,612)
Contributions receivable for support of future periods beyond one year	<u>(2,329,855)</u>	<u>(4,905,976)</u>
Total assets with restrictions	<u>(11,161,385)</u>	<u>(18,459,856)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 9,140,361</u>	<u>\$ 2,847,693</u>

* As noted above, the PMA has self-imposed restrictions on the use of certain investment funds. Appropriations are calculated per policy and approved by the Board in annual budgets.

3. Appreciation of Net Assets with Donor Restrictions – Perpetual in Nature

Under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the PMA deems all investment income on net assets with donor restrictions (invested in perpetuity) investments to be classified as net assets with donor restrictions until appropriated by the Board of Trustees, unless otherwise stipulated by donors.

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Interpretation of Relevant Law

The Board of Trustees has interpreted 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. In keeping with this interpretation, the PMA classifies as net assets with donor restrictions perpetual in nature (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions (invested in perpetuity) is classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the PMA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the PMA and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other PMA resources
- The PMA's Investment Policy Statement

4. Contributions Receivable

	<u>2025</u>	<u>2024</u>
Within one year	\$ 2,228,900	\$ 3,441,612
Between one and four years	<u>2,497,500</u>	<u>4,905,976</u>
	4,726,400	8,347,588
Less present value discount at 7.1%	(78,818)	(340,022)
Less reserve for uncollectible pledges	<u>(88,827)</u>	<u>(201,600)</u>
	\$ 4,558,755	\$ 7,805,966

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5. Land, Buildings and Equipment

Following is a summary of land, buildings and equipment at January 31:

	<u>2025</u>	<u>2024</u>
Land and land improvements	\$ 5,623,932	\$ 5,623,932
Buildings and improvements	25,629,753	25,616,819
Equipment	<u>993,039</u>	<u>980,223</u>
	32,246,724	32,220,974
Less accumulated depreciation	<u>(18,221,199)</u>	<u>(17,736,576)</u>
	\$ <u>14,025,525</u>	\$ <u>14,484,398</u>

6. Campus Unification in Progress and Land Held for Future Use

Campus unification in progress includes costs incurred for acquisition of the PMA's adjacent properties, the Charles Quincy Clapp House and 142 Free Street; long-term planning including a 2014 Campus Master Plan and subsequent updates; and property preservation and improvements to support the PMA's goal of unifying all properties on the PMA's main campus at Seven Congress Square.

In January 2022, the PMA launched a campus reunification project: The PMA Blueprint: Building a Landmark for the Future, including a multi-year, multiphase capital campaign to support the PMA's Art for All mission and defined by the PMA's values of equity, sustainability, and flexibility. A unified and renewed campus will enhance the PMA's mission, welcome visitors from around the corner and across the world, and encourage meaningful connections with artworks, programs, and events.

Land held for future use consists of property adjacent to the PMA at 87 Spring Street. The PMA purchased the property in July 2007, and in 2009 demolished and abated the buildings and improved the lot for parking. The final phase of The PMA Blueprint: Building a Landmark for the Future will determine the best use of the Spring Street property to serve the future of the PMA and its communities.

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7. Investments

Investments as of January 31 included the following carried at fair and net asset values:

	<u>2025</u>	<u>2024</u>
Invested cash equivalents	\$ 1,287,747	\$ 786,080
Mutual funds	14,304,609	21,251,179
Limited liability and other closely-held companies	27,507,817	20,517,518
Partnership interests and fund of funds	<u>10,014,229</u>	<u>7,243,365</u>
	<u>\$ 53,114,402</u>	<u>\$ 49,798,142</u>

The perpetual net assets with donor restrictions and Board designated net assets for investment are invested to maintain their real value over time after distributions pursuant to the PMA's endowment spending policy, fees, and expenses. In the selection of investments, expected total return, defined as capital appreciation plus income, is prioritized over current yield. The PMA seeks to achieve its return objectives while controlling risk through diversification among asset classes and securities that form a blended portfolio which is expected to exhibit lower volatility than its constituent investments and broader equity market indexes.

Under the PMA's endowment spending policy, the amount of the endowment withdrawn for current expenses ("Annual Payout Amount") for each fiscal year will be determined by multiplying the distribution rate by the average market value of the fund over a defined period of time. The Annual Payout Amount will be appropriated at the beginning of each fiscal year by vote of the PMA's Board of Trustees. The distribution rates in 2025 were 2.0%, 4.1%, or 5.0% depending on the fund. The distribution rates in 2024 were 2.0%, 4.2%, 6.5% or 7.0% depending on the fund.

