

**Indianapolis Museum of Art
d/b/a Newfields**

Independent Auditor's Report and Consolidated Financial Statements
June 30, 2020 and 2019

**Indianapolis Museum of Art
d/b/a Newfields
June 30, 2020 and 2019**

Contents

Independent Auditor’s Report..... 1

Consolidated Financial Statements

Statements of Financial Position 3
Statements of Activities..... 4
Statements of Functional Expenses 5
Statements of Cash Flows 6
Notes to Financial Statements 7

Independent Auditor's Report

Board of Trustees
Indianapolis Museum of Art
Indianapolis, Indiana

We have audited the accompanying consolidated financial statements of Indianapolis Museum of Art, d/b/a Newfields and its subsidiary, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Indianapolis Museum of Art, d/b/a Newfields and its subsidiary as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Indianapolis, Indiana
December 3, 2020

**Indianapolis Museum of Art
d/b/a Newfields**
Consolidated Statements of Financial Position
June 30, 2020 and 2019
(In Thousands)

| | 2020 | 2019 |
|---|-------------------|-------------------|
| Assets | | |
| Cash | \$ 2,829 | \$ 3,193 |
| Accounts and other receivables | 604 | 351 |
| Contributions receivable, net | 13,991 | 14,381 |
| Prepaid expenses and other assets | 680 | 425 |
| Inventory | 461 | 410 |
| Investments | 345,976 | 347,549 |
| Estate notes and charitable lead trusts | 15,196 | 17,545 |
| Library accessions | 1,168 | 1,161 |
| Property and equipment, net | 88,419 | 90,974 |
| Collections - Note 1 | - | - |
| | <u>\$ 469,324</u> | <u>\$ 475,989</u> |
| Total assets | <u>\$ 469,324</u> | <u>\$ 475,989</u> |
| Liabilities | | |
| Accounts payable | \$ 570 | \$ 866 |
| Accrued salaries, wages and employee benefits | 618 | 696 |
| Deferred revenue | 746 | 786 |
| Other liabilities | 1,528 | 1,679 |
| Paycheck Protection Program loan | 2,879 | - |
| Tax-exempt bonds payable, net of bond issue costs (including bond premium of \$1,427 in 2020 and \$1,513 in 2019) | 73,891 | 77,214 |
| Total liabilities | <u>80,232</u> | <u>81,241</u> |
| Net Assets | | |
| Without donor restrictions | 87,936 | 91,754 |
| With donor restrictions | 301,156 | 302,994 |
| Total net assets | <u>389,092</u> | <u>394,748</u> |
| Total liabilities and net assets | <u>\$ 469,324</u> | <u>\$ 475,989</u> |

Indianapolis Museum of Art d/b/a Newfields

Consolidated Statements of Activities Years Ended June 30, 2020 and 2019

(In Thousands)

| | Without Donor Restrictions | 2020 With Donor Restrictions | Total |
|---|-------------------------------|------------------------------------|-------------------|
| Revenue, Gains and Other Support | | | |
| Annual giving and other contributions | \$ 5,792 | \$ 14,253 | \$ 20,045 |
| Government grants | 111 | 360 | 471 |
| Memberships | 983 | - | 983 |
| Admissions, fees and sales | 5,987 | 31 | 6,018 |
| Investment return designated for current operations, debt payments and art acquisitions | 4,703 | 12,073 | 16,776 |
| | <u>17,576</u> | <u>26,717</u> | <u>44,293</u> |
| Net assets released from restrictions | 15,692 | (15,692) | - |
| Total revenue, gains and other support | <u>33,268</u> | <u>11,025</u> | <u>44,293</u> |
| Expenses | | | |
| Curatorial | 7,756 | - | 7,756 |
| Educational | 6,254 | - | 6,254 |
| Horticultural | 3,142 | - | 3,142 |
| Museum stores | 2,687 | - | 2,687 |
| Management and general | 2,336 | - | 2,336 |
| Fundraising | 2,606 | - | 2,606 |
| Total expenses | <u>24,781</u> | <u>-</u> | <u>24,781</u> |
| Change in Net Assets Before Depreciation and Interest and Other Changes | | | |
| | <u>8,487</u> | <u>11,025</u> | <u>19,512</u> |
| Depreciation | 6,603 | - | 6,603 |
| Interest | 2,608 | - | 2,608 |
| Total depreciation and interest | <u>9,211</u> | <u>-</u> | <u>9,211</u> |
| Change in Net Assets Before Other Changes | (724) | 11,025 | 10,301 |
| Other Changes | | | |
| Investment return less than amounts designated for current operations and art acquisitions | (4,160) | (11,555) | (15,715) |
| Gain on disposal of equipment | 20 | - | 20 |
| Change in value of split interest agreements | 142 | (464) | (322) |
| Proceeds from sales of art | 97 | - | 97 |
| Purchases of art | - | (37) | (37) |
| Net assets released from restriction - art acquisition | 807 | (807) | - |
| Change in Net Assets | (3,818) | (1,838) | (5,656) |
| Net Assets, Beginning of Year | <u>91,754</u> | <u>302,994</u> | <u>394,748</u> |
| Net Assets, End of Year | <u>\$ 87,936</u> | <u>\$ 301,156</u> | <u>\$ 389,092</u> |

See Notes to Consolidated Financial Statements

| | 2019 | | |
|-------------------------------|----------------------------|-------------------|--|
| Without Donor Restrictions | With Donor Restrictions | Total | |
| \$ 2,398 | \$ 21,130 | \$ 23,528 | |
| 168 | 168 | 336 | |
| 1,081 | - | 1,081 | |
| 4,959 | 12 | 4,971 | |
| <u>5,661</u> | <u>13,124</u> | <u>18,785</u> | |
| <u>14,267</u> | <u>34,434</u> | <u>48,701</u> | |
| <u>14,370</u> | <u>(14,370)</u> | <u>-</u> | |
| <u>28,637</u> | <u>20,064</u> | <u>48,701</u> | |
| 7,121 | - | 7,121 | |
| 6,784 | - | 6,784 | |
| 2,289 | - | 2,289 | |
| 2,487 | - | 2,487 | |
| 2,365 | - | 2,365 | |
| 2,951 | - | 2,951 | |
| <u>23,997</u> | <u>-</u> | <u>23,997</u> | |
| <u>4,640</u> | <u>20,064</u> | <u>24,704</u> | |
| 6,644 | - | 6,644 | |
| 2,716 | - | 2,716 | |
| <u>9,360</u> | <u>-</u> | <u>9,360</u> | |
| (4,720) | 20,064 | 15,344 | |
| (1,606) | (2,370) | (3,976) | |
| - | - | - | |
| (40) | (454) | (494) | |
| - | 287 | 287 | |
| (10) | (674) | (684) | |
| <u>1,580</u> | <u>(1,580)</u> | <u>-</u> | |
| (4,796) | 15,273 | 10,477 | |
| <u>96,550</u> | <u>287,721</u> | <u>384,271</u> | |
| <u>\$ 91,754</u> | <u>\$ 302,994</u> | <u>\$ 394,748</u> | |

