

# National Liberty Museum

Financial Statements  
Year Ended December 31, 2021



1835 Market Street, 3rd Floor  
Philadelphia, PA 19103

215/567-7770 | [bbdcpa.com](http://bbdcpa.com)

# NATIONAL LIBERTY MUSEUM

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## **INDEPENDENT AUDITOR'S REPORT**

**Board of Directors  
National Liberty Museum  
Philadelphia, Pennsylvania**

### **Opinion**

We have audited the accompanying financial statements of National Liberty Museum (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Liberty Museum as of December 31, 2021, and the changes in 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 National Liberty Museum 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 National Liberty Museum'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 National Liberty Museum'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 National Liberty Museum'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 National Liberty Museum's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 8, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



**Philadelphia, Pennsylvania**  
**September 30, 2022**

# NATIONAL LIBERTY MUSEUM

## STATEMENT OF FINANCIAL POSITION

December 31, 2021 with comparative totals for 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,622,090	\$ 1,071,499
Prepaid expenses and other	308,959	128,394
Contributions and grants receivable, net	1,210,646	1,507,229
Inventory, net	719,054	760,266
Investments	15,707,283	15,351,977
Contribution receivable - facilities	5,031,113	-
Collections	-	-
Property and equipment, net	<u>3,423,024</u>	<u>3,302,390</u>
<b>Total assets</b>	<u>\$ 29,022,169</u>	<u>\$ 22,121,755</u>
<b>LIABILITIES</b>		
Lines of credit	\$ 1,392,716	\$ 1,393,601
Accounts payable and accrued expenses	333,208	129,028
Liability under charitable gift annuities	32,256	34,523
Paycheck Protection Program Loan	<u>-</u>	<u>319,227</u>
<b>Total liabilities</b>	<u>1,758,180</u>	<u>1,876,379</u>
<b>NET ASSETS</b>		
Without donor restrictions	17,888,198	15,606,088
With donor restrictions	<u>9,375,791</u>	<u>4,639,288</u>
<b>Total net assets</b>	<u>27,263,989</u>	<u>20,245,376</u>
<b>Total liabilities and net assets</b>	<u>\$ 29,022,169</u>	<u>\$ 22,121,755</u>

See accompanying notes

# NATIONAL LIBERTY MUSEUM

## STATEMENT OF ACTIVITIES

December 31, 2021 with comparative totals for 2020

	Without Donor Restrictions	With Donor Restrictions	<u>Totals</u>	
			<u>2021</u>	<u>2020</u>
<b>REVENUE, GAINS AND OTHER SUPPORT</b>				
Contributions and grants	\$ 875,354	\$ 247,429	\$ 1,122,783	\$ 1,476,231
Admissions	40,622	-	40,622	31,115
Membership dues	4,805	-	4,805	2,160
Special events, net of expenses of \$62,535 in 2021 and \$173,696 in 2020	195,412	-	195,412	195,413
Gift shop sales, net of cost of sales of \$48,404 in 2021 and \$4,692 in 2020	11,253	-	11,253	4,434
Donated use of facility	396,000	5,031,113	5,427,113	396,000
Other	289,032	-	289,032	88,617
Endowment spending policy distribution	161,584	(161,584)	-	-
Net assets released from restrictions	<u>727,222</u>	<u>(727,222)</u>	<u>-</u>	<u>-</u>
<b>Total revenue, gains and other support</b>	<u>2,701,284</u>	<u>4,389,736</u>	<u>7,091,020</u>	<u>2,193,970</u>
<b>EXPENSES</b>				
Program activities	2,852,904	-	2,852,904	2,600,740
Management and general	184,086	-	184,086	362,631
Fundraising	<u>481,113</u>	<u>-</u>	<u>481,113</u>	<u>309,563</u>
<b>Total expenses</b>	<u>3,518,103</u>	<u>-</u>	<u>3,518,103</u>	<u>3,272,934</u>
<b>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</b>				
	<u>(816,819)</u>	<u>4,389,736</u>	<u>3,572,917</u>	<u>(1,078,964)</u>
<b>OTHER CHANGES</b>				
Investment income	1,616,835	346,767	1,963,602	1,070,870
Loan forgiveness	615,879	-	615,879	-
Proceeds from sale of collection items	896,100	-	896,100	-
Loss on disposal of property and equipment	(24,796)	-	(24,796)	(605,788)
Change in value of liability under charitable gift annuities	<u>(5,089)</u>	<u>-</u>	<u>(5,089)</u>	<u>99,919</u>
<b>Total other changes</b>	<u>3,098,929</u>	<u>346,767</u>	<u>3,445,696</u>	<u>565,001</u>
<b>CHANGE IN NET ASSETS</b>	2,282,110	4,736,503	7,018,613	(513,963)
<b>NET ASSETS</b>				
Beginning of year	<u>15,606,088</u>	<u>4,639,288</u>	<u>20,245,376</u>	<u>20,759,339</u>
<b>End of year</b>	<u>\$ 17,888,198</u>	<u>\$ 9,375,791</u>	<u>\$ 27,263,989</u>	<u>\$ 20,245,376</u>

