

EVERHART MUSEUM OF
NATURAL HISTORY, SCIENCE AND ART
FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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Independent Auditor's Report

To the Board of Trustees of
Everhart Museum of Natural History,
Science, and Art
Nay Aug Park
Scranton, Pennsylvania

Opinion

We have audited the accompanying financial statements of Everhart Museum of Natural History, Science, and Art (the Museum) which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Everhart Museum of Natural History, Science, and Art as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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To the Board of Trustees of
Everhart Museum of Natural History,
Science and Art

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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.

*McGill Muhl Quinn
& Associates, P.C.*

Scranton, Pennsylvania
September 28, 2022

EVERHART MUSEUM OF NATURAL HISTORY, SCIENCE AND ART

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents		\$ 466,923	\$ 331,609
Inventory		16,632	16,632
Cash subject to program restrictions (Note 2)		159,807	96,629
Investments (Notes 3 and 4)		3,077,389	2,842,656
Building, improvements and equipment, net of depreciation (Note 5)		524,574	530,682
Art collection (Note 6)		-	-
		<u> </u>	<u> </u>
Total assets		<u>\$ 4,245,325</u>	<u>\$ 3,818,208</u>
 <u>LIABILITIES AND NET ASSETS</u> 			
Liabilities			
Accounts payable		\$ 32,518	\$ 13,830
Other accrued liabilities		9,794	11,426
Total liabilities		<u>42,312</u>	<u>25,256</u>
Net assets			
Without donor restrictions			
Undesignated		836,716	669,440
Designated by the Board for investment		500	500
Designated by the Board as a permanent endowment (Note 10)		1,555,894	1,438,778
Designated by the Board for art acquisitions (Note 6)		35,000	35,000
Invested in buildings and equipment		524,574	530,682
Total without donor restrictions		<u>2,952,684</u>	<u>2,674,400</u>
With donor restrictions		<u>1,250,329</u>	<u>1,118,552</u>
Total net assets		<u>4,203,013</u>	<u>3,792,952</u>
Total liabilities and net assets		<u>\$ 4,245,325</u>	<u>\$ 3,818,208</u>

The accompanying Notes are an integral part of these Financial Statements.

EVERHART MUSEUM OF NATURAL HISTORY, SCIENCE AND ART
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support, revenues, and reclassifications						
Donations and grants	\$ 287,528	\$ 118,500	\$ 406,028	\$ 268,396	\$ 72,500	\$ 340,896
Governmental appropriations	300,047	-	300,047	288,851	-	288,851
Payroll Protection Program loan funds	98,893	-	98,893	98,800	-	98,800
Special events	28,013	5,000	33,013	7,555	22,500	30,055
Net unrealized and realized gains						
on investment transactions (Note 3)	170,494	35,097	205,591	219,200	32,308	251,508
Investment income (Note 3)	112,667	35,764	148,431	72,345	24,138	96,483
Museum shop sales	427	-	427	2,048	-	2,048
Admissions and collection box receipts	16,406	-	16,406	7,871	-	7,871
Tours	195	-	195	660	-	660
Other revenue	14,742	-	14,742	13,312	-	13,312
Net assets released from restriction (Note 8)	62,584	(62,584)	-	29,543	(29,543)	-
Total public support, revenues, and reclassifications	<u>1,091,996</u>	<u>131,777</u>	<u>1,223,773</u>	<u>1,008,581</u>	<u>121,903</u>	<u>1,130,484</u>
Expenses						
Program						
Curatorial and conservation	248,602	-	248,602	248,471	-	248,471
Exhibits	78,184	-	78,184	59,854	-	59,854
Education	114,866	-	114,866	136,540	-	136,540
Public information	47,452	-	47,452	34,468	-	34,468
Museum shop	6,938	-	6,938	11,488	-	11,488
Total program expenses	<u>496,042</u>	<u>-</u>	<u>496,042</u>	<u>490,821</u>	<u>-</u>	<u>490,821</u>
Supporting services						
Management and general	247,557	-	247,557	221,882	-	221,882
Fund raising	70,113	-	70,113	65,043	-	65,043
Total expenses	<u>813,712</u>	<u>-</u>	<u>813,712</u>	<u>777,746</u>	<u>-</u>	<u>777,746</u>
Increase in net assets before changes related to collection items not capitalized	<u>278,284</u>	<u>131,777</u>	<u>410,061</u>	<u>230,835</u>	<u>121,903</u>	<u>352,738</u>
Change in net assets related to collection items not capitalized:						
Collection items purchased (Note 6)	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,000</u>	<u>-</u>	<u>17,000</u>
Increase in net assets	278,284	131,777	410,061	213,835	121,903	335,738
Net assets, beginning	<u>2,674,400</u>	<u>1,118,552</u>	<u>3,792,952</u>	<u>2,460,565</u>	<u>996,649</u>	<u>3,457,214</u>
Net assets, ending	<u>\$ 2,952,684</u>	<u>\$ 1,250,329</u>	<u>\$ 4,203,013</u>	<u>\$ 2,674,400</u>	<u>\$ 1,118,552</u>	<u>\$ 3,792,952</u>