Through January 2027, certain permanent endowment net assets (\$5,281,147 at January 31, 2025) are subject to a donor-imposed spending limitation based on investment return during each fiscal year. If investment return is 4.5% or more, spending is limited to 4.5%; if return is 2.0% to 4.5%, spending is limited to the actual investment return; and if return is less than 2%, spending is limited to 2% provided the corpus (\$5,543,021 at January 31, 2025) is not temporarily decreased by more than 10%.

Investments by class of net assets (deficiency) were as follows at January 31:

	<u>2025</u>	<u>2024</u>
Without donor restrictions	\$ 5,554,060	\$ 5,240,387
With donor restrictions – temporary in nature	2,747,374	(196,518)
With donor restrictions – perpetual in nature	<u>44,812,968</u>	<u>44,754,273</u>
	<u>\$ 53,114,402</u>	<u>\$ 49,798,142</u>

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Changes in invested endowment net assets (deficiency) for the year ended January 31, 2025 were as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>		<u>Total</u>
		<u>Temporary in Nature</u>	<u>Perpetual in Nature</u>	
Endowment net assets (deficiency), beginning of year	\$ 5,240,387	\$ (196,518)	\$ 44,754,273	\$ 49,798,142
Contributions and other amounts invested	-	-	58,695	58,695
Investment return				
Investment income, net of \$258,130 in fees	107,790	934,470	-	1,042,260
Realized gain on investments	400,858	3,593,748	-	3,994,606
Net appreciation in fair value of investments	<u>52,661</u>	<u>454,646</u>	<u>-</u>	<u>507,307</u>
Total investment return	561,309	4,982,864	-	5,544,173
Appropriation of endowment assets for expenditure under spending policy or expiration of restrictions	<u>(247,636)</u>	<u>(2,038,972)</u>	<u>-</u>	<u>(2,286,608)</u>
Endowment net assets, end of year	<u>\$ 5,554,060</u>	<u>\$ 2,747,374</u>	<u>\$ 44,812,968</u>	<u>\$ 53,114,402</u>

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Changes in invested endowment net assets (deficiency) for the year ended January 31, 2024 were as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>		<u>Total</u>
		<u>Temporary in Nature</u>	<u>Perpetual in Nature</u>	
Endowment net assets, beginning of year	\$ 4,993,649	\$ (1,577,300)	\$ 43,497,944	\$ 46,914,293
Contributions and other amounts invested	-	-	1,256,329	1,256,329
Investment return				
Investment income, net of \$285,620 in fees	90,725	763,931	-	854,656
Realized loss on investments	(9,042)	(76,413)	-	(85,455)
Net appreciation in fair value of investments	<u>294,988</u>	<u>2,766,207</u>	<u>-</u>	<u>3,061,195</u>
Total investment return	376,671	3,453,725	-	3,830,396
Appropriation of endowment assets for expenditure under spending policy or expiration of restrictions	<u>(129,933)</u>	<u>(2,072,943)</u>	<u>-</u>	<u>(2,202,876)</u>
Endowment net assets (deficiency), end of year	<u>\$ 5,240,387</u>	<u>\$ (196,518)</u>	<u>\$ 44,754,273</u>	<u>\$ 49,798,142</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires PMA to retain as a fund of perpetual duration. Deficiencies of this nature existed in 12 donor-restricted funds, which have fair values totaling \$8,518,298, original gift values totaling \$11,242,005, and accumulated deficiencies totaling \$2,723,707 as of January 31, 2025. Deficiencies of this nature existed in 13 donor-restricted funds, which have fair values totaling \$15,214,204, original gift values totaling \$18,982,455, and accumulated deficiencies totaling \$3,768,251 as of January 31, 2024. The PMA's spending policy permits spending from funds with deficiencies in accordance with the prudent measures required under UPMIFA.

8. Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

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The three levels of inputs that may be used to measure fair value are:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Pursuant to FASB Accounting Standards Update No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, fair value information by level has not been presented for certain investments valued at the NAV per share reported by the investment manager.

Assets measured at fair value on a recurring basis are summarized below.