See accompanying notes

# NATIONAL LIBERTY MUSEUM

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2021 with comparative totals for 2020

	Program							Management and General	Fundraising	Totals	
	YHOP	Educational Tours and Workshops	Community Awards Programs	Glass Art Programs	Audience Engagement Programs	Other On-site Programs	Total			2021	2020
Payroll	\$ 136,322	\$ 200,058	\$ 54,930	\$ 202,614	\$ 29,422	\$ 453,121	\$ 1,076,467	\$ 26,248	\$ 254,996	\$ 1,357,711	\$ 1,370,566
Benefits and payroll taxes	30,299	42,733	11,767	43,417	6,674	97,402	232,292	5,594	57,066	294,952	192,774
<b>Total payroll and payroll related expenses</b>	166,621	242,791	66,697	246,031	36,096	550,523	1,308,759	31,842	312,062	1,652,663	1,563,340
Advertising	-	11,659	3,750	-	18,935	17,783	52,127	-	918	53,045	71,687
Consultants and professional fees	33,916	40,543	4,423	39,949	103,724	91,774	314,329	48,147	112,107	474,583	241,905
Contracts facility	6,029	8,791	2,143	9,222	4,325	41,597	72,107	23,332	11,703	107,142	78,651
Credit card processing fees and dues	981	458	5	4,419	10	1,844	7,717	52	590	8,359	3,288
Depreciation	188	274	67	287	135	322,759	323,710	727	365	324,802	395,855
Dues and fees	1,246	22,281	413	2,377	1,099	9,037	36,453	4,495	4,400	45,348	37,627
Equipment rental	724	1,056	257	1,108	519	(116)	3,548	2,802	1,406	7,756	20,122
Insurance	3,589	5,233	1,276	5,490	2,575	23,056	41,219	13,891	6,967	62,077	61,450
Interest	1,683	2,455	598	2,575	1,208	10,813	19,332	6,515	3,268	29,115	37,324
Miscellaneous	20,936	7,066	3,208	5,385	2,470	44,343	83,408	13,149	7,545	104,102	105,820
Occupancy	4,290	6,255	1,525	50,483	3,078	403,758	469,389	16,603	8,328	494,320	484,088
Postage	56	30	7	4,755	15	4,338	9,201	79	305	9,585	12,910
Printing	3,184	153	37	161	408	10,186	14,129	406	4,059	18,594	13,114
Program activities	3,103	6,652	765	3,374	1,543	47,006	62,443	17,028	4,176	83,647	14,271
Supplies	607	4,176	2,694	2,241	972	14,620	25,310	2,351	1,504	29,165	24,812
Telephone & internet	373	543	132	570	470	2,394	4,482	1,442	723	6,647	14,149
Travel	324	962	113	676	227	2,939	5,241	1,225	687	7,153	9,399
<b>Total expenses</b>	<b>\$ 247,850</b>	<b>\$ 361,378</b>	<b>\$ 88,110</b>	<b>\$ 379,103</b>	<b>\$ 177,809</b>	<b>\$ 1,598,654</b>	<b>\$ 2,852,904</b>	<b>\$ 184,086</b>	<b>\$ 481,113</b>	<b>\$ 3,518,103</b>	<b>\$ 3,189,812</b>