**Indianapolis Museum of Art
d/b/a Newfields**
Consolidated Statements Functional Expenses
Years Ended June 30, 2020 and 2019
(In Thousands)

| | 2020 | | | | | | | Total |
|----------------|------------------|-----------------|-----------------|------------------|------------------|------------------------------|-----------------|------------------|
| | Curatorial | Education | Horticultural | Museum Stores | Program Total | Management and General | Fundraising | |
| Personnel | \$ 4,329 | \$ 3,267 | \$ 1,430 | \$ 1,139 | \$ 10,165 | \$ 1,375 | \$ 1,669 | \$ 13,209 |
| Benefits | 957 | 670 | 323 | 222 | 2,172 | 344 | 326 | 2,842 |
| Services | 653 | 707 | 651 | 226 | 2,237 | 221 | 148 | 2,606 |
| Plant repairs | 46 | 62 | 65 | 23 | 196 | 7 | 11 | 214 |
| Utilities | 401 | 266 | 116 | 93 | 876 | 86 | 123 | 1,085 |
| Supplies | 281 | 234 | 236 | 715 | 1,466 | 15 | 17 | 1,498 |
| Insurance | 259 | 81 | 37 | 26 | 403 | 24 | 35 | 462 |
| General | 803 | 857 | 278 | 217 | 2,155 | 177 | 270 | 2,602 |
| Financial | 27 | 110 | 6 | 26 | 169 | 87 | 7 | 263 |
| | <u>7,756</u> | <u>6,254</u> | <u>3,142</u> | <u>2,687</u> | <u>19,839</u> | <u>2,336</u> | <u>2,606</u> | <u>24,781</u> |
| Depreciation | 2,190 | 1,719 | 752 | 599 | 5,260 | 550 | 793 | 6,603 |
| Interest | 867 | 674 | 298 | 237 | 2,076 | 218 | 314 | 2,608 |
| Total expenses | <u>\$ 10,813</u> | <u>\$ 8,647</u> | <u>\$ 4,192</u> | <u>\$ 3,523</u> | <u>\$ 27,175</u> | <u>\$ 3,104</u> | <u>\$ 3,713</u> | <u>\$ 33,992</u> |

| | 2019 | | | | | | | Total |
|----------------|------------------|-----------------|-----------------|------------------|------------------|------------------------------|-----------------|------------------|
| | Curatorial | Education | Horticultural | Museum Stores | Program Total | Management and General | Fundraising | |
| Personnel | \$ 4,012 | \$ 3,402 | \$ 1,176 | \$ 1,081 | \$ 9,671 | \$ 1,249 | \$ 1,736 | \$ 12,656 |
| Benefits | 864 | 661 | 261 | 194 | 1,980 | 360 | 312 | 2,652 |
| Services | 422 | 756 | 188 | 44 | 1,410 | 285 | 312 | 2,007 |
| Plant repairs | 49 | 65 | 50 | 27 | 191 | 69 | 10 | 270 |
| Utilities | 448 | 335 | 116 | 106 | 1,005 | 90 | 154 | 1,249 |
| Supplies | 380 | 254 | 252 | 790 | 1,676 | 27 | 44 | 1,747 |
| Insurance | 406 | 86 | 31 | 25 | 548 | 21 | 37 | 606 |
| General | 519 | 1,094 | 214 | 193 | 2,020 | 163 | 345 | 2,528 |
| Financial | 21 | 131 | 1 | 27 | 180 | 101 | 1 | 282 |
| | <u>7,121</u> | <u>6,784</u> | <u>2,289</u> | <u>2,487</u> | <u>18,681</u> | <u>2,365</u> | <u>2,951</u> | <u>23,997</u> |
| Depreciation | 2,133 | 1,889 | 654 | 600 | 5,276 | 500 | 868 | 6,644 |
| Interest | 872 | 773 | 267 | 245 | 2,157 | 204 | 355 | 2,716 |
| Total expenses | <u>\$ 10,126</u> | <u>\$ 9,446</u> | <u>\$ 3,210</u> | <u>\$ 3,332</u> | <u>\$ 26,114</u> | <u>\$ 3,069</u> | <u>\$ 4,174</u> | <u>\$ 33,357</u> |

Indianapolis Museum of Art d/b/a Newfields

Consolidated Statements of Cash Flows Years Ended June 30, 2020 and 2019

(In Thousands)

| | 2020 | 2019 |
|---|------------|-----------|
| Operating Activities | | |
| Change in net assets | \$ (5,656) | \$ 10,477 |
| Items not requiring (providing) cash | | |
| Depreciation | 6,603 | 6,644 |
| Noncash contributions | (23) | (14) |
| Acquisition and sales of art, net | (60) | 397 |
| Gain on disposal of property and equipment | (20) | - |
| Contributions restricted for long-term investment | (4,741) | (7,309) |
| Realized gains on investments | (22,518) | (45,198) |
| Unrealized losses on investments | 20,890 | 30,094 |
| Proceeds from Paycheck Protection Program loan | 2,879 | - |
| Changes in | | |
| Accounts and other receivables | (253) | (135) |
| Contributions receivable | 390 | (4,126) |
| Prepaid expenses and other assets | (349) | 203 |
| Estate notes and charitable lead trusts | 2,349 | (993) |
| Accounts payable | (296) | (159) |
| Accrued expenses and other liabilities | (269) | (423) |
| Net cash used in operating activities | (1,074) | (10,542) |
| Investing Activities | | |
| Acquisitions of art | (37) | (684) |
| Proceeds from sale of art | 97 | 287 |
| Purchases of property and equipment | (4,035) | (2,206) |
| Purchases of investments | (283,368) | (455,865) |
| Sales and maturities of investments | 280,537 | 458,940 |
| Net cash provided by (used in) investing activities | (6,806) | 472 |
| Financing Activities | | |
| Proceeds from contributions restricted for | | |
| Investments in endowment | 6,055 | 3,536 |
| Investments subject to various purchases | 4,741 | 7,309 |
| Principal payments on bonds | (3,280) | (3,220) |
| Net cash provided by financing activities | 7,516 | 7,625 |
| Decrease in Cash | (364) | (2,445) |
| Cash, Beginning of Year | 3,193 | 5,638 |
| Cash, End of Year | \$ 2,829 | \$ 3,193 |
| Supplemental Information | | |
| Interest paid | \$ 2,628 | \$ 2,745 |
| Property and equipment in accounts payable | 264 | 373 |

Indianapolis Museum of Art d/b/a Newfields

Notes to Consolidated Financial Statements June 30, 2020 and 2019

(Table Dollar Amounts in Thousands)

Note 1: Nature of Operations and Summary of Significant Accounting Policies

General

Indianapolis Museum of Art (Newfields) was incorporated as a not-for-profit organization in May 1892, under the laws of the State of Indiana. During 2018, Newfields filed a Certificate of Assumed Business Name with the Office of the Secretary of the State of Indiana to doing business as (d/b/a) Newfields.