The accompanying Notes are an integral part of these Financial Statements.

EVERHART MUSEUM OF NATURAL HISTORY, SCIENCE AND ART

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program Services					Support Services			Total
	Curatorial and Conservation	Exhibits	Education	Public Information	Museum Shop	Total Program Services	Management & General	Fund Raising	
Salaries and wages	\$ 63,752	\$ 7,084	\$ 90,959	\$ 9,317	\$ 136	\$ 171,248	\$ 177,023	\$ 54,352	\$ 402,623
Payroll taxes	5,041	559	6,272	752	12	12,636	14,283	4,214	31,133
Employee benefits	5,126	570	4,301	494	-	10,491	9,386	5,276	25,153
Insurance	27,729	1,849	-	924	1,849	32,351	3,697	924	36,972
Utilities/telephone	38,550	5,140	-	514	1,028	45,232	5,140	1,027	51,399
Maintenance and security	18,782	1,174	-	-	1,174	21,130	2,348	-	23,478
Professional fees	-	-	-	-	-	-	22,862	-	22,862
Office expense	47,210	-	-	2,951	-	50,161	5,901	2,951	59,013
Dues and subscriptions	-	-	-	-	-	-	1,439	-	1,439
Exhibit expenses	-	59,069	-	-	-	59,069	-	-	59,069
Advertising	-	-	-	32,500	-	32,500	-	-	32,500
Educational and curatorial	1,329	-	11,965	-	-	13,294	-	-	13,294
Total operating expenses	207,519	75,445	113,497	47,452	4,199	448,112	242,079	68,744	758,935
Depreciation	41,083	2,739	1,369	-	2,739	47,930	5,478	1,369	54,777
Total expenses	\$ 248,602	\$ 78,184	\$ 114,866	\$ 47,452	\$ 6,938	\$ 496,042	\$ 247,557	\$ 70,113	\$ 813,712

The accompanying Notes are an integral part of these Financial Statements.