See accompanying notes

# NATIONAL LIBERTY MUSEUM

## STATEMENT OF CASH FLOWS

Year ended December 31, 2021 with comparative totals for 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$ 7,018,613	\$ (513,963)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	324,802	395,855
Loan forgiveness	(615,879)	-
Proceeds from sale of collection items	(896,100)	-
Realized and unrealized (gain) loss on investments	27,213	(498,011)
Loss on disposal of property and equipment	24,796	605,788
Change in value of liability under charitable gift annuities	5,089	(99,919)
(Increase) decrease in		
Prepaid expenses and other	(180,565)	(101,005)
Contribution and grants receivable	296,583	(305,092)
Inventory	41,212	104,694
Contribution receivable - facilities	(5,031,113)	-
Increase (decrease) in		
Accounts payable and accrued expenses	204,180	(41,593)
Liability under charitable gift annuities	(7,356)	(20,928)
<b>Net cash provided by (used for) operating activities</b>	<u>1,211,475</u>	<u>(474,174)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(470,232)	(71,870)
Proceeds from sale of investments	3,110,989	3,158,480
Purchase of investments	(3,493,508)	(3,161,925)
Proceeds from sale of collection items	896,100	-
<b>Net cash provided by (used for) investing activities</b>	<u>43,349</u>	<u>(75,315)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net advances (payments) on line of credit	(885)	100,980
Proceeds from Paycheck Protection Program Loan	296,652	319,227
<b>Net cash provided by (used for) financing activities</b>	<u>295,767</u>	<u>420,207</u>
<b>Net change in cash and cash equivalents</b>	1,550,591	(129,282)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>1,071,499</u>	<u>1,200,781</u>
<b>End of year</b>	<u>\$ 2,622,090</u>	<u>\$ 1,071,499</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 29,115</u>	<u>\$ 37,324</u>

See accompanying notes



# NATIONAL LIBERTY MUSEUM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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### (1) ORGANIZATION

National Liberty Museum ("**NLM**" or the "**Organization**") is a nonprofit organization, located in the heart of historic Philadelphia, whose mission is to illuminate the strength and fragility of liberty by presenting the stories of people whose positive actions inspire us to protect and advance liberty for all. Visitors to NLM enjoy an engaging, educational and entertaining experience as they interact with incredible stories of heroes in NLM's signature galleries and its slate of changing temporary exhibitions. Throughout NLM, glass art is used to make the point that freedom is as fragile as glass and must be protected. NLM's core themes for young people and adults include leadership; diversity and inclusion; peaceful conflict resolution; and civic engagement.

#### **Exhibitions**

Contemporary art is the primary artistic medium of NLM. Throughout the year, NLM curates temporary exhibitions that appeal to all ages and interests, showcasing both new and renowned artists whose art explores NLM's theme of liberty in innovative and creative ways. Artists interact with the public through demonstrations, workshops, lectures and panel discussions.

#### **Young Heroes Outreach Program**

The National Liberty Museum's Young Heroes Outreach Program ("**YHOP**") is a year-long civics and leadership education program for grades 4-8. YHOP was developed to extend the NLM's mission into the classroom and applies an engaging student-centered approach to a unique intersection of civics and government instruction, social-emotional learning and character education. Opportunities are embedded throughout this program for students to use critical thinking and practice what they have learned to problem-solve real-life social issues and bring about tangible, positive changes in their school and community. The program includes comprehensive professional development and support for teachers, who work in partnership with Museum Educators to implement this unique, evidence-based program in their schools.

#### **K-12 Learning Experiences**

NLM offers a range of engaging virtual and in-person learning experiences for schools. NLM's standards-aligned programs introduce and explore the concept of liberty through real-life applications. Drawing inspiration from the museum's galleries and changing exhibitions, these hands-on, interactive learning experiences explore specific themes, such as: how to create change; media literacy and citizenship; conflict resolution; and allyship. All student learning experiences include pre- and post-visit materials for use in the classroom and are regularly evaluated.

#### **Engagement Programs**

NLM amplifies its impact through dynamic and engaging programs that connect our mission to audiences well beyond our four walls. Initiatives include tours; artist-led workshops; talk-back discussions with community leaders; professional development opportunities; speaker programs; and after-hours events featuring local artists, musicians and makers. In addition to YHOP, outreach programs include Big Ideas for Little Learners, a pre-K family literacy initiative developed in partnership with the Kroc Center of Philadelphia and supported by the William Penn Foundation.

### (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

# NATIONAL LIBERTY MUSEUM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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### Basis of Presentation

NLM reports information regarding its financial position and activities according to the following classes of net assets:

#### ***Without donor restrictions***

Net assets that are not subject to donor-imposed restrictions.

