

CONSOLIDATED FINANCIAL STATEMENTS

**AMERICAN INSTITUTE FOR CONSERVATION
OF HISTORIC AND ARTISTIC WORKS, INC.
DBA AMERICAN INSTITUTE FOR
CONSERVATION, AND AFFILIATE**

**FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2021**

**AMERICAN INSTITUTE FOR CONSERVATION OF HISTORIC AND
ARTISTIC WORKS, INC. DBA AMERICAN INSTITUTE FOR
CONSERVATION, AND AFFILIATE**

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
American Institute for Conservation of Historic and Artistic Works, Inc.
DBA American Institute for Conservation, and Affiliate
Washington, D.C.

Opinion

We have audited the accompanying consolidated financial statements of the American Institute for Conservation of Historic and Artistic Works, Inc. DBA American Institute for Conservation, and Affiliate, Foundation for Advancement in Conservation (collectively referred to as AIC), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the American Institute for Conservation of Historic and Artistic Works, Inc. DBA American Institute for Conservation, and Affiliate as of December 31, 2022, and the consolidated change in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of AIC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 AIC'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AIC's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited AIC's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 25, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedule of Financial Position on page 27, the Consolidating Schedule of Activities on page 28 and the Consolidating Schedule of Change in Net Assets on page 29 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2023, on our consideration of AIC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of AIC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AIC's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

April 26, 2023

**AMERICAN INSTITUTE FOR CONSERVATION OF HISTORIC AND
ARTISTIC WORKS, INC. DBA AMERICAN INSTITUTE FOR
CONSERVATION, AND AFFILIATE**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

ASSETS		<u>2022</u>	<u>2021</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	221,294	\$ 471,813
Short-term investments		666,955	890,610
Grants and contributions receivable		769,108	911,111
Inventory, net		19,570	14,060
Prepaid expenses		<u>98,729</u>	<u>101,465</u>
Total current assets		<u>1,775,656</u>	<u>2,389,059</u>
PROPERTY AND EQUIPMENT			
Property and equipment, net		<u>45,973</u>	<u>28,214</u>
OTHER ASSETS			
Right-of-use asset, net		869,116	-
Grants and contributions receivable, net of current portion and discount		116,217	372,732
Investments		5,783,997	6,930,870
Deposits		<u>11,317</u>	<u>11,317</u>
Total other assets		<u>6,780,647</u>	<u>7,314,919</u>
TOTAL ASSETS	\$	<u>8,602,276</u>	\$ <u>9,732,192</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Deferred rent	\$	-	\$ 926
Accounts payable and accrued expenses		202,827	184,326
Deferred revenue		314,409	654,943
Operating lease liability		<u>155,740</u>	<u>-</u>
Total current liabilities		<u>672,976</u>	<u>840,195</u>
LONG-TERM LIABILITIES			
Deferred rent, net of current portion		-	128,835
Operating lease liability, net of current portion		<u>855,587</u>	<u>-</u>
Total long-term liabilities		<u>855,587</u>	<u>128,835</u>
Total liabilities		<u>1,528,563</u>	<u>969,030</u>
NET ASSETS			
Without donor restrictions		1,310,763	2,047,480
With donor restrictions		<u>5,762,950</u>	<u>6,715,682</u>
Total net assets		<u>7,073,713</u>	<u>8,763,162</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>8,602,276</u>	\$ <u>9,732,192</u>

See accompanying notes to consolidated financial statements.