Fair Value Measurements at January 31, 2025				
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Cash equivalent investments				
Money market funds	\$ 1,287,747	\$ 1,287,747	\$ -	\$ -
Mutual funds				
Long-term capital appreciation	<u>14,304,609</u>	<u>14,304,609</u>	-	-
	15,592,356	\$ 15,592,356	\$ -	\$ -
Investments at NAV	<u>37,522,046</u>			
Total investments	\$ 53,114,402			

Fair Value Measurements at January 31, 2024				
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Cash equivalent investments				
Money market funds	\$ 786,080	\$ 786,080	\$ -	\$ -
Mutual funds				
Long-term capital appreciation	<u>21,251,179</u>	<u>21,251,179</u>	-	-
	22,037,259	\$ 22,037,259	\$ -	\$ -
Investments at NAV	<u>27,760,883</u>			
Total investments	\$ 49,798,142			

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Investments in general are exposed to various risks, such as interest rates, credit, and overall market volatility. As such, it is reasonably possible that changes could materially affect the amounts reported in the balance sheets and statements of activities.

Money market and mutual funds are valued based on quoted market prices. Management believes that techniques used to value investments are not an indicator of their liquidity.

The following table presents additional information about the PMA's investments whose fair value is estimated using the reported NAV at January 31:

	Fair Value	Fair Value	Upcoming	Redemption	Redemption
	<u>2025</u>	<u>2024</u>	<u>Commitments</u>	<u>Frequency</u>	<u>Notice</u>
					<u>Period</u>
FEG Select Active					
International Equity Series I	\$ 1,713,710	\$ 1,711,149	\$ -	Monthly	30 days
Domestic Equity Series I	2,082,311	1,743,046	-	Quarterly	60 days
Domestic Equity Series II	2,202,348	1,723,615	-	Monthly	30 days
Global Equity Series II	2,010,470	2,482,443	-	Monthly	30 days
Emerging Markets Series I	1,513,156	1,417,815	-	Monthly	30 days
Emerging Market Equity II	1,423,776	1,325,436	-	Monthly	30 days
FEG Select					
Core Fixed Income Series	3,369,252	3,335,326	-	Daily	5 days
Core Plus Bond Series	3,464,638	3,326,619	-	Daily	5 days
Diversifying Strategies Series	2,851,639	2,599,290	-	Semiannual	95 days
Biotech Series I	945,217	852,779	-	Semiannual	90 days
Structured International Equity Series	2,301,407	-	-	Monthly	30 days
Structured U.S. Equity Series	3,212,492	-	-	Monthly	30 days
FEG Private Opportunities Fund V, L.P.	5,181,025	3,888,156	-	Illiquid	N/A
Other partnership interests and fund of funds	<u>5,250,605</u>	<u>3,355,209</u>	<u>-</u>		
	<u>\$ 37,522,046</u>	<u>\$ 27,760,883</u>	<u>\$ -</u>		

Management expects the commitments to be funded through investment rebalancing and believes rebalancing is not dependent on future contributions or use of the PMA's cash and cash equivalents balances. The timing and amount of capital distributions in any future year is uncertain.

The investment objectives of the underlying investment advisors of the funds reported at NAV are as follows:

Fund Evaluation Group (FEG) Select Active International Equity Series I seeks total return through investments in the developed international market.

FEG Select Active Domestic Equity Series I and II seek total return in U.S. equity securities.

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FEG Select Active Global Equity Series II seeks total return.

FEG Select Active Emerging Markets Series I and Equity II seeks total return on investments.

FEG Select Core Fixed Income Series and Core Plus Bond Series seek total return along with equity risk mitigation.

FEG Diversifying Strategies Series seeks a low volatility portfolio to diversify traditional equity and fixed income investments.

FEG Select Biotech Series I seeks to provide total return.

FEG Private Opportunities Fund V, L.P. seeks to invest in private equity, debt and real estate strategies for total return.

FEG Select Structured U.S. and International Equity Series seeks to invest in private equity for total return.

9. Borrowings

In October 2021, the PMA entered into a \$3,000,000 working capital line of credit and a \$1,642,500 line of credit available for capital asset purchases. Interest on working capital line advances will be adjusted Secured Overnight Financing Rate (SOFR) plus 1.75%, as defined in the loan agreement extension. Interest on the credit line available for capital purchases is SOFR plus 1.45%. These lines mature in August 2025. The working capital line of credit is unsecured and the line of credit for capital asset purchases is collateralized by certain real estate. There were no advances outstanding under these lines at January 31, 2025 or 2024.