#### ***With donor restrictions***

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of NLM and/or the passage of time. When a restriction is satisfied, 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.***"

Also included in this category are net assets that are subject to donor-imposed restrictions that require the net assets be maintained indefinitely while permitting NLM to expend the income generated in accordance with the provisions of the contributions.

### Estimates

The presentation of financial statements in conformity with U.S. generally accepted accounting principles ("***GAAP***") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

### Cash and Cash Equivalents

NLM considers cash in banks, money market funds and highly liquid investments purchased with initial maturities of three months or less to be cash equivalents.

### Revenue Recognition

NLM recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. 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.

NLM has been awarded a \$1 million grant under the Redevelopment Assistance Capital Program from the Commonwealth of Pennsylvania which has not been fully recognized in the statement of activities because the grant is conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses and these conditions have not been met. This grant will be used for renovations and improvement project at the museum. The project entails significant upgrades and renovations: the historic facade will be repaired per inspectors' recommendations; a new three-phase electrical service will be installed, including switchgear, transformer, and electrical room renovation; the fire systems will be upgraded to ensure code compliance; three of the main galleries will be completely renovated to improve visitor flow/traffic patterns and exhibition capabilities. As of December 31, 2021, approximately \$550,000 remains available under this grant agreement.

Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Contributions and grants received are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Unconditional contributions and grants are recognized as revenue when the related promise to give is received. Conditional contributions and grants are recognized as revenue when the conditions are satisfied.

# NATIONAL LIBERTY MUSEUM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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Admissions revenue is recognized in the period in which the museum visit took place. Membership fees are recognized ratably over the membership period. Membership fees for future periods and fees paid in advance are also included in accounts payable and accrued expenses on the statement of financial position. Gift shop sales are recognized as revenue at the time of the sale.

NLM also holds special fundraising events. NLM records special events revenue equal to the fair value of direct benefits to donors and contribution income for the excess received when the event takes place.

### **Inventory**

Inventory consists principally of glass items to be sold at the annual auction and is stated at lower of specifically identified cost or market. An allowance for glass items has been established based on past history. This allowance was \$123,543 and \$126,661 at December 31, 2021 and 2020, respectively. For glass items donated by the artist, no appraisal is conducted. Therefore, no cost/fair value is assigned at the date of donation. All other donated inventory is recorded at appraised/fair value on date of donation.

### **Investments and Investment Income**

Investments are recorded in the statement of financial position at fair value, as determined based on quoted market prices. Cash equivalents classified as investments are short-term, highly liquid investments with original maturities of three months or more. Realized and unrealized gains and losses are included in the statement of activities.

The Organization invests in a professionally-managed portfolio that contains various types of securities (**See Note 6**). Such investments are exposed to market and credit risks. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect the investment balances and the amounts reported in the financial statements.

### **Fair Value Measurements of Assets and Liabilities**

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

**Level 1** – Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

**Level 2** – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

**Level 3** – Valuations based on inputs that are unobservable, that is, inputs that reflect the Organization's own assumptions.

# NATIONAL LIBERTY MUSEUM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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### **Property and Equipment**

Property and equipment are stated at cost. Depreciation is provided over the estimated useful lives of the related assets (ranging from 3 to 30 years) using the straight-line method. Leasehold improvements are amortized over the estimated useful lives of the improvement or the remaining lease term, whichever is shorter, using the straight-line method. Expenditures of \$5,000 or more that extend the useful life of the respective assets are capitalized, while repairs and maintenance are expensed as incurred.

### **Collections**

The collections, which were acquired through purchases and contributions since the Organization's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired, or as net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

The Organization's collections are primarily glass art that illustrates the connection between freedom and self-expression. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. Collection items are subject to a policy that requires proceeds from their sales to be used to acquire other items for collections and for the direct care of the collection. Direct care includes expenditures that provide a direct benefit to the collection by enhancing its life, usefulness, or quality and excludes expenditures for routine maintenance of the collection.

During 2021, three paintings from the collection were determined to no longer be in line with the Museum's exhibit and were subsequently sold at auction resulting in an increase in net assets without donor restrictions of \$896,100 which is included in the statement of activities.

### **Advertising**

The Organization expenses advertising costs as incurred. Advertising expense was \$53,045 and \$71,687 for the years ended December 31, 2021 and 2020, respectively.

