



PORTLAND MUSEUM *of* ART

FINANCIAL STATEMENTS

January 31, 2023 and 2022

With Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Portland Museum of Art

Opinion

We have audited the accompanying financial statements of Portland Museum of Art (the PMA), which comprise the balance sheets as of January 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the PMA as of January 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

The Board of Trustees
Portland Museum of Art

In performing an audit in accordance with U.S. GAAS, we:

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

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

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
June 27, 2023

PORTLAND MUSEUM OF ART

Balance Sheets

January 31, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 8,818,408	\$ 4,438,373
Accounts and other receivables	1,382,953	1,383,996
Inventory, at cost	99,745	96,553
Prepaid expenses	343,356	296,961
Contributions receivable, net	9,186,083	2,677,906
Bequest receivable, net	-	64,320
Art collection (Note 1)	1	1
Land, buildings and equipment, net	14,999,017	15,296,508
Campus unification in progress	4,204,638	3,399,563
Land held for future use	3,016,815	3,016,815
Investments	<u>46,914,293</u>	<u>50,272,876</u>
Total assets	<u>\$ 88,965,309</u>	<u>\$ 80,943,872</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 1,451,585	\$ 1,146,311
Deferred revenue	<u>109,569</u>	<u>99,559</u>
Total liabilities	<u>1,561,154</u>	<u>1,245,870</u>
Net assets		
Without donor restrictions	<u>28,844,856</u>	<u>29,064,549</u>
With donor restrictions		
Temporary in nature	13,823,624	6,035,618
Perpetual in nature	<u>44,735,675</u>	<u>44,597,835</u>
Total net assets with donor restrictions	<u>58,559,299</u>	<u>50,633,453</u>
Total net assets	<u>87,404,155</u>	<u>79,698,002</u>
Total liabilities and net assets	<u>\$ 88,965,309</u>	<u>\$ 80,943,872</u>

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

PORTLAND MUSEUM OF ART

Statements of Activities

Years Ended January 31, 2023 and 2022

	2023				2022			
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Temporary in Nature</u>	<u>Perpetual in Nature</u>			<u>Temporary in Nature</u>	<u>Perpetual in Nature</u>	
Changes in net assets								
Public support and revenues								
Contributions and grants	\$ 2,688,204	\$ 17,372,472	\$ 137,840	\$ 20,198,516	\$ 2,744,081	\$ 2,644,194	\$ 3,051,739	\$ 8,440,014
Memberships	631,392	-	-	631,392	610,756	-	-	610,756
Admissions and program revenues	790,800	-	-	790,800	576,403	-	-	576,403
Deaccessioning revenues	-	28,820	-	28,820	-	-	-	-
PMA Store revenues	357,602	-	-	357,602	401,458	-	-	401,458
Relief legislation funding	-	-	-	-	2,920,461	-	-	2,920,461
Investment (loss) return	(714,209)	(2,690,464)	-	(3,404,673)	(17,021)	2,202,569	-	2,185,548
Total public support and revenues	<u>3,753,789</u>	<u>14,710,828</u>	<u>137,840</u>	<u>18,602,457</u>	<u>7,236,138</u>	<u>4,846,763</u>	<u>3,051,739</u>	<u>15,134,640</u>
Net assets released from restrictions								
Satisfaction of program or capital asset purchase restrictions	5,224,299	(5,224,299)	-	-	3,837,210	(3,837,210)	-	-
Expiration of time restrictions	64,320	(64,320)	-	-	60,031	(60,031)	-	-
Restricted earnings transferred by spending policy for operations	1,634,203	(1,634,203)	-	-	2,076,353	(2,076,353)	-	-
Total net assets released from restrictions	<u>6,922,822</u>	<u>(6,922,822)</u>	<u>-</u>	<u>-</u>	<u>5,973,594</u>	<u>(5,973,594)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>10,676,611</u>	<u>7,788,006</u>	<u>137,840</u>	<u>18,602,457</u>	<u>13,209,732</u>	<u>(1,126,831)</u>	<u>3,051,739</u>	<u>15,134,640</u>
Expenses								
Program								
Exhibits and collections	5,154,828	-	-	5,154,828	4,456,408	-	-	4,456,408
Education	1,724,364	-	-	1,724,364	1,232,957	-	-	1,232,957
Collection items purchased	215,458	-	-	215,458	103,365	-	-	103,365
PMA Store	458,343	-	-	458,343	433,016	-	-	433,016
Management and general	823,573	-	-	823,573	923,250	-	-	923,250
Development and membership	2,519,738	-	-	2,519,738	1,484,456	-	-	1,484,456
Total expenses	<u>10,896,304</u>	<u>-</u>	<u>-</u>	<u>10,896,304</u>	<u>8,633,452</u>	<u>-</u>	<u>-</u>	<u>8,633,452</u>
Change in net assets	(219,693)	7,788,006	137,840	7,706,153	4,576,280	(1,126,831)	3,051,739	6,501,188
Net assets, beginning of year	<u>29,064,549</u>	<u>6,035,618</u>	<u>44,597,835</u>	<u>79,698,002</u>	<u>24,488,269</u>	<u>7,162,449</u>	<u>41,546,096</u>	<u>73,196,814</u>
Net assets, end of year	<u>\$ 28,844,856</u>	<u>\$ 13,823,624</u>	<u>\$ 44,735,675</u>	<u>\$ 87,404,155</u>	<u>\$ 29,064,549</u>	<u>\$ 6,035,618</u>	<u>\$ 44,597,835</u>	<u>\$ 79,698,002</u>