EVERHART MUSEUM OF NATURAL HISTORY, SCIENCE AND ART

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Services					Support Services			Total
	Curatorial and Conservation	Exhibits	Education	Public Information	Museum Shop	Total Program Services	Management & General	Fund Raising	
Salaries and wages	\$ 90,414	\$ 10,046	\$ 106,433	\$ 7,766	\$ 2,525	\$ 217,184	\$ 147,550	\$ 43,736	\$ 408,470
Payroll taxes	6,932	770	7,427	594	226	15,949	11,289	3,339	30,577
Employee benefits	6,471	719	7,704	277	-	15,171	5,265	7,506	27,942
Insurance	27,860	1,857	-	929	1,857	32,503	3,715	929	37,147
Utilities/telephone	32,108	4,281	-	428	856	37,673	4,281	856	42,810
Maintenance and security	15,635	977	-	-	977	17,589	1,954	-	19,543
Professional fees	-	-	-	-	-	-	9,900	-	9,900
Office expense	30,081	-	-	1,880	-	31,961	31,261	1,880	65,102
Dues and subscriptions	-	-	-	-	-	-	1,674	-	1,674
Exhibit expenses	-	38,708	-	-	-	38,708	-	-	38,708
Advertising	-	-	-	22,594	-	22,594	-	-	22,594
Special events	-	-	-	-	-	-	-	5,549	5,549
Educational and curatorial	1,526	-	13,728	-	-	15,254	-	-	15,254
Shop purchases	-	-	-	-	2,551	2,551	-	-	2,551
Total operating expenses	<u>211,027</u>	<u>57,358</u>	<u>135,292</u>	<u>34,468</u>	<u>8,992</u>	<u>447,137</u>	<u>216,889</u>	<u>63,795</u>	<u>727,821</u>
Depreciation	<u>37,444</u>	<u>2,496</u>	<u>1,248</u>	<u>-</u>	<u>2,496</u>	<u>43,684</u>	<u>4,993</u>	<u>1,248</u>	<u>49,925</u>
Total expenses	<u>\$ 248,471</u>	<u>\$ 59,854</u>	<u>\$ 136,540</u>	<u>\$ 34,468</u>	<u>\$ 11,488</u>	<u>\$ 490,821</u>	<u>\$ 221,882</u>	<u>\$ 65,043</u>	<u>\$ 777,746</u>

The accompanying Notes are an integral part of these Financial Statements.

EVERHART MUSEUM OF NATURAL HISTORY, SCIENCE AND ART

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating activities		
Increase in net assets	\$ 410,061	\$ 335,738
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net unrealized gains on investments	(126,909)	(245,976)
Net realized gains on investments	(115,822)	(38,288)
Depreciation	54,777	49,925
Decrease in operating assets:		
Inventory	-	488
Increase (decrease) in operating liabilities:		
Accounts payable	18,688	12,430
Accrued expenses	(1,632)	1,027
Investment income restricted for long-term investment	(28,578)	(18,997)
Net cash provided by operating activities	<u>210,585</u>	<u>96,347</u>
Investing activities		
Purchase of fixed assets	(48,669)	(55,493)
Purchase of investments	(355,131)	(326,301)
Proceeds from the sale and maturity of investments	363,129	377,611
Net cash used in investing activities	<u>(40,671)</u>	<u>(4,183)</u>
Financing activities		
Investment income restricted for long-term investment	28,578	18,997
Net cash provided by financing activities	<u>28,578</u>	<u>18,997</u>
Net increase in cash	198,492	111,161
Cash, cash equivalents and restricted cash at beginning of year	<u>428,238</u>	<u>317,077</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 626,730</u>	<u>\$ 428,238</u>

The accompanying Notes are an integral part of these Financial Statements.

NOTES TO FINANCIAL STATEMENTS

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

Nature of Operations

The Everhart Museum of Natural History, Science and Art (the Museum), located in Scranton, Pennsylvania, was established in 1907 to preserve, collect, and exhibit museum quality objects of art, and to further promote community awareness, understanding, and the appreciation of fine art.

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles, the more significant of which are described below.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Net Assets With Donor Restrictions

The Museum has net assets whose use have been limited by donors to a specific time period or purpose. Also included in this category, the Museum has net assets of \$1,028,965 and \$903,624 as of December 31, 2021 and 2020, respectively, which are restricted to investment in perpetuity, the income from which is expendable to support the operations of the Museum.

Designated Funds

The Board of Trustees has designated funds generated from the sale of an art object, in a prior year, to be held as a permanent endowment. No more than 5% of the appreciated account value, if any, as of September 1 each year may be expended for Board approved acquisitions, exhibitions and related expenditures, so long as the 5% does not invade the original corpus of \$1,004,500. \$81,111 and \$69,724 were withdrawn from the board designated funds for the years ending December 31, 2021 and 2020, respectively. See Note 10.

Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified as net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying financial statements.

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

Contributions - (Continued)

Contributed services are recognized when the Museum would typically purchase such services if they require specialized skills and the contributor possesses such skills.