### **Expense Allocation**

Directly identifiable expenses are charged to programs and supporting services. Costs that constitute an appeal for financial support are charged to fundraising expenses. Expenses related to more than one function are charged to programs and supporting services based on estimates of time spent in each area. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction of the Organization. Such costs are expensed as incurred.

The financial statements have certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include administrative and executive salaries and wages (and related benefits and payroll taxes), insurance, consultants and professional fees, and supplies, which are allocated based on a pro-rata share of the total direct expenses charged to each function.

### **Income Tax Status**

NLM is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation.

# NATIONAL LIBERTY MUSEUM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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GAAP requires entities to evaluate, measure, recognize and disclose any uncertain tax positions. GAAP prescribes a minimum recognition threshold that a tax position is required to meet in order to be recognized in the financial statements. The Organization believes that it had no uncertain tax positions.

### **Concentration of Credit Risk**

Financial instruments which potentially subject the Organization to concentration of credit risk are cash and cash equivalents and contributions and grants receivable. The Organization maintains its cash at various financial institutions. At times, such deposits may exceed federally-insured limits. Contributions and grants receivable is more fully described in Note 4.

### **Prior Year Summarized Information**

The financial statements include certain 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 GAAP. Accordingly, such information should be read in conjunction with NLM's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

### **(3) LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use past one-year of the statement of financial position date, comprise the following:

	<b><u>2021</u></b>	<b><u>2020</u></b>
Cash and cash equivalents	\$ 2,622,090	\$ 1,071,499
Contributions and grants receivable, net	718,295	1,004,576
Investments not encumbered by donor restrictions	12,728,061	12,462,956
Endowment spending-rate distribution and appropriation	<u>256,566</u>	<u>130,446</u>
Total financial assets available for general expenditure within one year	<u>\$ 16,325,012</u>	<u>\$ 14,669,477</u>

### **Liquidity Management**

The Organization receives contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. None of the financial assets noted above are subject to donor restrictions that make them unavailable for general expenditures.

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash, equity securities, and lines of credit. See note 9 for information about the Organization's lines of credit.

The endowment fund consists of donor-restricted endowment funds. Income from donor-restricted endowments is restricted for specific purposes, with the exception of amounts available for general use. Donor-restricted endowment funds are not available for general use.

# NATIONAL LIBERTY MUSEUM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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### (4) CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consist of amounts expected to be collected as follows at December 31:

	<u>2021</u>	<u>2020</u>
Amount due in:		
Less than one year	\$ 718,295	\$ 1,004,576
One to five years	245,000	310,303
Greater than five years	<u>629,000</u>	<u>573,999</u>
Gross contributions receivable	1,592,295	1,888,878
Less present value discount	<u>(281,235)</u>	<u>(281,235)</u>
	1,311,060	1,607,643
Less allowance for doubtful accounts	<u>(100,414)</u>	<u>(100,414)</u>
	<u>\$ 1,210,646</u>	<u>\$ 1,507,229</u>

Contributions and grants to be collected or paid after one year are discounted at the net present value of their future cash receipts using effective interest rate of 4.5%. Management determines the allowance for uncollectible contributions and grants receivable based on its estimate of realization of the underlying contribution. Individual contributions and grants are written off when deemed uncollectible.

### (5) INVENTORY

Inventory consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Glass items	\$ 823,619	\$ 844,425
Gift shop inventory	<u>18,978</u>	<u>42,502</u>
	842,597	886,927
Less provision	<u>(123,543)</u>	<u>(126,661)</u>
	<u>\$ 719,054</u>	<u>\$ 760,266</u>

### (6) INVESTMENTS

Investments consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Debt securities:		
Israel bonds	\$ 1,900	\$ 1,900
Mutual funds:		
Equity	10,104,325	9,636,434
Fixed income	5,601,058	5,593,185
Certificates of deposit	<u>-</u>	<u>120,458</u>
	<u>\$ 15,707,283</u>	<u>\$ 15,351,977</u>

The above investments include funds held under charitable gift annuity agreements, totaling \$226,490 and \$213,101 at December 31, 2021 and 2020, respectively.