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

PORTLAND MUSEUM OF ART
Statement of Functional Expenses
Year Ended January 31, 2023

	Program				Total Program	Management and General	Development and Membership	Total Expenses
	Exhibits and Collections	Education	Collection Items Purchased	PMA Store				
Acquisition of art for the collection	\$ -	\$ -	\$ 215,458	\$ -	\$ 215,458	\$ -	\$ -	\$ 215,458
Advertising and promotion	70,906	149,728	-	1,780	222,414	-	27,989	250,403
Cost of goods sold	-	-	-	166,470	166,470	-	-	166,470
Depreciation	448,467	55,956	-	10,700	515,123	5,405	25,385	545,913
Education	-	418,099	-	-	418,099	-	-	418,099
Exhibitions and collections care	602,868	-	-	-	602,868	-	-	602,868
Fundraising and membership	-	-	-	-	-	-	482,076	482,076
Information technology	94,261	42,442	-	15,415	152,118	44,583	89,471	286,172
Insurance	105,133	8,903	-	1,205	115,241	4,006	2,863	122,110
Meetings and conferences	5,005	10,610	-	113	15,728	9,153	3,081	27,962
Occupancy	378,545	38,072	-	7,816	424,433	4,309	17,597	446,339
Office expenses	38,606	29,630	-	5,869	74,105	29,380	39,203	142,688
Professional fees and outside services	260,469	66,727	-	2,359	329,555	97,548	5,522	432,625
Salaries and benefits	3,059,956	882,612	-	246,562	4,189,130	627,170	1,746,889	6,563,189
Travel	90,612	21,585	-	54	112,251	2,019	79,662	193,932
Total expenses	\$ 5,154,828	\$ 1,724,364	\$ 215,458	\$ 458,343	\$ 7,552,993	\$ 823,573	\$ 2,519,738	\$ 10,896,304

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

PORTLAND MUSEUM OF ART
Statement of Functional Expenses
Year Ended January 31, 2022