The consolidated financial statements include the accounts of the Indianapolis Museum of Art and Oldfields, LLC, its wholly owned subsidiary. Oldfields, LLC was established during 2004 to hold certain real estate. The consolidated financial statements also include Newfields' affiliated organizations: Alliance of the Indianapolis Museum of Art, the Asian Art Society, the Contemporary Art Society, the Design Arts Society, the Fashion Arts Society and the Horticultural Society. The affiliated organizations are special interest groups within Newfields membership which operate for the benefit of Newfields donating cash and services of volunteers to various Newfields activities. No amounts are included in the consolidated financial statements for services of volunteers. As of July 1, 2020, the affiliated organizations were legally dissolved.

Newfields' mission is to enrich lives through exceptional experiences with art and nature. Newfields' primary sources of revenue and support are contributions, membership, admissions and earnings on investments.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

At June 30, 2020, Newfields' cash accounts exceeded federally insured limits by approximately \$2,921,000.

Inventories

Inventories consist of retail goods. Inventories are stated at the lower of cost or net realizable value. Costs of inventories are determined using the first-in, first-out (FIFO) method.

**Indianapolis Museum of Art
d/b/a Newfields**
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Table Dollar Amounts in Thousands)

Contributions Receivable

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received.

While contributions, including promises to give, are required to be recorded as revenue in the year received, expenses funded by such contributions normally occur in subsequent years. This means fluctuations between years in the amount of contributions received or receivable can have a significant impact on the total change in net assets of Newfields, as can the timing of program expenses which result therefrom. Management reviews promises to give and writes off any promises at the time they become uncollectible past their due date. Newfields has estimated an allowance for uncollectible promises to give of \$640,000 and \$690,000 as of June 30, 2020 and 2019, respectively.

Investments and Investment Return

Investments are carried at fair value. For those investments without quoted market prices, the fair value was provided by the managers of the investment funds. These estimated values are subject to uncertainty, and therefore, may differ significantly from the value that would have been used had a market for such investments existed. Such differences could be material. Investment return includes dividend, interest and other investment income and realized and unrealized gains and losses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets with donor restrictions and then released from restriction. Other investment return is reflected in the consolidated statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Newfields maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated quarterly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the actual date of transfer.

Indianapolis Museum of Art d/b/a Newfields

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Table Dollar Amounts in Thousands)

Property and Equipment

Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. Newfields provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

| | |
|---------------------------|---------------|
| Furnishings and equipment | 3 - 10 years |
| Buildings and grounds | 10 - 50 years |
| Land improvements | 20 years |

Long-Lived Asset Impairment

Newfields evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2020 or 2019.

Collections - Art Objects

According to Newfields' policy, collections include all works of art, historical treasures, library accessions and similar assets that are (a) held for public service rather than financial gain, (b) protected, kept unencumbered, cared for and preserved, and (c) subject to Newfields' policy that requires the proceeds of items that are sold to be used for the acquisition or direct care of collection items. The collections, which have been acquired through purchases and contributions since Newfields' inception, are not recognized as an asset on the consolidated statements of financial position. Purchases of collection items are recorded as decreases in net assets with or without donor restrictions in the year in which the items are acquired. Proceeds from deaccessions or insurance recoveries, if any, are reflected as increases in the appropriate net asset class.

Debt Issuance Costs

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. Newfields records these costs as direct deductions from the related debt consistent with debt premiums. Such costs are being amortized over the term of the respective debt using the effective interest method.

Indianapolis Museum of Art d/b/a Newfields

Notes to Consolidated Financial Statements June 30, 2020 and 2019

(Table Dollar Amounts in Thousands)

Income Taxes

Newfields is exempt from federal income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. Newfields is not considered to be a private foundation. However, Newfields is subject to federal income tax on any unrelated business taxable income. Newfields files tax returns in the U.S. federal jurisdiction.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Support and Revenue

Contributions are provided to Newfields either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts - with or without donor restrictions. The value recorded for each contribution is recognized as follows:

| Nature of the Gift | Value Recognized |
|---|---|
| <i>Conditional gifts, with or without restriction</i> | |
| Gifts that depend on Newfields overcoming a donor-imposed barrier to be entitled to the funds | Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor-imposed barrier is met |
| <i>Unconditional gifts, with or without restriction</i> | |
| Received at date of gift - cash and other assets | Fair value |
| Received at date of gift - property, equipment and long-lived assets | Estimated fair value |
| Expected to be collected within one year | Net realizable value |
| Collected in future years | Initially reported at fair value determined using the discounted present value of estimated future cash flows technique |

Indianapolis Museum of Art d/b/a Newfields

Notes to Consolidated Financial Statements June 30, 2020 and 2019

(Table Dollar Amounts in Thousands)

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Newfields reports gifts of land, buildings and equipment as without donor restrictions support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, Newfields reports expirations of donor restrictions as the donated or acquired long-lived assets are placed in service.

In-kind Contributions

In addition to receiving cash contributions, Newfields receives in-kind contributions of labor and material for repairs and event setup, equipment rental, and event supplies from various donors. It is the policy of Newfields to record the estimated fair value of certain in-kind donations as an expense in its consolidated financial statements, and similarly increase contribution revenue by the same amount. For the year ended June 30, 2020, \$281,360 was received in in-kind contributions. No such contributions were reported for the year ended June 30, 2019.

Indianapolis Museum of Art d/b/a Newfields

Notes to Consolidated Financial Statements June 30, 2020 and 2019

(Table Dollar Amounts in Thousands)

Government Grants

Support funded by grants is recognized as Newfields performs the contracted services under grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Functional Expenses

Expenses have been classified as program services, management and general, fund raising and membership development based on the actual direct expenditures and cost allocations based upon estimates of salaries incurred by Newfields personnel.

Subsequent Events

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of Newfields. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Subsequent events have been evaluated through December 3, 2020, which is the date the consolidated financial statements were issued.

Note 2: Revenue From Contracts With Customers

Membership Dues Revenue

Revenue from contracts with members for annual dues is reported at the amount that reflects the consideration to which Newfields expects to be entitled in exchange for providing member benefits. These amounts are due from members and do not include variable consideration. Revenue is recognized as performance obligations are satisfied, which is ratably over the membership term. Newfields memberships are noncancellable and, accordingly, has not recorded a refund liability.