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# NATIONAL LIBERTY MUSEUM

## NOTES TO FINANCIAL STATEMENTS

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The fair value of mutual funds, is based upon quoted prices in active markets. These investments have been classified within Level 1 of the valuation hierarchy. Debt securities and certificates of deposit have been classified within Level 2 of the valuation hierarchy.

Investment income consists of the following for the year ended December 31:

	2021		
	<u>Total</u>	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>
Interest and dividends	\$ 2,084,005	\$ 1,690,690	\$ 393,315
Investment management fees	(93,190)	(76,646)	(16,544)
Realized and unrealized gain (loss)	(27,213)	2,791	(30,004)
	<u>\$ 1,963,602</u>	<u>\$ 1,616,835</u>	<u>\$ 346,767</u>

  

	2020		
	<u>Total</u>	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>
Interest and dividends	\$ 659,210	\$ 580,674	\$ 78,536
Investment management fees	(86,351)	(71,040)	(15,311)
Realized and unrealized gain	498,011	377,751	120,260
	<u>\$ 1,070,870</u>	<u>\$ 887,385</u>	<u>\$ 183,485</u>

### (7) CONTRIBUTIONS RECEIVABLE - FACILITIES

As discussed in Note 15, NLM leases a building owned by its related party affiliate. The lease agreement was previously based on annual renewals with annual rental of \$1. In 2021, management has determined that the intent of the Organization is to remain and improve the building for the term of the lease options and has begun to substantially invest in leasehold improvements. Therefore, in 2021, the remaining lease term is now 16 years ending in 2037 with annual rent of \$1. Management has estimated the fair value of the annual lease and recorded such fair value as without donor restriction support and related occupancy expense of \$396,000 for each the years ended December 31, 2021 and 2020. Additionally in 2021, NLM has recorded the present value of the future donations of the yearly fair market value of the facilities through 2037 of \$5,031,113 as with donor restriction and that amount will be released over the life of the remaining intended lease term as without donor restriction.

In connection with this agreement, the Organization has reflected the following amounts in the accompanying financial statements based upon the estimated fair value of the facility:

#### Statement of Financial Position

##### Contributions receivable

Gross	\$ 6,336,000
Discount to present value (2.5%)	<u>(1,304,887)</u>
	5,031,113

#### Statement of Activities

##### Contributions

Gross	\$ 6,336,000
Discount to present value (2.5%)	<u>(1,304,887)</u>
	5,031,113

# NATIONAL LIBERTY MUSEUM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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### (8) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 3,487,960	\$ 3,488,721
Gallery exhibits	3,236,520	3,236,520
Furniture, fixtures and equipment	95,222	81,975
Construction in progress	<u>370,470</u>	<u>-</u>
	7,190,172	6,807,216
Less accumulated depreciation and amortization	<u>(3,767,148)</u>	<u>(3,504,826)</u>
	<u>\$ 3,423,024</u>	<u>\$ 3,302,390</u>

Depreciation expense amounted to \$324,802 and \$395,855 for the years ended December 31, 2021 and 2020, respectively.

### (9) LIABILITY UNDER CHARITABLE GIFT ANNUITIES

The Organization administers various charitable gift annuity contracts, pursuant to which it must make specified annuity payments to the donors or their beneficiaries over their lifetimes. The liability reflected in the accompanying statement of financial position represents the present value of the expected future payments. Payments to the donors or their beneficiaries are recorded as reductions in the liability. Adjustments resulting from amortization of the discounts and changes in life expectancies of the donors or their beneficiaries are recorded as "change in value of liability under charitable gift annuities" in the accompanying statement of activities.

### (10) LINES OF CREDIT

The Organization has an open line of credit, up to \$5,335,000 with a financial institution. The interest rate is at the Wall Street Journal Prime Rate less 1% (prime rate was 3.25% at December 31, 2021). The credit line is secured by investments. Borrowings under this line of credit as of December 31, 2021 and 2020 were \$1,293,213 and \$1,294,098, respectively.

The Organization has a second open line of credit, up to \$500,000 with a financial institution which renews annually in January. The interest rate is at the Wall Street Journal Prime Rate less 1.15%. Borrowings under this line of credit as of December 31, 2021 and 2020 were \$99,503, respectively.

Interest expense was \$31,239 and \$37,324 for the years ended December 31, 2021 and 2020, respectively.