	<u>Program</u>				<u>Total Program</u>	<u>Management and General</u>	<u>Development and Membership</u>	<u>Total Expenses</u>
	<u>Exhibits and Collections</u>	<u>Education</u>	<u>Collection Items Purchased</u>	<u>PMA Store</u>				
Acquisition of art for the collection	\$ -	\$ -	\$ 103,365	\$ -	\$ 103,365	\$ -	\$ -	\$ 103,365
Advertising and promotion	121,181	37,026	-	1,877	160,084	-	26,279	186,363
Cost of goods sold	-	-	-	172,385	172,385	-	-	172,385
Depreciation	437,308	54,138	-	10,423	501,869	4,893	25,048	531,810
Education	-	135,746	-	-	135,746	-	-	135,746
Exhibitions and collections care	418,680	-	-	-	418,680	-	-	418,680
Fundraising and membership	-	-	-	-	-	-	199,743	199,743
Information technology	72,444	42,692	-	15,648	130,784	49,066	74,863	254,713
Insurance	100,290	8,478	-	1,138	109,906	3,763	2,636	116,305
Meetings and conferences	3,263	1,008	-	137	4,408	2,198	1,751	8,357
Occupancy	314,680	35,753	-	6,915	357,348	3,456	15,788	376,592
Office expenses	29,988	30,127	-	5,152	65,267	45,306	26,042	136,615
Professional fees and outside services	267,420	53,479	-	2,300	323,199	123,230	62,217	508,646
Salaries and benefits	2,676,395	833,428	-	216,999	3,726,822	691,070	1,049,477	5,467,369
Travel	14,759	1,082	-	42	15,883	268	612	16,763
Total expenses	<u>\$ 4,456,408</u>	<u>\$ 1,232,957</u>	<u>\$ 103,365</u>	<u>\$ 433,016</u>	<u>\$ 6,225,746</u>	<u>\$ 923,250</u>	<u>\$ 1,484,456</u>	<u>\$ 8,633,452</u>

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

PORTLAND MUSEUM OF ART

Statements of Cash Flows

Years Ended January 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 7,706,153	\$ 6,501,188
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	545,913	531,810
Gain on assets held for sale	-	(67,748)
Net realized and unrealized losses (gains) on investments	3,733,641	(1,789,374)
Restricted contributions – perpetual in nature	(137,840)	(3,051,739)
Contributions restricted for acquisition and preservation, investment or collection	(17,372,472)	(2,644,194)
Collection items purchased	215,458	103,365
Decrease (increase) in		
Accounts and other receivables	1,043	(567,807)
Inventory	(3,192)	26,565
Prepaid expenses	(46,395)	81,350
Bequest receivable	64,320	60,031
Increase (decrease) in		
Accounts payable and accrued expenses	395,378	(463,494)
Deferred revenue	10,010	4,575
Refundable advance	-	777,390
Net cash used by operating activities	<u>(4,887,983)</u>	<u>(2,052,862)</u>
Cash flows from investing activities		
Acquisition of equipment and improvements, property held for future use and payments for campus unification	(1,143,600)	(898,714)
Proceeds from sale of assets held for sale	-	623,982
Payments for purchase of collection items	(215,458)	(207,365)
Proceeds from sale of investments	2,370,143	6,845,201
Purchases of investments	<u>(2,745,202)</u>	<u>(9,201,015)</u>
Net cash used by investing activities	<u>(1,734,117)</u>	<u>(2,837,911)</u>
Cash flows from financing activities		
Proceeds from restricted contributions – perpetual in nature	1,042,308	3,363,886
Proceeds from contributions restricted for acquisition and preservation, investment or collection	9,959,827	3,438,916
Principal payments on long-term debt	-	(150,000)
Net cash provided by financing activities	<u>11,002,135</u>	<u>6,652,802</u>
Net increase in cash and cash equivalents	4,380,035	1,762,029
Cash and cash equivalents, beginning of year	<u>4,438,373</u>	<u>2,676,344</u>
Cash and cash equivalents, end of year	<u>8,818,408</u>	<u>4,438,373</u>
Supplemental disclosures of noncash investing and financing transactions:		
Buildings improvements and equipment reported in accounts payable	\$ <u>44,167</u>	\$ <u>120,247</u>

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

PORTLAND MUSEUM OF ART

Notes to Financial Statements

January 31, 2023 and 2022

Nature of Organization

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

Mission

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

Vision

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

Values

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

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

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

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

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

Goal Areas

ARTISTIC VISION

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

CAMPUS UNIFICATION

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

EXPERIENCE

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

PEOPLE

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

CULTURE OF PHILANTHROPY

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

PORTLAND MUSEUM OF ART

Notes to Financial Statements

January 31, 2023 and 2022

1. Summary of Significant Accounting Policies

Financial Statement Basis of Presentation

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

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

Use of Estimates

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

Cash and Cash Equivalents, Including Limitations on Use

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

Cash and cash equivalents primarily represent funds received from donors with restrictions temporary in nature were \$8,382,396 and \$3,226,382 at January 31, 2023 and 2022, respectively.