Contributed property and equipment are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions.

Revenue Recognition

The Museum recognizes revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*. The Museum's operations include admission into the Museum, memberships, and merchandise sales, with revenue derived from sales to customers in the gift shop.

Nature of Products and Services

Memberships: The Museum records memberships as revenue when received.

Admissions and tours: The Museum records service fees as revenue upon delivery of the service.

Merchandise sales: The Museum records revenue from sales of merchandise upon delivery of the goods, which is when our performance obligation is satisfied. For sales at the gift shop, delivery occurs at the point of sale. The Museum collects and remits sales taxes on transactions with customers and reports such amounts under the net method in the Statement of Activities. Accordingly, these taxes are not included in gross revenue.

Inventory

Inventory is stated at the lower of cost or market determined by the first-in, first-out (FIFO) method.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Statement of Financial Position. Investment income or loss (including realized gains and losses on investments, interest and dividends) is reported in the Statement of Activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. Donor-restricted investment income is reported as an increase in net assets with donor restrictions.

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

Building, Improvements and Equipment

The cost of assets includes an historical amount for all fixed assets as of December 31, 1981, primarily the original building cost, plus the actual cost of major renovations and equipment since that date or, if donated, at estimated fair value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives of forty years for the building and five to twenty years for building improvements and equipment. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

The Museum reviews the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets might not be recoverable.

Cash Flows

For the purpose of the Statement of Cash Flows, the Museum considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash is held in interest-bearing demand accounts and trust accounts at banks.

No interest was paid for the years ended December 31, 2021 and 2020.

Income Tax Status

In accordance with The Financial Accounting Standards Board guidance on accounting for uncertainty in income taxes, management evaluated the Museum's tax positions and concluded that the Museum had taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of this guidance. With few exceptions, the Museum is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2018.

Advertising

Advertising costs are expensed as incurred. Advertising costs were \$32,500 in 2021 and \$22,594 in 2020.

Liquidity

The Museum regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. As of December 31, 2021, the following financial assets are available to meet annual operating needs for the year ended December 31, 2022:

Cash and cash equivalents	<u>\$ 466,923</u>
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The Museum has various sources of liquidity at its disposal including cash, receivables, and contributions.

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

Cost Allocations

The financial statements report certain expense categories that are attributable to more than one function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including insurance, utilities/telephone, maintenance/security, and depreciation are allocated to a functional region based on square-footage. Salaries and wages, payroll taxes, employee benefits, office expense, and educational and curatorial are allocated to a functional region based on estimated time and effort.

Recent Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance is effective for fiscal years beginning after June 15, 2021. The adoption of ASU 2020-07 is not expected to have a significant impact on the Museum's financial statements.

Reclassifications

Certain items on the prior year's financial statements have been reclassified to conform to the current year's format.

Subsequent Events

The Museum has evaluated subsequent events through September 28, 2022, the date that these financial statements were available to be issued, and concluded no events or transactions occurred during that period requiring recognition or disclosure.

Note 2 - Cash and Cash Equivalents

The following table provides a reconciliation of cash and restricted cash reported within the Statement of Financial Position that amount to the totals shown in the Statement of Cash Flows.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 466,923	\$ 331,609
Cash subject to program restrictions	<u>159,807</u>	<u>96,629</u>
Total cash, cash equivalents and restricted cash shown In the Statement of Cash Flows	<u>\$ 626,730</u>	<u>\$ 428,238</u>

Cash subject to program restrictions consists of the cash held to meet the requirements of restricted net assets.