**AMERICAN INSTITUTE FOR CONSERVATION OF HISTORIC AND
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**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	<u>2022</u>			<u>2021</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
REVENUE AND SUPPORT				
Grants and contributions	\$ 1,449,138	\$ 304,376	\$ 1,753,514	\$ 1,446,674
Annual meeting	586,274	-	586,274	254,805
Investment (loss) income, net	(440,737)	(704,868)	(1,145,605)	852,152
Publications, advertising and other	103,674	-	103,674	89,369
Membership dues	496,392	-	496,392	496,151
Specialty group revenue	154,717	-	154,717	129,413
Workshop income	87,524	-	87,524	81,634
Net assets released from donor restrictions	<u>552,240</u>	<u>(552,240)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>2,989,222</u>	<u>(952,732)</u>	<u>2,036,490</u>	<u>3,350,198</u>
EXPENSES				
Program Services:				
Meetings	553,279	-	553,279	215,630
Professional Development and Education	634,130	-	634,130	554,327
Outreach	1,078,771	-	1,078,771	692,596
Publications and Resources	325,382	-	325,382	436,222
Emergency Response	236,353	-	236,353	119,896
Specialty Groups	172,537	-	172,537	45,007
Committees and Other Programs	<u>47,604</u>	<u>-</u>	<u>47,604</u>	<u>28,840</u>
Total program services	<u>3,048,056</u>	<u>-</u>	<u>3,048,056</u>	<u>2,092,518</u>
Supporting Services:				
General and Administrative	479,943	-	479,943	422,927
Membership Maintenance	158,953	-	158,953	191,075
Fundraising	<u>38,987</u>	<u>-</u>	<u>38,987</u>	<u>63,063</u>
Total supporting services	<u>677,883</u>	<u>-</u>	<u>677,883</u>	<u>677,065</u>
Total expenses	<u>3,725,939</u>	<u>-</u>	<u>3,725,939</u>	<u>2,769,583</u>
Change in net assets before other item	(736,717)	(952,732)	(1,689,449)	580,615
OTHER ITEM				
Forgiveness of debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>316,576</u>
Change in net assets after other item	(736,717)	(952,732)	(1,689,449)	897,191
Net assets at beginning of year	<u>2,047,480</u>	<u>6,715,682</u>	<u>8,763,162</u>	<u>7,865,971</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,310,763</u>	<u>\$ 5,762,950</u>	<u>\$ 7,073,713</u>	<u>\$ 8,763,162</u>

**AMERICAN INSTITUTE FOR CONSERVATION OF HISTORIC AND
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**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022							
	Program Services							
	Professional Development and Education	Publications and Resources	Emergency Response	Specialty Groups	Committees and Other Programs	Total Program Services		
	Meetings	Outreach						
Salaries and wages	\$ 112,843	\$ 84,261	\$ 168,750	\$ 74,973	\$ 79,042	\$ 12,257	\$ 23,266	\$ 555,392
Payroll taxes and benefits	22,259	16,737	33,437	15,090	15,731	2,423	4,550	110,227
Printing and production	1,068	1,414	479	21,215	3,213	11,218	376	38,983
Professional fees	770	92,526	743,690	102,305	40,910	6,812	6,512	993,525
Occupancy	24,863	24,892	42,738	14,391	10,012	-	-	116,896
Insurance	1,969	-	-	-	-	-	-	1,969
Depreciation and amortization	240	1,614	2,771	538	649	-	-	5,812
Telecommunications	48,485	25,141	31,585	12,567	8,497	974	318	127,567
Travel	35,769	65,476	20,730	5,932	28,462	14,364	1,723	172,456
Postage and shipping	3,637	459	1,082	7,982	445	7,522	-	21,127
Equipment rental and maintenance	2,031	-	-	825	-	-	-	2,856
Office supplies and expenses	27,038	10,962	356	-	17,575	175	1,059	57,165
Dues and subscriptions	-	7,224	4,531	-	3,877	4,209	-	19,841
Conferences and meetings	263,214	52,726	3,430	-	4,500	97,388	9,618	430,876
Cost of sales	-	-	-	(5,512)	-	-	-	(5,512)
Bank fees	5,113	4,332	7,437	2,537	1,743	-	-	21,162
Scholarships and grants	-	245,775	16,741	72,437	21,460	-	-	356,413
Miscellaneous	3,980	591	1,014	102	237	15,195	182	21,301
TOTAL	\$ 553,279	\$ 634,130	\$ 1,078,771	\$ 325,382	\$ 236,353	\$ 172,537	\$ 47,604	\$ 3,048,056

See accompanying notes to consolidated financial statements.