### (11) LOAN FORGIVENESS - PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Organization borrowed \$319,227 under the Paycheck Protection Program Funded by the Coronavirus Aid, Relief and Economic Security ("**CARES**") Act. This loan is underwritten by TD Bank and bears interest at 1% maturing in April 2022. This loan may be forgiven if the proceeds are used in accordance with the terms of the program.

In March 2021, the Organization received loan proceeds in the amount of \$296,652 under a second PPP loan. Terms for forgiveness are the same as the loan received in 2020.



# NATIONAL LIBERTY MUSEUM

## NOTES TO FINANCIAL STATEMENTS

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In 2021, the Organization received forgiveness on both of these PPP loans therefore the total of the two loans has been recorded a gain on the statement of activities for the year ended December 31, 2021.

### (12) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes and periods:

	<u>December 31,</u> <u>2020</u>	<u>Additions</u>	<u>Releases</u>	<u>Unspent</u> <u>Endowment</u> <u>Distribution</u>	<u>December 31,</u> <u>2021</u>
Subject to expenditure for specified purposes					
Use in a future period	\$ 753,267	\$ 86,354	\$ (90,903)	\$ -	\$ 748,718
Healthcare Heroes program	285,577	-	(285,577)	-	-
Young Heroes program	486,057	161,075	(269,342)	-	377,790
Big Ideas for Little Learners	177,553	-	(33,587)	-	143,966
Successful Americans Who Overcame Physical and Cognitive Challenges Program	47,813	-	(47,813)	94,982	94,982
Donated facilities	-	5,031,113	-	-	5,031,113
Total subject to expenditure for specified purposes	<u>1,750,267</u>	<u>5,278,542</u>	<u>(727,222)</u>	<u>94,982</u>	<u>6,396,569</u>
Subject to NLM endowment spending policy and appropriation:					
Donor-restricted endowments	<u>2,889,021</u>	<u>346,767</u>	<u>(161,584)</u>	<u>(94,982)</u>	<u>2,979,222</u>
Total assets with donor restrictions	<u>\$ 4,639,288</u>	<u>\$ 5,625,309</u>	<u>\$ (888,806)</u>	<u>\$ -</u>	<u>\$ 9,375,791</u>

	<u>December 31,</u> <u>2019</u>	<u>Additions</u>	<u>Releases</u>	<u>Unspent</u> <u>Endowment</u> <u>Distribution</u>	<u>December 31,</u> <u>2020</u>
Subject to expenditure for specified purposes					
Use in a future period	\$ 793,442	\$ 20,000	\$ (60,175)	\$ -	\$ 753,267
Healthcare Heroes program	289,327	-	(3,750)	-	285,577
Young Heroes program	412,765	410,513	(337,221)	-	486,057
Big Ideas for Little Learners	179,080	-	(1,527)	-	177,553
Job Training & Education Programs	50,000	-	(50,000)	-	-
Successful Americans Who Overcame Physical and Cognitive Challenges Program	-	-	-	47,813	47,813
Total subject to expenditure for specified purposes	<u>1,724,614</u>	<u>430,513</u>	<u>(452,673)</u>	<u>47,813</u>	<u>1,750,267</u>
Subject to NLM endowment spending policy and appropriation:					
Donor-restricted endowments	<u>2,835,982</u>	<u>183,485</u>	<u>(82,633)</u>	<u>(47,813)</u>	<u>2,889,021</u>
Total assets with donor restrictions	<u>\$ 4,560,596</u>	<u>\$ 613,998</u>	<u>\$ (535,306)</u>	<u>\$ -</u>	<u>\$ 4,639,288</u>

# NATIONAL LIBERTY MUSEUM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### (13) ENDOWMENT FUNDS

Endowment funds represent donor-restricted endowment gifts that are currently invested and participate in the Organization's investment pool. The funds were established to support its general operations.

The Commonwealth of Pennsylvania has not adopted Uniform Prudent management of Institutional Funds Act of 2006 ("**UPMIFA**"). Pennsylvania state law allows nonprofit organizations to make an annual election to appropriate for spending a selected percentage between 2% and 7% of the fair value of assets related to the endowment funds. Due to the ongoing COVID-19 pandemic, the Commonwealth of Pennsylvania has signed a law which modifies the allowable spending percentage to be up to 10% in calendar years 2020, 2021 and 2022. NLM has adopted an investment policy seeking a total return for the assets held by the Organization. Upon adoption, total return is to be derived from interest, dividends and net capital appreciation (both realized and unrealized). The Board of Directors selected a percentage to be appropriated for spending that is consistent with the long-term preservation of the real value of assets. This percentage for the years ended December 31, 2021 and 2020 was 10% and 5% of the three-year average market value of the assets.