PORTLAND MUSEUM OF ART

Notes to Financial Statements

January 31, 2023 and 2022

Inventory

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

Contributions

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

There were no conditional promises to give at January 31, 2023 and 2022.

Contributions of assets other than cash are recorded at their estimated fair value on the date received. Amortization of any discount is recorded as additional contribution revenue in accordance with donor restrictions, if any. Management estimates an allowance for uncollectible contributions receivable based on past collection history. The allowance for uncollectible contributions receivable was \$291,300 and \$82,408 at January 31, 2023 and 2022, respectively.

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

Revenue Recognition from Exchange Transactions

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

Memberships: The PMA sells various categories of memberships that typically last for a one-year or two-year term. The PMA records collected memberships as deferred revenue under Topic 606 and amortizes amounts ratably over the membership term into revenue. Payment is received at the time of membership enrollment or renewal.

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

Deaccessioning revenues: Revenues from deaccessioning of collection items are recognized at the point in time auction sale is finalized. The PMA collects cash at a time in accordance with the auction contract, which varies according to the contract terms.

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

PORTLAND MUSEUM OF ART

Notes to Financial Statements

January 31, 2023 and 2022

Investments

Investments in mutual funds are measured at fair value in the balance sheets based on quoted market prices. Values of investments in limited liability and closely-held companies and partnerships are based on net asset values (NAV) per share of the respective funds as reported in the financial statements of the related interest provided by the investment managers. The PMA reviews and evaluates the valuations provided by the investment managers and believes the net asset values are reasonable estimates of fair value at January 31, 2023 and 2022, but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed.

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

Art Collection Description (Unaudited)

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

Art Collection Policies

The art collection is reflected at a nominal value. The cost of a collection item is recorded as a decrease in net assets when purchased. The proceeds from sales of collection items are recorded as increases in net assets with temporary donor restricted when sold.

The collection is managed according to a policy which adheres to the standards of the American Alliance of Museums. The policy delineates responsibilities in such matters as museum ethics, acquisitions, loans, care of collections, and deaccessioning. Objects held in the collection are carefully tracked and monitored. The PMA's deaccessioning policy is that all benefits from the deaccessioning procedure, whether by exchange of object(s) or sale, shall be reapplied exclusively to the acquisition of works of art. All objects acquired in this manner should acknowledge the original donor or source as appropriate. Through January 31, 2023, no proceeds derived from deaccessioned collection items have been used for direct care of the collection.

PORTLAND MUSEUM OF ART

Notes to Financial Statements

January 31, 2023 and 2022

The PMA has adopted the following definition of "direct care":

- Collection conservation expenses, including supplies, transportation expenses, other direct expenses, and labor.
- Expenses related to cataloging, housing, and physical care of objects, including but not limited to registrar and preparatory labor expenses, supplies, expenses for storage facilities both on and off-campus, lighting, and proper monitoring of storage and exhibition environments (including dataloggers and appropriate software for tracking collection items), photographic documentation and the management of digital assets.
- Framing, mounting expenses, as well as the physical production of pedestals and other supplies for proper presentation of objects, including labor costs. Exhibition spaces as well as the care of such spaces, which may include pest control, proper lighting, security, and temperature control.

Land, Buildings and Equipment

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

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

Land Held for Future Use

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

Functional Allocation of Expenses

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

Volunteer Services

Volunteers work directly with professional staff to further the PMA's mission. Volunteer positions include Docents and volunteers in the museum's departments. The total number of volunteer hours approximated 1,366 and 22 in 2023 and 2022, respectively.

PORTLAND MUSEUM OF ART

Notes to Financial Statements

January 31, 2023 and 2022

Other Receivable

The PMA qualified for Employee Retention Tax Credits (ERTC) under later pandemic relief legislation for qualifying payroll paid during the calendar years 2020 and 2021. ERTC receivable at January 31, 2023 and 2022 totaled \$1,270,466 and \$1,327,132, respectively, and is reported in accounts and other receivables on the balance sheets. The credits received could be subject to audit for up to five years from the date of the credit filing.