**Indianapolis Museum of Art
d/b/a Newfields**
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Table Dollar Amounts in Thousands)

Admissions

Revenue from contracts with members for admissions is reported at the amount that reflects the consideration to which Newfields expects to be entitled in exchange for providing admission to Newfields or other applicable Newfields event. These amounts are due from visitors and do not include variable consideration. Revenue is recognized as performance obligations are satisfied, which is when the visit occurs. Newfields has not realized significant cancellations of admissions and, accordingly, has not recorded a refund liability.

Other Contract Revenue

Performance obligations are determined based on the nature of the goods or services provided by Newfields in accordance with the contract. Revenue for performance obligations satisfied over time is recognized ratably over the period based on time elapsed. Newfields believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to customers at a single point in time and Newfields does not believe it is required to provide additional goods or services related to that sale.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Newfields has contracts that are unsatisfied or partially unsatisfied as of June 30, 2020, 2019 and 2018, in the amounts of \$746,000; \$786,000 and \$731,000, respectively. As of June 30, 2020, Newfields expects to recognize these amounts as revenue over the next fiscal year. During the years ended June 30, 2020 and 2019, Newfields recognized revenue of \$753,000 and \$731,000, respectively, that was recognized as a contract liability at the beginning of the year.

Financing Component and Contract Costs

Newfields' revenue streams do not have significant financing components or contract costs and are generally due on the transaction date.

Significant Judgments

Newfields determines the transaction price based on standard charges for goods and services provided, discounts provided in accordance with Newfields' policy. Newfields determines its estimates of explicit price concessions based on its discount policies.

Newfields has not incurred material refunds in the past and, accordingly, has not provided for a refund liability at June 30, 2020 or 2019.

Indianapolis Museum of Art d/b/a Newfields

Notes to Consolidated Financial Statements June 30, 2020 and 2019

(Table Dollar Amounts in Thousands)

Disaggregation of Revenue

The composition of contract revenue by type for the years ended June 30, 2020 and 2019 is as follows:

| | 2020 | 2019 |
|--------------------------|-------------|-------------|
| Memberships | \$ 983 | \$ 1,081 |
| Admissions | 2,858 | 2,572 |
| Retail sales | 737 | 754 |
| Concessions income | 727 | 599 |
| Program and event income | 224 | 520 |
| Other income | 245 | 173 |
| | \$ 5,774 | \$ 5,699 |

The composition of revenue recognition for the years ended June 30, 2020 and 2019 is as follows:

| | 2020 | 2019 |
|---------------------------------------|-------------|-------------|
| Timing of revenue and recognition | | |
| Services transferred over time | \$ 1,092 | \$ 1,251 |
| Sales and services as a point in time | 4,682 | 4,448 |
| | \$ 5,774 | \$ 5,699 |

Note 3: Contributions Receivable

| | With Donor Restrictions | |
|--------------------------|--------------------------------|-------------|
| | 2020 | 2019 |
| Due within one year | \$ 3,980 | \$ 3,663 |
| Due in one to five years | 11,823 | 12,998 |
| | 15,803 | 16,661 |
| Discount | (1,172) | (1,590) |
| Allowance | (640) | (690) |
| | \$ 13,991 | \$ 14,381 |

Discount rates utilized ranged from 0.18% to 2.86% and 0.98% to 2.86% for 2020 and 2019, respectively.

Indianapolis Museum of Art d/b/a Newfields

Notes to Consolidated Financial Statements June 30, 2020 and 2019

(Table Dollar Amounts in Thousands)

Note 4: Conditional Gifts

During 2020, Newfields has received a \$9 million conditional promise to give from a donor that is not recognized in the consolidated financial statements as the conditions to the gift were not met as of June 30, 2020. Conditions include the donor continuing to serve as the board of directors of another organization and to the matching terms of that organization, which are subject to change. No such gifts existed at June 30, 2019.

Note 5: Investments

The fair value of Newfields' investments is as follows:

| | 2020 | 2019 |
|---|------------|------------|
| Certificates of deposit | \$ - | \$ 27 |
| Short-term investments | 30,351 | 32,384 |
| United States Treasury notes | - | 3,795 |
| Governmental agencies | 4,955 | 2,424 |
| Corporate bonds | 10,025 | 9,857 |
| Mutual funds | | |
| Equity - international | - | 4,375 |
| Fixed income | 20,311 | 13,117 |
| Alternative investments | | |
| Absolute return marketable alternatives | 29,437 | 28,035 |
| Equity-oriented marketable alternatives | 23,945 | 55,533 |
| Inflation hedging | 88,679 | 55,375 |
| Private equity/venture capital | 134,346 | 138,700 |
| Real estate held for investment | 3,927 | 3,927 |
| Total | \$ 345,976 | \$ 347,549 |

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

Indianapolis Museum of Art d/b/a Newfields

Notes to Consolidated Financial Statements June 30, 2020 and 2019

(Table Dollar Amounts in Thousands)

The following schedules summarize the investment return and its classification in the consolidated statements of activities for the years ended June 30, 2020 and 2019:

| | 2020 | | Total |
|---|---------------------------------------|------------------------------------|--------------------|
| | Without Donor Restrictions | With Donor Restrictions | |
| Dividends and interest, net of expenses | \$ 110 | \$ (677) | \$ (567) |
| Net realized gains on investments | 5,945 | 16,573 | 22,518 |
| Net unrealized losses on investments | (5,512) | (15,378) | (20,890) |
| Total return on investments | <u>543</u> | <u>518</u> | <u>1,061</u> |
| Investment return designated for | | | |
| Current operations | (4,703) | (11,425) | (16,128) |
| Art acquisitions | <u>-</u> | <u>(648)</u> | <u>(648)</u> |
| Investment return less than amounts designated for current operations and art acquisitions | <u>\$ (4,160)</u> | <u>\$ (11,555)</u> | <u>\$ (15,715)</u> |
| | | | |
| | 2019 | | Total |
| | Without Donor Restrictions | With Donor Restrictions | |
| Dividends and interest, net of expenses | \$ 78 | \$ (373) | \$ (295) |
| Net realized gains on investments | 12,008 | 33,190 | 45,198 |
| Net unrealized losses on investments | (8,031) | (22,063) | (30,094) |
| Total return on investments | <u>4,055</u> | <u>10,754</u> | <u>14,809</u> |
| Investment return designated for | | | |
| Current operations | (5,637) | (12,246) | (17,883) |
| Art acquisitions | <u>(24)</u> | <u>(878)</u> | <u>(902)</u> |
| Investment return less than amounts designated for current operations and art acquisitions | <u>\$ (1,606)</u> | <u>\$ (2,370)</u> | <u>\$ (3,976)</u> |

Note 6: Estate Notes and Charitable Lead Trusts

Newfields is the beneficiary under various estate notes and charitable lead trusts.