The Board of the Organization has interpreted Pennsylvania state law as requiring the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor preservation of stipulations to the contrary be maintained in perpetuity. As a result of this interpretation, the Organization classifies as net assets with donor restrictions: (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) enhancements or diminishments of the fund after amounts deemed income under Pennsylvania law.

The Organization had the following endowment-related activities during the year ended December 31:

	<b>2021</b>		
	<b><u>Total</u></b>	<b><u>Without Donor Restriction</u></b>	<b><u>With Donor Restriction</u></b>
Endowment net assets, beginning of year	\$ 2,889,021	\$ -	\$ 2,889,021
Investment return			
Interest and dividends, net of fees	376,771	-	376,771
Net appreciation (depreciation)	(30,004)	-	(30,004)
Total investment return	<u>346,767</u>	<u>-</u>	<u>346,767</u>
Investment return designated for current operations	(161,584)	-	(161,584)
Investment return designated for future programs	(94,982)	-	(94,982)
Endowment net assets, end of year	<u>\$ 2,979,222</u>	<u>\$ -</u>	<u>\$ 2,979,222</u>
	<b>2020</b>		
	<b><u>Total</u></b>	<b><u>Without Donor Restriction</u></b>	<b><u>With Donor Restriction</u></b>
Endowment net assets, beginning of year	\$ 2,835,982	\$ -	\$ 2,835,982
Investment return			
Interest and dividends, net of fees	63,225	-	63,225
Net appreciation (depreciation)	120,260	-	120,260
Total investment return	<u>183,485</u>	<u>-</u>	<u>183,485</u>
Investment return designated for current operations	(82,633)	-	(82,633)
Investment return designated for current operations	(47,813)	-	(47,813)
Endowment net assets, end of year	<u>\$ 2,889,021</u>	<u>\$ -</u>	<u>\$ 2,889,021</u>

# NATIONAL LIBERTY MUSEUM

## NOTES TO FINANCIAL STATEMENTS

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### (14) PROFIT SHARING PLAN

The Organization established a 401(k) profit sharing plan covering all employees with one year of service who have attained age 21. Matching contributions to the plan are discretionary and are funded as accrued. Expenses under this plan were \$5,615 and \$5,787 for the years ended December 31, 2021 and 2020, respectively.

### (15) RELATED PARTY TRANSACTIONS

NLM is affiliated with American Interfaith Institute ("**All**") as certain directors of NLM also serve as trustees of All. All is a nonprofit organization engaged in the research and study of the causes of racial and religious prejudices and promotes racial and religious understanding and tolerance.

NLM leases the building owned by All. NLM is required to pay all costs and expenses with regard to the occupied premises, including taxes, if any, insurance, maintenance, repairs and utilities. See Note 7 regarding the recording of donated facilities.

As of December 31, 2021 and 2020, the balance due to All was \$119,873 and \$-0-, respectively. This balance will be transferred to All in 2022.

### (16) COMMITMENTS

The Organization leases certain office equipment under non-cancelable operating leases. Equipment rental expense was \$7,756 and \$7,241 for the years ended December 31, 2021 and 2020, respectively. Additionally, beginning July 1, 2014, the Organization entered into a non-cancelable lease for storage space through June 30, 2024. Total storage rental expense was \$43,921 and \$40,412 for the years ended December 31, 2021 and 2020, respectively.

Future minimum annual rental payments are as follows:

2022	\$ 50,203
2023	51,609
2024	<u>26,156</u>
	<u>\$ 127,968</u>

### (17) SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 30, 2022, the date on which the financial statements were available to be issued. The extent of the continued impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our patrons and employees and impact on our investment performance and donors and their level of contributions, all of which are uncertain and cannot be predicted. NLM closed the building to the public in March 2020 and reopened on a partial schedule in 2021. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

In 2022, the Organization applied for and was awarded a second Redevelopment Assistance Capital Program, which is subject to the same terms as the first round, from the Commonwealth of Pennsylvania in the amount of \$2 million.

No other material subsequent events have occurred since December 31, 2021 that require recognition or disclosure in the financial statements.