Income Taxes

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

Recently Adopted Accounting Pronouncements

In 2023, the PMA adopted Financial Accounting Standards Board (FASB) ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), and related guidance, which supersedes accounting standards that previously existed under U.S. GAAP and increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. This ASU has been adopted retrospectively, therefore, the financial statements and the related notes have been presented accordingly. The impact of adoption to the year ended January 31, 2023 resulted in no material changes to the PMA's financial reporting.

Subsequent Events

Management has considered transactions or events occurring through June 27, 2023, which was the date that the financial statements were available to be issued.

2. Liquidity and Availability of Financial Assets

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

PORTLAND MUSEUM OF ART

Notes to Financial Statements

January 31, 2023 and 2022

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

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

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

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash and cash equivalents	\$ 8,818,408	\$ 4,438,373
Accounts and other receivables	1,382,953	1,383,996
Inventory	99,745	96,553
Contributions receivable, net	9,186,083	2,677,906
Bequest receivable, net	-	64,320
Board-approved appropriation for the coming year*	<u>2,275,999</u>	<u>2,167,686</u>
Total financial assets	<u>21,763,188</u>	<u>10,828,834</u>
Assets with restrictions		
Donor-restricted net assets currently available - temporary in nature, including related pledges	(8,382,396)	(3,226,382)
Donor-restricted pledges – perpetual in nature	(1,280,274)	(2,142,198)
Pledges receivable within one year but for restricted-purpose	(2,101,082)	-
Pledges and bequest receivable for support of future periods beyond one year	<u>(6,316,268)</u>	<u>(416,268)</u>
Total assets with restrictions	<u>(18,080,020)</u>	<u>(5,784,848)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,683,168</u>	<u>\$ 5,043,986</u>

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

PORTLAND MUSEUM OF ART

Notes to Financial Statements

January 31, 2023 and 2022

3. Appreciation on Net Asset with Donor Restrictions – Perpetual in Nature

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

Interpretation of Relevant Law

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

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

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

4. Contributions and Bequest Receivable

Contributions and bequest receivable consist of unconditional promises to give as of January 31, as follows:

	<u>2023</u>	<u>2022</u>
Contributions receivable	\$ 9,477,383	\$ 2,760,314
Less allowance for uncollectible pledges	<u>(291,300)</u>	<u>(82,408)</u>
Contributions receivable, net	<u>9,186,083</u>	<u>2,677,906</u>
Bequest receivable before discount	-	68,921
Less discount at 7.1%	<u>-</u>	<u>(4,601)</u>
Bequest receivable, net	<u>-</u>	<u>64,320</u>
	<u>\$ 9,186,083</u>	<u>\$ 2,742,226</u>

PORTLAND MUSEUM OF ART

Notes to Financial Statements

January 31, 2023 and 2022

Contributions and bequest receivable are expected to be received as follows:

	<u>2023</u>	<u>2022</u>
Within one year	\$ 3,463,356	\$ 1,403,019
Between one and four years	<u>6,354,268</u>	<u>1,441,653</u>
	9,817,624	2,844,672
Less present value discount at 7.1%	(340,241)	(15,437)
Less discount on bequest receivable	-	(4,601)
Less reserve for uncollectible pledges	<u>(291,300)</u>	<u>(82,408)</u>
	<u>\$ 9,186,083</u>	<u>\$ 2,742,226</u>

5. Land, Buildings and Equipment

Following is a summary of land, buildings and equipment:

	<u>2023</u>	<u>2022</u>
Land and land improvements	\$ 5,623,932	\$ 5,623,932
Buildings and improvements	25,802,476	25,572,306
Equipment	<u>794,566</u>	<u>794,566</u>
	32,220,974	31,990,804
Less accumulated depreciation	<u>17,221,957</u>	<u>16,694,296</u>
	<u>\$14,999,017</u>	<u>\$15,296,508</u>