Estate notes represent an irrevocable pledge (or debt) against a donor's estate, to the extent the pledge is not satisfied during the donor's lifetime. Estate notes are initially recorded at fair value determined by using the discounted present value of the amounts to be received in the future. The resulting discount is amortized using the level-yield method and is reported as contribution revenue. Discount rates utilized were 0.18% to 1.41% for 2020 and 2019.

Indianapolis Museum of Art d/b/a Newfields

Notes to Consolidated Financial Statements June 30, 2020 and 2019

(Table Dollar Amounts in Thousands)

Charitable lead trusts are arrangements in which a donor establishes and funds a trust to provide distributions to a designated beneficiary organization for a specified period of time. Upon termination of the trust, the remainder of the trust assets is paid to the donor or to another beneficiary designated by the donor. Charitable lead trusts administered by Newfields are recorded at fair value only upon initial recognition, while those being administered by third parties are adjusted to fair value annually using discount rates based on current market conditions.

The following schedule summarizes estate notes and charitable lead trusts at June 30, 2020 and 2019:

| | 2020 | 2019 |
|------------------------|-------------|-------------|
| Estate notes | \$ 21,363 | \$ 23,683 |
| Discount | (7,580) | (8,143) |
| | 13,783 | 15,540 |
| Charitable lead trusts | 1,413 | 2,005 |
| | \$ 15,196 | \$ 17,545 |

Note 7: Property and Equipment

Newfields' property and equipment are as follows:

| | 2020 | 2019 |
|---------------------------|-------------|-------------|
| Buildings and grounds | \$ 170,456 | \$ 169,859 |
| Furnishings and equipment | 28,242 | 26,551 |
| Land improvements | 13,468 | 13,468 |
| | 212,166 | 209,878 |
| Accumulated depreciation | (127,620) | (121,087) |
| | 84,546 | 88,791 |
| Construction in progress | 2,951 | 1,261 |
| Land | 922 | 922 |
| | \$ 88,419 | \$ 90,974 |

Indianapolis Museum of Art d/b/a Newfields

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Table Dollar Amounts in Thousands)

Note 8: Tax-Exempt Bonds Payable

| | 2020 | 2019 |
|--|-----------|-----------|
| Facility Revenue Refunding Bonds, Series 2013B (A) | \$ 30,990 | \$ 32,220 |
| Educational Facilities Revenue Refunding Bonds, Series 2017A (B) | 10,000 | 10,000 |
| Educational Facilities Revenue Refunding Bonds, Series 2017B (C) | 9,850 | 9,900 |
| Educational Facilities Revenue Refunding Bonds, Series 2017C (D) | 22,105 | 24,105 |
| Unamortized premium on Series 2013B Bonds | 1,426 | 1,513 |
| Unamortized bond issue costs | (480) | (524) |
| | \$ 73,891 | \$ 77,214 |

- (A) During 2013, the Authority issued \$39,950,000 of Educational Facilities Revenue Refunding Bonds, Series 2013B, the proceeds of which were loaned to Newfields to refund the 2002 bonds and cover bond issuance costs. The bonds consist of a mix of serial maturities and term bonds with sinking fund installments and bear fixed interest rates that range from 2.00% to 5.00%, depending on the maturity date. Principal payments commence on February 1, 2014 with a final maturity date of February 1, 2037. Bonds maturing on or after February 1, 2024 are subject to optional redemption at the discretion of Newfields at par beginning February 1, 2023. \$28,245,000 of the 2013B bonds mature on or after February 1, 2024 and bear interest rates between 4.00% and 5.00%.
- (B) During 2018, the Authority issued \$10,000,000 of Educational Facilities Revenue Refunding Bonds, Series 2017A, the proceeds of which were loaned to Newfields to refund the Series 2014 bonds and cover certain issuance costs. These bonds were issued at an initial fixed interest rate of 2.09% through December 31, 2017 and a rate of 2.54% through October 15, 2021. These bonds mature on October 15, 2021 with a \$10,000,000 principal payment due on that date.
- (C) During 2018, the Authority issued \$10,000,000 of Educational Facilities Revenue Refunding Bonds, Series 2017B, the proceeds of which were loaned to Newfields to refund the Series 2014 bonds and cover certain issuance costs. These bonds were issued at an initial fixed interest rate of 2.28% through December 31, 2017 and a rate of 2.77% through October 15, 2024. These bonds are due in annual principal payments of \$50,000 annually through fiscal year 2024 with a final payment of \$9,650,000 due October 15, 2024.
- (D) During 2018, the Authority issued \$26,105,000 of Educational Facilities Revenue Refunding Bonds, Series 2017C, the proceeds of which were loaned to Newfields to refund the Series 2013A bonds and cover certain issuance costs. These bonds were issued at an initial fixed interest rate of 2.42% through December 31, 2017 and a rate of 2.94% through October 15, 2024. These bonds are due in annual principal payments of \$2,000,000 annually through fiscal year 2024 with a final payment of \$14,105,000 due October 15, 2024.

**Indianapolis Museum of Art
d/b/a Newfields**
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Table Dollar Amounts in Thousands)

Aggregate annual maturities of tax-exempt bonds payable at June 30, 2020 are:

| | | |
|---|-----------|---------------|
| 2021 | \$ | 3,340 |
| 2022 | | 13,405 |
| 2023 | | 3,050 |
| 2024 | | 3,050 |
| 2025 | | 24,755 |
| Thereafter | | <u>25,345</u> |
| | | 72,945 |
| Unamortized bond issue costs | | (480) |
| Unamortized premium on Series 2013B Bonds | | <u>1,426</u> |
| | <u>\$</u> | <u>73,891</u> |

Costs associated with executing the loan and other agreements with the aforementioned parties are being amortized over the life of the bonds using a method that approximates the level yield method. Unamortized bond issue costs are included in tax-exempt bonds payable.

The bonds are subject to certain covenants, including a financial coverage ratio. At June 30, 2020, management is not aware of any violations of the covenants.

Note 9: Paycheck Protection Program (PPP) Loan

Newfields received a PPP loan established by the CARES Act and has elected to account for the funding as a conditional contribution by applying Topic ASC 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting full-time equivalent (FTE) and salary reduction requirements and incurring eligible expenditures. Any portion of the loan not forgiven bears interest at a fixed rate of 1%, is due in monthly payments and matures on April 17, 2022. Currently, Newfields anticipates all of the loan will be forgiven. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. Newfields did not recognize any revenue during fiscal year 2020.