Note 3 - Investments

Investments as of December 31, 2021 and 2020, are summarized as follows:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Without Donor Restrictions				
Cash equivalents	\$ 6,015	\$ 6,015	\$ 5,886	\$ 5,886
Mutual funds	1,349,965	1,879,883	1,315,662	1,733,019
Corporate equities	25,810	65,969	25,417	46,828
Total without donor restriction	<u>1,381,790</u>	<u>1,951,867</u>	<u>1,346,965</u>	<u>1,785,733</u>
With Donor Restrictions				
Cash equivalents	25,096	25,096	21,557	21,557
Mutual funds	760,053	842,769	736,860	829,627
Exchange traded funds	178,314	257,657	169,187	205,739
Total with donor restriction	<u>963,463</u>	<u>1,125,522</u>	<u>927,604</u>	<u>1,056,923</u>
Total	<u>\$ 2,345,253</u>	<u>\$ 3,077,389</u>	<u>\$ 2,274,569</u>	<u>\$ 2,842,656</u>

Board designated funds of \$35,000 are included with total donor restricted investments of \$1,125,522 and \$1,056,923 at December 31, 2021 and 2020, respectively.

Investment income and gains and losses consisted of the following:

	2021	2020
Income		
Without donor restrictions		
Interest and dividends	\$ 121,601	\$ 79,672
Trustee fees	(8,934)	(7,327)
	<u>112,667</u>	<u>72,345</u>
With donor restrictions		
Interest and dividends	49,659	37,408
Trustee fees	(13,895)	(13,270)
	<u>35,764</u>	<u>24,138</u>
Total	<u>\$ 148,431</u>	<u>\$ 96,483</u>
Investment gains (losses)		
Without donor restrictions		
Net realized gains on investment transactions	\$ 39,186	\$ 14,571
Net unrealized gains on investments	131,308	204,629
Total without donor restrictions	<u>170,494</u>	<u>219,200</u>
With donor restrictions		
Net realized gains (losses) on investment transactions	39,496	(9,039)
Net unrealized (losses) gains on investments	(4,399)	41,347
Total with donor restrictions	<u>35,097</u>	<u>32,308</u>
Total	<u>\$ 205,591</u>	<u>\$ 251,508</u>

Note 3 - Investments - (Continued)

Proceeds from sales within the donor restricted endowment fund were allocated to without donor restrictions and reported as interest and dividends for general expenditures in the amount of \$37,140 and \$32,756 for the years ended December 31, 2021 and 2020, respectively.

Note 4 - Fair Value of Financial Instruments

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. In determining fair value, the Museum uses various methods including market, income and cost approaches. Based on these approaches, the Museum often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Museum utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Museum is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level I – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level II – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level III – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Following is a description of the valuation methodologies used for assets measured at fair value:

Mutual funds, Corporate equities, Exchange traded funds and Money Markets: Valued at the closing price reported on the active market on which the individual securities are traded.

In determining the appropriate levels, the Museum performs a detailed analysis of the assets and liabilities that are subject to fair value measurement. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value to another.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy:

Note 4 - Fair Value of Financial Instruments - (Continued)

Assets	December 31, 2021			
	Level I	Level II	Level III	Total
Cash equivalents	\$ 31,111	\$ -	\$ -	\$ 31,111
Corporate equities				
Healthcare	5,219	-	-	5,219
Information technology	60,750	-	-	60,750
Total Corporate equities	65,969	-	-	65,969
Mutual funds				
Equity funds	1,891,427	-	-	1,891,427
Fixed funds	369,176	-	-	369,176
Bond funds	462,049	-	-	462,049
Total Mutual funds	2,722,652	-	-	2,722,652
Exchange traded funds	257,657	-	-	257,657
	<u>\$ 3,077,389</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,077,389</u>

Assets	December 31, 2020			
	Level I	Level II	Level III	Total
Cash equivalents	\$ 27,443	\$ -	\$ -	\$ 27,443
Corporate equities				
Healthcare	3,596	-	-	3,596
Information technology	43,232	-	-	43,232
Total Corporate equities	46,828	-	-	46,828
Mutual funds				
Equity funds	1,770,076	-	-	1,770,076
Fixed funds	346,866	-	-	346,866
Bond funds	445,704	-	-	445,704
Total Mutual funds	2,562,646	-	-	2,562,646
Exchange traded funds	205,739	-	-	205,739
	<u>\$ 2,842,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,842,656</u>

Note 5 - Building, Improvements and Equipment

A summary of building, improvements and equipment at December 31, 2021 and 2020, is as follows:

	2021	2020
Building	\$ 275,683	\$ 275,683
Improvements	1,709,972	1,703,243
Equipment	243,308	224,154
Construction in process	22,786	-
	<u>2,251,749</u>	<u>2,203,080</u>
Less: Accumulated depreciation	<u>1,727,175</u>	<u>1,672,398</u>
	<u>\$ 524,574</u>	<u>\$ 530,682</u>

Depreciation expense amounted to \$54,777 and \$49,925 for the years ended December 31, 2021 and 2020, respectively.