AMERICAN INSTITUTE FOR CONSERVATION OF HISTORIC AND
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	2022 (Continued)			2021		
	Supporting Services					
	General and Administrative	Membership Maintenance	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries and wages	\$ 230,023	\$ 97,945	\$ 17,473	\$ 345,441	\$ 900,833	\$ 932,952
Payroll taxes and benefits	50,867	19,434	3,520	73,821	184,048	223,455
Printing and production	786	-	625	1,411	40,394	26,766
Professional fees	93,846	228	52	94,126	1,087,651	744,696
Occupancy	21,111	19,012	1,727	41,850	158,746	152,342
Insurance	10,948	-	-	10,948	12,917	12,089
Depreciation and amortization	634	184	112	930	6,742	8,077
Telecommunications	14,240	12,495	4,875	31,610	159,177	98,172
Travel	25,660	-	-	25,660	198,116	21,873
Postage and shipping	553	4,451	975	5,979	27,106	20,376
Equipment rental and maintenance	2,946	1,552	-	4,498	7,354	8,146
Office supplies and expenses	2,547	-	99	2,646	59,811	5,792
Dues and subscriptions	3,034	-	6,600	9,634	29,475	20,594
Conferences and meetings	11,953	-	1,401	13,354	444,230	10,381
Cost of sales	-	-	-	-	(5,512)	(7,048)
Bank fees	7,045	3,370	1,487	11,902	33,064	39,742
Scholarships and grants	-	-	-	-	356,413	431,203
Miscellaneous	3,750	282	41	4,073	25,374	19,975
TOTAL	\$ 479,943	\$ 158,953	\$ 38,987	\$ 677,883	\$ 3,725,939	\$ 2,769,583

See accompanying notes to consolidated financial statements.

**AMERICAN INSTITUTE FOR CONSERVATION OF HISTORIC AND
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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,689,449)	\$ 897,191
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	6,742	8,077
Change in discount on grants and contributions receivable	(8,483)	(14,241)
Receipt of contributed securities and other assets	(2,021)	(22,730)
Proceeds from the sale of contributed securities	2,033	22,619
Net realized and unrealized loss (gain) on investments	1,214,679	(753,068)
Forgiveness of debt	-	(316,576)
Amortization of right-of-use asset	146,619	-
Decrease (increase) in:		
Grants and contributions receivable	407,001	85,295
Inventory	(5,510)	(7,049)
Prepaid expenses	2,736	(46,257)
Increase (decrease) in:		
Accounts payable and accrued expenses	18,501	22,785
Deferred revenue	(340,534)	18,793
Operating lease liability	(134,169)	-
Deferred rent	-	17,700
Net cash used by operating activities	<u>(381,855)</u>	<u>(87,461)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(24,501)	(24,499)
Purchases of investments	(552,578)	(718,195)
Proceeds from sales of investments	<u>708,415</u>	<u>620,840</u>
Net cash provided (used) by investing activities	<u>131,336</u>	<u>(121,854)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan	<u>-</u>	<u>206,247</u>
Net cash provided by financing activities	<u>-</u>	<u>206,247</u>
Net decrease in cash and cash equivalents	(250,519)	(3,068)
Cash and cash equivalents at beginning of year	<u>471,813</u>	<u>474,881</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 221,294</u>	<u>\$ 471,813</u>
SCHEDULE OF NONCASH FINANCING TRANSACTIONS		
Right-of-Use Asset	<u>\$ 1,015,735</u>	<u>\$ -</u>
Operating Lease Liability for Right-of-Use Asset	<u>\$ 1,145,182</u>	<u>\$ -</u>

**AMERICAN INSTITUTE FOR CONSERVATION OF HISTORIC AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organizations -

The American Institute for Conservation of Historic and Artistic Works, Inc. DBA American Institute for Conservation (AIC) is a not-for-profit organization, incorporated under the laws of the District of Columbia. AIC is a national membership organization of conservation professionals that advances the practice and promotes the importance of the preservation of cultural heritage through research, publications and the exchange of knowledge as well as the establishment and upholding of professional standards. Cultural heritage is material that may be artistic, historic, scientific, religious or social and is an invaluable and irreplaceable legacy that must be preserved for future generations. AIC funds its activities primarily through membership dues, publications, and revenue from its annual meeting.