**Indianapolis Museum of Art
d/b/a Newfields**
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Table Dollar Amounts in Thousands)

Note 10: Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

| | 2020 | | | | | | | | Total |
|--------------------------------------|---|-----------------------------|---|--|---|--|---|---|-------------------|
| | Subject to Expenditure for a Specified Purpose | Contributions Receivable | Contributions Receivable to be Held in Perpetuity When Received | Estate Notes and Charitable Lead Trusts | Estate Notes and Charitable Lead Trusts to be Held in Perpetuity When Received | Accumulated Earnings on Endowment Funds | Endowments to be Held in Perpetuity | Other Amounts to be Held in Perpetuity | |
| Art purchases | \$ 12,203 | \$ - | \$ - | \$ 802 | \$ 3,383 | \$ 6,553 | \$ 18,438 | \$ 1,141 | \$ 42,520 |
| Educational programs | 3,605 | 49 | - | - | - | - | - | - | 3,654 |
| Capital | 850 | 487 | - | - | - | 373 | 7,074 | - | 8,784 |
| Miller house and gardens | - | - | - | - | - | 1,635 | 5,002 | - | 6,637 |
| Art and nature park | 1,458 | 6,263 | 1,403 | - | - | 239 | 13,615 | - | 22,978 |
| Lilly house | - | - | 839 | - | - | (1) | 1,570 | - | 2,408 |
| Innovation | - | - | - | - | - | 2,123 | 9,100 | - | 11,223 |
| Facility operations and personnel | 9,640 | 2,458 | 1,675 | - | 3,665 | 77,446 | 93,377 | 300 | 188,561 |
| Other program activities | 817 | 429 | 143 | 471 | - | 1,713 | 3,671 | - | 7,244 |
| For periods after June 30 | 27 | 245 | - | 6,875 | - | - | - | - | 7,147 |
| | <u>\$ 28,600</u> | <u>\$ 9,931</u> | <u>\$ 4,060</u> | <u>\$ 8,148</u> | <u>\$ 7,048</u> | <u>\$ 90,081</u> | <u>\$ 151,847</u> | <u>\$ 1,441</u> | <u>\$ 301,156</u> |

**Indianapolis Museum of Art
d/b/a Newfields**
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Table Dollar Amounts in Thousands)

| Subject to Expenditure for a Specified Purpose | 2019 | | | | | | | | Total |
|--|--------------------------|---|---|--|---|-------------------------------------|--|-----------------|-------------------|
| | Contributions Receivable | Contributions Receivable to be Held in Perpetuity When Received | Estate Notes and Charitable Lead Trusts | Estate Notes and Charitable Lead Trusts to be Held in Perpetuity When Received | Accumulated Earnings on Endowment Funds | Endowments to be Held in Perpetuity | Other Amounts to be Held in Perpetuity | | |
| Art purchases | \$ 11,450 | \$ - | \$ - | \$ 929 | \$ 3,290 | \$ 7,192 | \$ 18,402 | \$ 1,141 | \$ 42,404 |
| Educational programs | 3,727 | - | - | - | - | - | - | - | 3,727 |
| Capital | 400 | 1,171 | - | - | - | 806 | 7,074 | - | 9,451 |
| Miller house and gardens | - | - | - | - | - | 2,002 | 5,002 | - | 7,004 |
| Art and nature park | 2,171 | 7,061 | 1,795 | - | - | 881 | 12,175 | - | 24,083 |
| Lilly house | - | - | 1,015 | - | - | 64 | 1,300 | - | 2,379 |
| Innovation | - | - | - | - | - | 2,262 | 9,100 | - | 11,362 |
| Facility operations and personnel | 4,150 | 297 | 2,488 | - | 3,557 | 87,240 | 88,729 | 300 | 186,761 |
| Other program activities | 276 | 244 | 189 | 456 | - | 1,528 | 3,671 | - | 6,364 |
| For periods after June 30 | 25 | 121 | - | 9,313 | - | - | - | - | 9,459 |
| | <u>\$ 22,199</u> | <u>\$ 8,894</u> | <u>\$ 5,487</u> | <u>\$ 10,698</u> | <u>\$ 6,847</u> | <u>\$ 101,975</u> | <u>\$ 145,453</u> | <u>\$ 1,441</u> | <u>\$ 302,994</u> |

Indianapolis Museum of Art d/b/a Newfields

Notes to Consolidated Financial Statements June 30, 2020 and 2019

(Table Dollar Amounts in Thousands)

Note 11: Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

| | 2020 | 2019 |
|-----------------------------------|-----------|-----------|
| Art purchases | \$ 807 | \$ 1,580 |
| Educational programs | 2,391 | 816 |
| Capital | 446 | 501 |
| Miller house and gardens | 354 | 373 |
| Art and nature park | 686 | 786 |
| Facility operations and personnel | 9,084 | 11,684 |
| Other program activities | 2,731 | 210 |
| | \$ 16,499 | \$ 15,950 |

Note 12: Endowment

Newfields' endowment consists of approximately 140 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Indianapolis Museum of Art d/b/a Newfields

Notes to Consolidated Financial Statements June 30, 2020 and 2019

(Table Dollar Amounts in Thousands)

Newfields' governing body is subject to the State of Indiana's Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing body of Newfields has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, Newfields considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Newfields has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, Newfields considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of Newfields and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of Newfields
7. Investment policies of Newfields

The composition of net assets by type of endowment fund at June 30, 2020 and 2019, was:

| | Without Donor Restrictions | 2020 With Donor Restrictions | Total |
|-----------------------------------|---------------------------------------|---|--------------|
| Board-designated endowment funds | \$ 85,465 | \$ - | \$ 85,465 |
| Donor-restricted endowment funds | | | |
| Amounts to be held in perpetuity | - | 151,847 | 151,847 |
| Accumulated investment gains, net | - | 90,081 | 90,081 |
| Total endowment funds | \$ 85,465 | \$ 241,928 | \$ 327,393 |

Indianapolis Museum of Art d/b/a Newfields

Notes to Consolidated Financial Statements June 30, 2020 and 2019

(Table Dollar Amounts in Thousands)

| | Without Donor Restrictions | 2019 With Donor Restrictions | Total |
|-----------------------------------|---------------------------------------|---|-------------------|
| Board-designated endowment funds | \$ 88,293 | \$ - | \$ 88,293 |
| Donor-restricted endowment funds | | | |
| Amounts to be held in perpetuity | - | 145,453 | 145,453 |
| Accumulated investment gains, net | <u>-</u> | <u>101,975</u> | <u>101,975</u> |
| Total endowment funds | <u>\$ 88,293</u> | <u>\$ 247,428</u> | <u>\$ 335,721</u> |