Note 6 - Art Collection

The Museum's collection consists of objects related to the areas of natural history, science, and fine art that are held for educational, research, scientific, and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for collections.

The collections, which were acquired through purchases and contributions since the Museum'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 a decrease in net assets with donor restrictions if the assets used to purchase the items were restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions are reflected as increases in the appropriate net asset classes.

The Board of Trustees has designated \$35,000 of funds to be set aside for future acquisitions. There is also a donor restricted fund known as the Acquisition Trust Fund that is restricted to the purchase of art objects.

There were no art purchases made during the year ended December 31, 2021. During 2020, there were five art purchases made in the amount of \$17,000. The art purchases were reported in the net assets with donor restrictions since the assets used to purchase the items were restricted by the donor for this purpose. There were no deaccessions during the years ended December 31, 2021 and 2020.

Note 7 - Donated Services and Noncash Contributions

Donated Services

During 2021 and 2020, the Museum received various contributed goods and services in connection with Museum projects and operations. These goods and services had a fair value of \$40,428 in 2021 and \$26,361 in 2020 and are reflected in the Statement of Activities.

The Museum also receives a significant amount of donated services from unpaid volunteers who assist in fund raising and programs. No amounts have been recognized in the Statement of Activities for these services because the criteria for recognition under accounting principles generally accepted in the United States have not been satisfied.

Note 8 - Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
<u>Subject to expenditure for specified purpose</u>		
Acquisition of art objects	\$ 187,106	\$ 166,386
Everhart Honors	-	10,000
Overlook Summer Camp	7,500	5,000
Folk Art Partnership	6,273	8,542
Pre-K Program	-	7,500
Adventure Camp	10,000	5,000
Exhibit Sponsorships	5,000	12,500
Education	5,485	-
	<u>221,364</u>	<u>214,928</u>
<u>Not subject to appropriation or expenditure</u>		
The Lois C. Kearney Endowment	115,200	40,000
Restricted to investment in perpetuity	913,765	863,624
	<u>1,028,965</u>	<u>903,624</u>
Total net assets with donor restrictions	<u>\$1,250,329</u>	<u>\$1,118,552</u>

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

	<u>2021</u>	<u>2020</u>
Purpose restriction accomplished:		
Collection acquisition	\$ -	\$ 17,000
Gallery renovations	-	3,939
Folk Art Partnership	18,269	6,458
2020 Operating expenses	-	2,146
Education	4,315	-
Adventure Camp	5,000	-
Overlook Summer Camp	5,000	-
Pre-K Program	7,500	-
Everhart Honors	10,000	-
Exhibit Sponsorships	12,500	-
Total net assets released from donor restrictions	<u>\$ 62,584</u>	<u>\$ 29,543</u>

Note 9 - Lackawanna County Council on Education and Culture

On July 18, 2005 the Museum entered into an agreement with Lackawanna County Council on Education and Culture, subject to annual renewal, which has provided the Museum with up to \$250,000 annually, to be used for general operations. The Museum received grants in the amount of \$240,000 for each of the years ended December 31, 2021 and 2020.

Note 10 - Endowments

The Museum's endowment funds consist of three individual funds established for the preservation and operation of the Museum. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by Generally Accepted Accounting Principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on existence or absence of donor-imposed restrictions.