The Foundation for Advancement in Conservation (FAIC), formerly know as the Foundation of the American Institute for Conservation of Historic and Artistic Works, Inc. is a nonprofit organization incorporated under the laws of the District of Columbia. FAIC is organized exclusively for education, scientific and charitable purposes, focusing on the importance of the preservation of cultural heritage. FAIC funds its activities primarily through grants and donations.

The consolidated financial statements include the account balances and transactions of AIC and FAIC. AIC and FAIC (collectively referred to as AIC) have been consolidated due to the essence of common control and economic interest as required under accounting principles generally accepted in the United States of America. All significant intercompany balances and transactions have been eliminated in consolidation.

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with AIC's consolidated financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than AIC's mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Basis of presentation (continued) -

- **Net Assets With Donor Restrictions (continued)** - Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

New accounting pronouncement adopted -

During 2022, AIC adopted ASU 2019-01, *Leases* (Topic 842), which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Consolidated Statement of Financial Position and disclosure of key information about leasing arrangements. AIC applied the new standard using the modified retrospective approach and adopted the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. See Note 8 for further details.

Cash and cash equivalents -

AIC considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, AIC maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Included in investment (loss) income net in the Consolidated Statement of Activities and Change in Net Assets are interest and dividends, realized and unrealized gains and losses, net of external investment advisor fees. Investments acquired by gift are recorded at their fair value at the date of the gift. AIC's policy is to liquidate all gifts of investments as soon as possible after the gift.

The primary objective of AIC's short-term investments is to ensure the ability to meet all expected or unexpected cash flow needs by investing in securities which can be sold readily and efficiently. The primary objective of AIC's long-term investments is to preserve the purchasing power of the principal and to provide long-term operating reserves.

AIC classifies investments held as endowments, long-term reserves, and investment securities with a maturity of greater than one year as long-term investments in the accompanying Consolidated Statement of Financial Position. All other investments are considered available for current operations and are classified as short-term investments in the accompanying Consolidated Statement of Financial Position.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Grants and contributions receivable -

Grants and contributions receivable are recorded at their net realizable value, which approximates fair value. Grants and contributions receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. All grants and contributions receivable are considered by management to be fully collectable. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Property and equipment in excess of \$5,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining term of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense during the year ended December 31, 2022 totaled \$6,742.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to the Consolidated Statement of Activities and Change in Net Assets, to its current fair value.

Inventory -

Inventory consists of books and other publications held for sale and is measured at the lower of cost and net realizable value using the first-in, first-out method of inventory under FASB ASU 2015-11 *Simplifying the Measurement of Inventory*. AIC assesses inventory obsolescence annually and records a reserve for obsolete inventory when the projected future unit sales of a publication are expected to be less than the inventory held over a period of not less than five years. For the year ended December 31, 2022, the balance in inventory was \$19,570 net of an obsolescence reserve of \$55,053.

Income taxes -

AIC and FAIC are exempt from Federal income taxes under Sections 501(c)(6) and 501(c)(3) of the Internal Revenue Code (IRC), respectively. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. FAIC is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2022, AIC has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Revenue and support -

Grants and contributions -

The majority of AIC's revenue is received through grant and contributions including grants with the U.S. Government. Grants and contributions are recognized in the appropriate category of net assets in the period received.

AIC performs an analysis of the individual transaction to determine if the revenue streams follow the contributions rules or if considered an exchange transaction depending on whether the transaction is reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For grants and contributions qualifying under the contributions rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the condition on which they depend are substantially met. Grants and contributions qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying consolidated financial statements.

Grant agreements qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grant awards from the United States Government and other entities are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are recognized as contributions when the revenue becomes unconditional. Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For grants and contributions treated as contributions, AIC had approximately \$1,197,000 in unrecognized conditional awards as of December 31, 2022.