Changes in endowment net assets for the years ended June 30, 2020 and 2019 was:

| | Without Donor Restrictions | 2020 With Donor Restrictions | Total |
|--|---------------------------------------|---|-------------------|
| Endowment net assets, beginning of year | <u>\$ 88,293</u> | <u>\$ 247,428</u> | <u>\$ 335,721</u> |
| Investment return | | | |
| Investment loss | (244) | (677) | (921) |
| Net appreciation | 433 | 1,195 | 1,628 |
| Total investment return | <u>189</u> | <u>518</u> | <u>707</u> |
| Contributions | 1,686 | 6,055 | 7,741 |
| Appropriation of endowment assets for expenditure | <u>(4,703)</u> | <u>(12,073)</u> | <u>(16,776)</u> |
| Endowment net assets, end of year | <u>\$ 85,465</u> | <u>\$ 241,928</u> | <u>\$ 327,393</u> |

Indianapolis Museum of Art d/b/a Newfields

Notes to Consolidated Financial Statements June 30, 2020 and 2019

(Table Dollar Amounts in Thousands)

| | Without Donor Restrictions | 2019 With Donor Restrictions | Total |
|--|-------------------------------|------------------------------------|-------------------|
| Endowment net assets, beginning of year | \$ 89,584 | \$ 246,150 | \$ 335,734 |
| Investment return | | | |
| Investment loss | (134) | (374) | (508) |
| Net appreciation | 3,987 | 11,240 | 15,227 |
| Total investment return | <u>3,853</u> | <u>10,866</u> | <u>14,719</u> |
| Contributions | 517 | 3,536 | 4,053 |
| Appropriation of endowment assets for expenditure | <u>(5,661)</u> | <u>(13,124)</u> | <u>(18,785)</u> |
| Endowment net assets, end of year | <u>\$ 88,293</u> | <u>\$ 247,428</u> | <u>\$ 335,721</u> |

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level Newfields is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. At June 30, 2020 and 2019, funds with original gift values of \$25,594,000 and \$11,067,000, fair values of \$23,878,000 and \$10,209,000, and deficiencies of \$1,716,000 and \$858,000, respectively, were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new permanently restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

Newfields has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for current operations, capital additions and artifact acquisitions supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds Newfields must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under Newfields' policies, endowment assets are invested in a manner that is intended to produce results that exceed the spending rate plus inflation. Newfields expects its endowment funds to provide an annual average rate of return of approximately 5.5% above the rate of inflation. Actual returns in any given year may vary from this amount.

Indianapolis Museum of Art d/b/a Newfields

Notes to Consolidated Financial Statements June 30, 2020 and 2019

(Table Dollar Amounts in Thousands)

To satisfy its long-term rate of return objectives, Newfields relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). Newfields targets a diversified asset allocation to assure no single security, class of securities or individual investment will have a disproportionate negative impact on the endowment's overall return.

Newfields has a policy (the spending policy) of appropriating for current operations each year 5.49% of its endowment fund's average fair value for the 12 quarters ended December 31 of the previous year. Newfields has set a target to draw no more than 4.50% of the 12-quarter average fair value by fiscal year 2023.

In fiscal year 2020, the Board of Trustees adopted a new spending policy beginning fiscal year 2020. The new spending policy provides a target for the annual dollar spend from the aggregate endowment. The spending policy limits annual dollar spend from the endowment to the prior year's budgeted dollar spend plus an inflationary rate so long as the calculated aggregate draw rate would not exceed six percent (6%) of the endowment value calculated at the December 31 preceding the start of such fiscal year. Additionally, dollar spend from the endowment may increase by an amount equal to four percent (4%) of any new endowment contributions received by Newfields. Under the new policy, Newfields continues to target a draw rate of no more than 4.50% of the endowment value as calculated at the December 31 preceding the start of a fiscal year.

In establishing this policy, Newfields considered the long-term expected return on its endowment. Accordingly, over the long-term, Newfields expects the current spending policy to allow its endowment to grow at the rate of inflation. This is consistent with Newfields' objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment returns. For the years ended June 30, 2020 and 2019, the Board of Trustees approved a spending rate in excess of this target to support current operations. Accordingly, over the long-term, Newfields expects the current spending policy to allow its endowment to grow at the rate of inflation. This is consistent with Newfields' objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Indianapolis Museum of Art d/b/a Newfields

Notes to Consolidated Financial Statements June 30, 2020 and 2019

(Table Dollar Amounts in Thousands)

Note 13: Employee Benefits

Newfields has a defined-contribution employee's retirement savings plan covering all full-time employees meeting certain eligibility requirements. Newfields makes contributions to the plan to match employee contributions and pays the cost of administering the plan. Employee benefit expense under this plan was approximately \$367,000 and \$315,000 for 2020 and 2019, respectively.

Note 14: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities
- NAV** Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

Indianapolis Museum of Art d/b/a Newfields

Notes to Consolidated Financial Statements June 30, 2020 and 2019

(Table Dollar Amounts in Thousands)

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2020 and 2019:

| | 2020 | | | | |
|---|-------------------|---|--|---------------|-------------------------------------|
| | Fair Value | Fair Value Measurements Using | | | Investments Measured at (NAV) |
| Quoted Prices in Active Markets for Identical Assets (Level 1) | | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | | |
| Assets | | | | | |
| Investments | | | | | |
| Short-term investments | \$ 30,351 | \$ 30,351 | \$ - | \$ - | \$ - |
| Governmental agencies | 4,955 | 4,955 | - | - | - |
| Corporate bonds | 10,025 | 10,025 | - | - | - |
| Mutual funds | | | | | |
| Fixed income | 20,311 | 20,311 | - | - | - |
| Alternative investments | | | | | |
| Absolute return marketable alternatives | 29,437 | - | - | - | 29,437 |
| Equity-oriented marketable alternatives | 23,945 | - | - | - | 23,945 |
| Inflation hedging | 88,679 | - | - | - | 88,679 |
| Private equity/venture capital | 134,346 | - | - | - | 134,346 |
| Real estate held for investment | 3,927 | - | 3,927 | - | - |
| Total investments | <u>345,976</u> | <u>65,642</u> | <u>3,927</u> | <u>-</u> | <u>276,407</u> |
| Interest in charitable lead trust | 611 | - | - | 611 | - |
| | <u>\$ 346,587</u> | <u>\$ 65,642</u> | <u>\$ 3,927</u> | <u>\$ 611</u> | <u>\$ 276,407</u> |