Note 10 - Endowments - (Continued)

Endowment Net Asset Composition by type of fund as of December 31, 2021 and 2020 is as follows:

	<u>2021</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment Funds	\$ -	\$ 1,028,965	\$ 1,028,965
Board-designated endowment Funds	<u>1,555,894</u>	<u>-</u>	<u>1,555,894</u>
Total funds	<u>\$ 1,555,894</u>	<u>\$ 1,028,965</u>	<u>\$ 2,584,859</u>
	<u>2020</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment Funds	\$ -	\$ 903,624	\$ 903,624
Board-designated endowment Funds	<u>1,438,778</u>	<u>-</u>	<u>1,438,778</u>
Total funds	<u>\$ 1,438,778</u>	<u>\$ 903,624</u>	<u>\$ 2,342,402</u>

Changes in Endowment Net Assets for the Years ended December 31, 2021 and 2020, is as follows:

	<u>2021</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,438,778	\$ 903,624	\$ 2,342,402
Investment return:			
Investment income	67,542	28,578	96,120
Net realized and unrealized gains	<u>130,685</u>	<u>58,703</u>	<u>189,388</u>
Total investment return	198,227	87,281	285,508
Contributions	<u>-</u>	<u>75,200</u>	<u>75,200</u>
Appropriation of endowment assets for expenditure	<u>(81,111)</u>	<u>(37,140)</u>	<u>(118,251)</u>
Endowment net assets, end of year	<u>\$ 1,555,894</u>	<u>\$ 1,028,965</u>	<u>\$ 2,584,859</u>

Note 10 - Endowments - (Continued)

	2020		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 1,295,826	\$ 825,061	\$ 2,120,887
Investment return:			
Investment income	33,629	18,997	52,626
Net realized and unrealized gains	179,047	52,322	231,369
Total investment return	212,676	71,319	283,995
Contributions	-	40,000	40,000
Appropriation of endowment assets for expenditure	(69,724)	(32,756)	(102,480)
Endowment net assets, end of year	<u>\$ 1,438,778</u>	<u>\$ 903,624</u>	<u>\$ 2,342,402</u>

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds.

The Donor-restricted endowment assets are invested by the Trustees in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 Index and the Barclay's Intermediate Government Credit Index while assuming a balanced level of investment risk. The Museum expects its donor-restricted endowment funds, over time, to provide a rate of return commensurate with the portfolio risk. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Museum targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. Distribution each year is set between 2 and 7 percent of its endowment fund's average fair value. This is consistent with the Museum's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through investment return.

As approved by the Board of Trustees, the Board-designated endowment assets are invested in a manner that is intended to produce results that will be measured against a benchmark considering the yield results of the Russell 3000 Index, MSCI EAFE Index, Barclay's Intermediate Government Credit Index and the Merrill Lynch 3-Month T-Bill while assuming a balanced level of investment risk. The Museum expects its Board-designated endowment funds, over time, to provide an average rate of return in excess of the combined rates of spending and inflation. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Museum relies on an active asset allocation strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Note 10 - Endowments - (Continued)

The Museum targets a diversified asset allocation allowing for several types of investments but remaining highly liquid. The Museum has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value. In establishing this policy, the Museum considered the long-term expected return on its endowment. Accordingly, over the long term, the Museum expects the current spending policy to allow its endowment to grow at an average rate. This is consistent with the Museum's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through investment return.

Note 11 - Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020 declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures of certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the United States. It is uncertain how long these conditions will last and what the complete financial effect will be to the Museum. It is reasonably possible that estimates made in the financial statements have been, or will be materially and adversely impacted in the near term as a result of these conditions.

Note 12 - Paycheck Protection Program

During the year ended December 31, 2020, the Museum received a Paycheck Protection Program (PPP) loan of \$98,800 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are considered conditional contributions, with a right-of-return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent and utilities) incurred following receipt of the funds. The Museum recognized the amount received as grant revenue as qualified expenses occurred and notice of forgiveness was received from the lender on January 19, 2021. During the year ended December 31, 2021, the Museum received a second PPP loan of \$98,893. The Museum recognized the amount received as grant revenue as qualified expenses occurred and notice of forgiveness was received from the lender on August 17, 2021.