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

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

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

PORTLAND MUSEUM OF ART

Notes to Financial Statements

January 31, 2023 and 2022

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

7. Investments

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

	<u>2023</u>	<u>2022</u>
Invested cash equivalents	\$ 329,653	\$ 1,223,271
Mutual funds	16,573,268	15,340,986
Limited liability and other closely-held companies	25,125,087	31,017,651
Partnership interests and fund of funds	<u>4,886,285</u>	<u>2,690,968</u>
	<u>\$ 46,914,293</u>	<u>\$ 50,272,876</u>

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

Under the PMA's endowment spending policy, the amount of the endowment withdrawn for current expenses ("Annual Payout Amount") for each fiscal year will be determined by multiplying the distribution rate by the average market value of the fund over a defined period of time. The Annual Payout Amount will be appropriated at the beginning of each fiscal year by vote of the PMA's Board of Trustees. In 2021, the Board of Trustees approved increasing the spending rate up to 7.0%, for a period of two years, to all funds that support the PMA's operating budget, as recommended by the Finance Committee and the Investment Committee. The distribution rates in 2023 were 2.0%, 4.1%, or 5.0% depending on the fund. The distribution rates in 2022 were 2.0%, 4.2%, 6.5% or 7.0% depending on the fund.

Through January 2027, certain permanent endowment net assets (\$5,671,259 at January 31, 2023) are subject to a donor-imposed spending limitation based on investment return during each fiscal year. If investment return is 4.5% or more, spending is limited to 4.5%; if return is 2.0% to 4.5%, spending is limited to the actual investment return; and if return is less than 2%, spending is limited to 2% provided the corpus (\$5,068,437 at January 31, 2023) is not temporarily decreased by more than 10%.

PORTLAND MUSEUM OF ART

Notes to Financial Statements

January 31, 2023 and 2022

Investments by class of net assets (deficiency) are as follows:

	<u>2023</u>	<u>2022</u>
Without donor restrictions	\$ 4,993,649	\$ 5,608,029
With donor restrictions – temporary in nature	(1,577,300)	2,209,210
With donor restrictions – perpetual in nature	<u>43,497,944</u>	<u>42,455,637</u>
	<u>\$ 46,914,293</u>	<u>\$ 50,272,876</u>

Changes in invested endowment net assets (deficiency) for the year ended January 31, 2023 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>		<u>Total</u>
		<u>Temporary</u>	<u>Perpetual</u>	
		<u>in Nature</u>	<u>in Nature</u>	
Endowment net assets, beginning of year	\$ 5,608,029	\$ 2,209,210	\$ 42,455,637	\$ 50,272,876
Contributions and other amounts invested	337,007	959,825	1,042,307	2,339,139
Investment return (loss)				
Investment income, net of \$113,540 in fees	36,485	292,476	-	328,961
Realized loss on investments	(20,547)	(169,020)	-	(189,567)
Net depreciation in fair value of investments	<u>(730,147)</u>	<u>(2,813,920)</u>	<u>-</u>	<u>(3,544,067)</u>
Total investment loss	(714,209)	(2,690,464)	-	(3,404,673)
Appropriation of endowment assets for expenditure under spending policy or expiration of restrictions	<u>(237,178)</u>	<u>(2,055,871)</u>	<u>-</u>	<u>(2,293,049)</u>
Endowment net assets (deficiency), end of year	<u>\$ 4,993,649</u>	<u>\$ (1,577,300)</u>	<u>\$ 43,497,944</u>	<u>\$ 46,914,293</u>

Changes in invested endowment net assets for the year ended January 31, 2022 are as follows:

PORTLAND MUSEUM OF ART

Notes to Financial Statements

January 31, 2023 and 2022

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>		<u>Total</u>
		<u>Temporary in Nature</u>	<u>Perpetual in Nature</u>	
Endowment net assets, beginning of year	\$ 4,633,983	\$ 2,401,954	\$ 39,091,751	\$ 46,127,688
Contributions and other amounts invested	1,218,281	-	3,363,886	4,582,167
Investment return (loss)				
Investment income, net of \$112,489 in fees	43,432	352,742	-	396,174
Realized gains on investments	196,788	1,724,708	-	1,921,496
Net (depreciation) appreciation in fair value of investments	<u>(257,241)</u>	<u>125,119</u>	<u>-</u>	<u>(132,122)</u>
Total investment return	(17,021)	2,202,569	-	2,185,548
Appropriation of endowment assets for expenditure under spending policy or expiration of restrictions	<u>(227,214)</u>	<u>(2,395,313)</u>	<u>-</u>	<u>(2,622,527)</u>
Endowment net assets, end of year	<u>\$ 5,608,029</u>	<u>\$ 2,209,210</u>	<u>\$ 42,455,637</u>	<u>\$ 50,272,876</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires PMA to retain as a fund of perpetual duration. Deficiencies of this nature existed in 29 donor-restricted funds, which have fair values totaling \$21,466,614, original gift values totaling \$25,370,588, and accumulated deficiencies totaling \$3,903,974 as of January 31, 2023.

8. Fair Value Measurement

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

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

PORTLAND MUSEUM OF ART

Notes to Financial Statements

January 31, 2023 and 2022

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

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

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

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

	<u>Fair Value Measurements at January 31, 2023</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Cash equivalent investments				
Money market funds	\$ 329,653	\$ 329,653	\$ -	\$ -
Mutual funds				
Long-term capital appreciation	<u>16,573,268</u>	<u>16,573,268</u>	-	-
	<u>16,902,921</u>	<u>\$ 16,902,921</u>	<u>\$ -</u>	<u>\$ -</u>
Investments at NAV	<u>30,011,372</u>			
Total investments	<u>\$ 46,914,293</u>			

	<u>Fair Value Measurements at January 31, 2022</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments				
Cash equivalent investments				
Money market funds	\$ 1,223,271	\$ 1,223,271	\$ -	\$ -
Mutual funds				
Long-term capital appreciation	<u>15,340,986</u>	<u>15,340,986</u>	-	-
	16,564,257	<u>\$ 16,564,257</u>	<u>\$ -</u>	<u>\$ -</u>
Investments at NAV	<u>33,708,619</u>			
Total investments	<u>\$ 50,272,876</u>			

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

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

PORTLAND MUSEUM OF ART

Notes to Financial Statements

January 31, 2023 and 2022

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

	Fair Value <u>2023</u>	Fair Value <u>2022</u>	Unfunded <u>Commitments</u>	Redemption <u>Frequency</u>	Redemption Notice <u>Period</u>
FEG Select Active					
International Equity Series I	\$ 2,258,597	\$ 2,647,849	\$ -	Monthly	30 days
Domestic Equity Series I	-	1,600,741	-	Quarterly	60 days
Domestic Equity Series II	2,286,303	2,620,269	-	Monthly	30 days
Global Equity Series II	3,397,726	3,679,815	-	Monthly	30 days
Global REIT Series I	681,163	1,680,168	-	Daily	5 days
Emerging Markets Series I	1,709,993	1,737,125	-	Monthly	30 days
Emerging Market Equity II	1,475,875	1,684,691	-	Monthly	30 days
FEG Select					
Core Fixed Income Series	5,019,476	6,102,007	-	Daily	5 days
Core Plus Bond Series	5,001,323	6,032,808	-	Daily	5 days
Diversifying Strategies Series	2,473,351	2,653,384	-	Semiannual	95 days
Biotech Series I	821,280	533,420	-	Semiannual	90 days
FEG Private Opportunities					
Fund V, L.P.	2,116,565	1,281,056	3,825,000	Illiquid	N/A
Other partnership interests and fund of funds	<u>2,769,720</u>	<u>1,455,286</u>	<u>3,511,075</u>		
	<u>\$ 30,011,372</u>	<u>\$ 33,753,993</u>	<u>\$ 7,336,075</u>		

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

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

FEG Select Active International Equity Series I seeks total return through investments in the developed international market.

FEG Select Active REIT Series I seeks to invest diversify assets for total return.

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

FEG Select Active Global Equity Series II seeks total return.

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

PORTLAND MUSEUM OF ART

Notes to Financial Statements

January 31, 2023 and 2022

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

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

FEG Select Biotech Series I seeks to provide total return.