Membership dues, meetings, workshops and other -

Membership dues, meetings, workshops and other revenues are classified as exchange transactions following ASU 2014-09, *Revenue from Contracts With Customers*, are recorded as revenue at a point in time when the performance obligations are met. AIC has elected to opt out of all (or certain) disclosures not required for nonpublic entities.

Membership dues includes general member benefits that are a series of distinct obligations. The revenue is recognized ratably over the membership period. There are several benefits received that are individual distinct obligations such as discounted rates to conferences and meetings; however, they are immaterial in nature to the contract and thus are included with the general member benefits. AIC's membership period is on a calendar year basis. Membership dues received in advance for the following year are recorded as deferred revenue on the Consolidated Statement of Financial Position.

Revenue received for meetings and workshops is recorded as revenue when the related event has occurred.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Revenue and support (continued) -

Membership dues, meetings, workshops and other (continued) -

Publication and advertising revenue is recognized when the publication has been delivered. The transaction price is determined based on cost and/or sales price. Contracts receivable totaled \$2,068 at December 31, 2022.

Revenue received in advance for meetings and events are recorded as deferred revenue within the Consolidated Statement of Financial Position.

Deferred revenue, included in the Consolidated Statement of Financial Position, consisted of the following as of December 31, 2022:

Membership dues	\$ 270,728
Meetings and workshops	38,781
Exhibits	<u>4,900</u>
TOTAL DEFERRED REVENUE	<u>\$ 314,409</u>

Use of estimates -

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on a basis of time and effort (such as salaries and benefits).

Risks and uncertainties -

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

Fair value measurement -

AIC adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. AIC accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

New accounting pronouncement not yet adopted -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for AIC for the year ending December 31, 2023 but early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

AIC plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying consolidated financial statements.

2. INVESTMENTS

Investments consisted of the following at December 31, 2022:

	<u>Fair Value</u>
Mutual funds	\$ 3,609,652
Exchange traded funds	<u>2,841,300</u>
TOTAL INVESTMENTS	<u>\$ 6,450,952</u>

As of December 31, 2022, investments included \$4,260,063 in funds which were restricted by donors related to the endowments.

Included in investment loss, net during the year ended December 31, 2022 are the following:

Interest and dividends	\$ 90,221
Net realized and unrealized loss	(1,214,679)
External investment advisor fees	<u>(21,147)</u>
TOTAL INVESTMENT LOSS, NET	<u>\$ (1,145,605)</u>

In accordance with FASB ASC 820, *Fair Value Measurement*, AIC has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the accompanying Consolidated Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market AIC has the ability to access.

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2. INVESTMENTS (Continued)

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used as of December 31, 2022. There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2022. Transfers between levels are recorded at the end of the reporting period, if applicable.

Mutual and Exchange-Traded Funds - Valued at the daily closing price as reported by the fund. Mutual and exchange-traded funds held by AIC are open-end funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price. Mutual funds held by AIC are deemed to be actively traded.

The table below summarizes the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Mutual funds	\$ 3,609,652	\$ -	\$ -	\$ 3,609,652
Exchange-traded funds	2,841,300	-	-	2,841,300
TOTAL	\$ 6,450,952	\$ -	\$ -	\$ 6,450,952

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2022, contributors to AIC have made written promises to give totaling \$886,908. Grants due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate ranging from 1.5% to 2%. Grants and contributions are due as follows as of December 31, 2022:

Less than one year	\$ 769,108
One to five years	117,800
Total	886,908
Less: Present value discount	(1,583)
GRANTS AND CONTRIBUTIONS RECEIVABLE, NET	\$ 885,325

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2022:

Furniture and equipment	\$ 200,707
Less: Accumulated depreciation and amortization	(154,734)
PROPERTY AND EQUIPMENT, NET	\$ 45,973

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5. LINE OF CREDIT

AIC maintains a line of credit agreement with a financial institution in the amount of \$100,000, which requires monthly payment of interest on the outstanding balance at the bank's prime rate plus 6.75%. The principal is payable on demand. There were no borrowings on the line of credit during the year ended December 31, 2022, and thus, no outstanding balance on the line of credit as of December 31, 2022.