10. Net Assets Without Donor Restrictions

Net assets without donor restrictions at January 31 are as follows:

	<u>2025</u>	<u>2024</u>
Net investment in capital assets*	\$ 15,079,325	\$ 15,538,208
Board designated for investment	5,494,282	5,240,387
Investment in property held for future use*	9,490,158	8,208,113
Other (deficit)	<u>(360,499)</u>	<u>(520,914)</u>
	<u>\$ 29,703,266</u>	<u>\$ 28,465,794</u>

* Includes certain amounts reported within campus unification in process.

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11. Net Assets with Donor Restrictions – Temporary in Nature

Net assets with donor restrictions - temporary in nature at January 31 are available for the following purposes or periods:

	<u>Currently Available</u>	<u>Income (Deficiency) in Excess of Spending Policy</u>	<u>Temporarily Restricted Investment Principal</u>	<u>Amounts Receivable in Future Periods</u>	<u>Total</u>
<u>2025</u>					
Education	\$ 429,430	\$ 395,207	\$ -	\$ 60,000	\$ 884,637
Maintenance of collection and building	323,558	254,510	-	8,295,931	8,873,999
Acquisition of art for the collection	3,297,059	411,551	-	-	3,708,610
Other restricted purposes	<u>2,552,583</u>	<u>858,195</u>	<u>2,500,000</u>	<u>-</u>	<u>5,910,778</u>
	<u>\$ 6,602,630</u>	<u>\$ 1,919,463</u>	<u>\$ 2,500,000</u>	<u>\$ 8,355,931</u>	<u>\$ 19,378,024</u>
<u>2024</u>					
Education	\$ 465,602	\$ (9,160)	\$ -	\$ 40,000	\$ 496,442
Maintenance of collection and building	321,961	(79,701)	-	7,810,658	8,052,918
Acquisition of art for the collection	3,066,621	265,957	-	-	3,332,578
Other restricted purposes	<u>6,747,084</u>	<u>(1,201,524)</u>	<u>-</u>	<u>-</u>	<u>5,545,560</u>
	<u>10,601,268</u>	<u>(1,024,428)</u>	<u>\$ -</u>	<u>\$ 7,850,658</u>	<u>\$ 17,427,498</u>

12. Net Assets with Donor Restrictions – Perpetual in Nature

At January 31, the PMA's net assets with donor restrictions – perpetual in nature, consist of endowment funds from which income is expendable to support the following:

	<u>2025</u>	<u>2024</u>
General operations, including \$103,908 in contributions receivable at January 31, 2025 and 2024	\$ 29,927,019	\$ 29,917,019
Education	6,108,802	6,108,302
Maintenance of collection and buildings	4,970,533	4,969,033
Acquisition of art for the collection	736,839	736,839
Wages and related expenses	3,039,765	3,023,080
Other	<u>133,918</u>	<u>100,125</u>
	<u>\$ 44,916,876</u>	<u>\$ 44,854,398</u>

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13. Unionized Employees

In April 2021, certain nonmanagement employees of the PMA became members of Local 2110 of the United Autoworkers (UAW). In October 2024, additional nonmanagement employees of the PMA became members of the International Union, Security, Police and Fire Professionals of America (SPFPA). Collectively, these employees number approximately 29 full-time and 19 part-time or on-call employees and represent 41% of the PMA's staff as of January 31, 2025. The two collectively bargained contracts run concurrently, and are scheduled to expire on September 30, 2027.

14. Defined Contribution Retirement Plan

The PMA has a 403(b) Plan (the Plan). All employees that work more than 1,000 hours during the Plan year are eligible to participate. Under the Plan, the PMA may make discretionary match contributions. During the years ended January 31, 2025 and 2024, the PMA contributed \$116,335 and \$108,450 to the Plan, respectively.

15. Contingency and Uncertainty

In the ordinary course of operations, the PMA may be periodically involved in legal claims. While the PMA is not currently undergoing such claims, in the opinion of management, the PMA has adequate legal defense or insurance coverage with respect to such claims and management does not believe that they will have a material adverse effect on the PMA's financial statements.