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

9. Borrowings

In October 2021, the PMA entered into a \$3,000,000 working capital line of credit and a \$1,642,500 line of credit available for capital asset purchases. Interest on working capital line advances will be adjusted LIBOR plus 1.65% subject to a floor rate, as defined in the loan agreement. Interest on the credit line available for capital purchases will be adjusted LIBOR plus 1.35%. These lines mature in May 2024. The working capital line of credit is unsecured and the line of credit for capital asset purchases is collateralized by certain real estate. There were no advances outstanding under these lines at January 31, 2023 or 2022.

Cash paid for interest during the year ended January 31, 2022 totaled \$3,094.

10. Net Assets Without Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Net investment in capital assets*	\$ 16,052,825	\$ 16,341,720
Board designated for investment	4,993,649	5,608,029
Investment in property held for future use*	6,167,655	5,371,165
Other	<u>1,630,727</u>	<u>1,743,635</u>
	<u>\$ 28,844,856</u>	<u>\$ 29,064,549</u>

* Includes certain amounts reported within campus unification in process.

PORTLAND MUSEUM OF ART

Notes to Financial Statements

January 31, 2023 and 2022

11. Net Assets with Donor Restrictions – Temporary in Nature

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

	<u>Currently Available</u>	Income (Deficiency) in Excess of Spending Policy	Amounts Receivable in Future Periods	<u>Total</u>
<u>2023</u>				
Education	\$ 1,597,004	\$ (208,544)	\$ -	\$ 1,388,460
Maintenance of collection and building	4,622,820	(236,861)	7,712,085	12,098,044
Acquisition of art for the collection	1,972,723	192,974	-	2,165,697
Other restricted purposes	<u>189,849</u>	<u>(2,284,694)</u>	<u>266,268</u>	<u>(1,828,577)</u>
	<u>\$ 8,382,396</u>	<u>\$ (2,537,125)</u>	<u>\$ 7,978,353</u>	<u>\$ 13,823,624</u>
<u>2022</u>				
Education	\$ 684,681	\$ 518,921	\$ -	\$ 1,203,602
Maintenance of collection and building	315,342	313,844	389,050	1,018,236
Acquisition of art for the collection	1,932,435	299,769	-	2,232,204
Other restricted purposes	<u>293,924</u>	<u>1,076,676</u>	<u>210,976</u>	<u>1,581,576</u>
	<u>\$ 3,226,382</u>	<u>\$ 2,209,210</u>	<u>\$ 600,026</u>	<u>\$ 6,035,618</u>

12. Net Assets with Donor Restrictions – Perpetual in Nature

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

	<u>2023</u>	<u>2022</u>
General operations, including \$103,000 and \$228,908 in contributions receivable at January 31, 2023 and 2022, respectively	\$ 29,955,019	\$ 30,034,999
Education, including \$908 in contributions receivable at January 31, 2022	6,121,402	6,039,738
Maintenance of collection and buildings, including \$1,177,274 and \$1,174,997 in contributions receivable at January 31, 2023 and 2022, respectively	4,908,391	4,825,932
Acquisition of art for the collection	735,339	734,339
Wages and related expenses, including \$737,385 in contributions receivable at at January 31, 2022	2,730,329	2,690,328
Other	<u>285,195</u>	<u>272,499</u>
	<u>\$ 44,735,675</u>	<u>\$ 44,597,835</u>

PORTLAND MUSEUM OF ART

Notes to Financial Statements

January 31, 2023 and 2022

13. Unionized Employees

In April 2021, certain nonmanagement employees of the PMA became members of Local 2110 of the United Autoworkers (UAW). Those employees number approximately 40 and represent 45% of the PMA's staff. The current union contract expires November 2024.

14. Defined Contribution Retirement Plan

The PMA has a 403(b) Plan (the Plan). All employees that work more than 1,000 hours during the Plan year are eligible to participate. Under the Plan, the PMA may make discretionary match contributions. During the years ended January 31, 2023 and 2022, the PMA contributed \$84,321 and \$65,188 to the Plan, respectively.

15. Contingency and Uncertainty

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