Indianapolis Museum of Art d/b/a Newfields

Notes to Consolidated Financial Statements June 30, 2020 and 2019

(Table Dollar Amounts in Thousands)

| | 2019 | | | | |
|---|---|---|--|-------------------------------------|-------------------|
| | Fair Value Measurements Using | | | | |
| Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Investments Measured at (NAV) | |
| Assets | | | | | |
| Investments | | | | | |
| Certificates of deposit | \$ 27 | \$ 27 | \$ - | \$ - | \$ - |
| Short-term investments | 32,384 | 32,384 | - | - | - |
| United States Treasury notes | 3,795 | 3,795 | - | - | - |
| Governmental agencies | 2,424 | 2,424 | - | - | - |
| Corporate bonds | 9,857 | 9,857 | - | - | - |
| Mutual funds | | | | | |
| Equity - international | 4,375 | 4,375 | - | - | - |
| Fixed income | 13,117 | 13,117 | - | - | - |
| Alternative investments | | | | | |
| Absolute return marketable alternatives | 28,035 | - | - | - | 28,035 |
| Equity-oriented marketable alternatives | 55,533 | - | - | - | 55,533 |
| Inflation hedging | 55,375 | - | - | - | 55,375 |
| Private equity/venture capital | 138,700 | - | - | - | 138,700 |
| Real estate held for investment | 3,927 | - | 3,927 | - | - |
| Total investments | <u>347,549</u> | <u>65,979</u> | <u>3,927</u> | <u>-</u> | <u>277,643</u> |
| Interest in charitable lead trust | 1,075 | - | - | 1,075 | - |
| | <u>\$ 348,624</u> | <u>\$ 65,979</u> | <u>\$ 3,927</u> | <u>\$ 1,075</u> | <u>\$ 277,643</u> |

Following is a description of the inputs and valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2020. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Fair value determinations for Level 3 measurements are the responsibility of the Controller's office. For charitable lead trust held by a third party, the Controller calculates the estimated fair value utilizing a discounted cash flow model. The Controller's office challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

Indianapolis Museum of Art d/b/a Newfields

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Table Dollar Amounts in Thousands)

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by a third-party pricing service using quoted market prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2.

Charitable Lead Trust Held by a Third Party

The fair value is estimated using a discounted cash flow model. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated statements of financial position using significant unobservable (Level 3) inputs:

| | Interest in Charitable Lead Trusts |
|-------------------------|---|
| Balance, July 1, 2018 | \$ 1,529 |
| Total unrealized losses | <u>(454)</u> |
| Balance, June 30, 2019 | 1,075 |
| Total unrealized losses | <u>(464)</u> |
| Balance, June 30, 2020 | <u><u>\$ 611</u></u> |

Indianapolis Museum of Art d/b/a Newfields

Notes to Consolidated Financial Statements June 30, 2020 and 2019

(Table Dollar Amounts in Thousands)

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements:

| | Fair Value at June 30, 2020 | Valuation Technique | Unobservable Inputs | Range |
|-----------------------------------|-----------------------------------|-------------------------------|-------------------------|-------|
| Interest in charitable lead trust | \$ 611 | Discounted cash flow model | Discount rates utilized | 0.18% |

| | Fair Value at June 30, 2019 | Valuation Technique | Unobservable Inputs | Range |
|-----------------------------------|-----------------------------------|-------------------------------|-------------------------|-------|
| Interest in charitable lead trust | \$ 1,075 | Discounted cash flow model | Discount rates utilized | 2.37% |

Alternative Investments

Investments in certain entities measured at fair value using the net asset value per share as a practical expedient consist of the following:

Absolute return marketable alternative funds consist of funds of funds and limited partnerships that seek to achieve maximum capital appreciation through diversified investments. Many of the funds had lock-up periods, which have expired. Redemptions vary between quarterly, annually and every two years with notice periods between 30 days and 180 days. There were not unfunded commitments at June 30, 2020.

Equity-oriented marketable alternative funds consist of funds of funds and limited partnerships that seek to achieve capital appreciation primarily through trading, investing in and selling equity securities. Many of the funds had lock-up periods, which have expired. Redemptions vary between quarterly, annually and every three years with notice periods between 30 days and 180 days. There were not unfunded commitments at June 30, 2020.

Inflation hedging funds consist of real estate funds, natural resources and hedge funds. Real estate funds totaling \$27,035,000 and \$5,223,000 at June 30, 2020 and 2019, respectively, invest across the major four categories of commercial real estate: office, industrial, multi-family and retain. These are limited partnerships with 10 to 12 year lives and cannot be sold. The underlying investments in the real estate funds are valued using comparable sales, dividend discount and income approach methods. Distributions are made as underlying investments are sold.

Indianapolis Museum of Art d/b/a Newfields

Notes to Consolidated Financial Statements June 30, 2020 and 2019

(Table Dollar Amounts in Thousands)

Natural resource funds totaling \$18,623,000 and \$7,132,000 at June 30, 2020 and 2019, respectively, primarily invest in mid-stream and down-stream oil and gas opportunities and timber opportunities. Most partnerships have a 10 to 12 year lives and valuation techniques include, but are not limited to, the income approach and public market equivalent methods. Funds cannot be sold, but distributions are received as underlying investments are liquidated.

Hedge funds totaling \$43,021,000 and \$43,020,000 at June 30, 2020 and 2019, respectively, consist of credit and equity funds. Underlying equity positions are valued using market quotes or dealer pricing. These funds can be redeemed either monthly or annually.

Newfields is committed to investing approximately \$8,077,000 of additional funds in these investments at June 30, 2020.

Private equity/venture capital funds consist of venture capital and special situations. The venture capital funds have lives that range from 10 to 12 years and cannot be sold. Distributions are received as individual portfolio holdings are liquidated.

Special situations funds seek to exploit debt opportunities across several sectors and is geographically diversified. These funds have lives that range from 10 to 12 years and Newfields will receive distributions from the underlying funds. Newfields is committed to investing approximately \$43,090,000 of additional funds in these investments at June 30, 2020.

Note 15: Significant Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations.

Approximately 51% of all contributions were received from one donor in 2020. In 2019, 46% of all contributions were received from two donors.

Indianapolis Museum of Art d/b/a Newfields

Notes to Consolidated Financial Statements June 30, 2020 and 2019

(Table Dollar Amounts in Thousands)

Note 16: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2020 and 2019, comprise the following:

| | 2020 | 2019 |
|--|----------|----------|
| Total financial assets | | |
| Cash | \$ 2,829 | \$ 3,193 |
| Accounts and other receivables | 604 | 351 |
| Investments | 345,976 | 347,549 |
| Appropriation of endowed funds | 16,984 | 16,807 |
| | 366,393 | 367,900 |
| Donor-imposed restrictions | | |
| Restricted funds | 30,041 | 23,640 |
| Endowments | 241,928 | 247,428 |
| | 271,969 | 271,068 |
| Internal designations | | |
| Quasi-endowment | 85,465 | 88,293 |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 8,959 | \$ 8,539 |

Newfields' endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment of \$85,465 is subject to an annual spending rate of 5.2% as described in Note 12. Although Newfields does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

Newfields 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. To achieve these principles, Newfields forecasts its future cash flows and monitors its liquidity and reserves.