6. BOARD DESIGNATED NET ASSETS

As of December 31, 2022, a portion of the net assets without restrictions have been designated by the Board of Directors for the specialty groups which represent funds available for the use of the ten specialty membership groups of AIC. The funds are increased by specialty group dues revenue, publication sales and other income and decreased by specialty group expenditures. As of December 31, 2022, Board designated net assets totaled \$178,932.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31, 2022:

Subject to expenditure for specified purpose:

Professional Development	\$ 916,882
Cultural Heritage Fund	847,880
Kress Conservation Fellowship	322,481
Kress Publication Fellowship	223,806
Scholarships	149,995
Getty Latin America Programs	68,362
Outreach and Publications	7,684
Kress Travel Grant Annual Meeting	741
Holly Maxson Conservation (accumulated investment losses)	(8,436)
Endowment to be invested in perpetuity	<u>3,233,631</u>

NET ASSETS WITH DONOR RESTRICTIONS **\$ 5,763,026**

The following net assets with donor restrictions were released from donor restrictions during the year ended December 31, 2022 by incurring expenses which satisfied the restricted purposes specified by the donors:

Purpose restrictions satisfied:

Kress Conservation Fellowship	\$ 195,168
Professional Development	175,432
Scholarships	10,826
Kress Travel Grant Annual Meeting	14,760
Kress Publication Fellowship	24,653
Outreach and Publications	5,563
Kress Conservation Survey	10,000
Stout Non Endowment	9,590
C2CC Care IMLS Match	4,974
Getty Latin America Programs	95,426
Other Programs	4,235
Holly Maxson Conservation	<u>1,613</u>

NET ASSETS RELEASED FROM RESTRICTIONS **\$ 552,240**

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8. LEASE COMMITMENTS

In January 2017, AIC entered into a new lease agreement for office space under the terms of a noncancelable lease which commenced in October 2017. The lease term is eleven years and requires monthly payments of \$11,317, with a 4% fixed annual escalation and pass through of increases in operating costs. The lease provides for abatement of the first month's rent during each of the first six years of the lease.

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Consolidated Statement of Financial Position and disclosure of key information about leasing arrangements. AIC elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. AIC also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. AIC adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs. As a result, AIC recorded a right-of-use asset in the amount of \$1,015,735 . AIC recorded an operating lease liability in the amount of \$1,145,182, by calculating the present value using the discount rate of 1.63%.

The following is a schedule of the future minimum lease payments:

Year Ending December 31,

2023		\$ 170,961
2024		176,490
2025		180,491
2026		187,710
2027		195,219
Thereafter		<u>150,763</u>
		1,061,634
Less: Imputed interest		(50,307)
Less: Current portion		<u>(155,740)</u>
		<u>\$ 855,587</u>

Occupancy expense, including imputed interest and amortization of the right-of-use asset plus the straight line rent expense for the year ended December 31, 2022 was \$158,746, and is included in occupancy expense in the accompanying Consolidated Statement of Functional Expenses.

9. RETIREMENT PLAN

AIC maintains a defined contribution pension plan qualified under Section 401(k) of the IRC. All employees who have completed three months of service and have reached twenty-one years of age are eligible to participate in the Plan.

Under the terms of the Plan, eligible employees may make contributions of up to 5% of their compensation, subject to Internal Revenue Service limitations.

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9. RETIREMENT PLAN (Continued)

With the completion of twelve months of service, AIC will match employee contributions at 100% of the participant's contribution up to a maximum of 5% of each participant's annual compensation. Employer contributions vest over five years at a rate of 20% per year of service.

Contributions to the Plan during the year ended December 31, 2022 totaled \$36,547, and are included in payroll taxes and benefits in the accompanying Consolidated Statement of Functional Expenses.

10. LIQUIDITY

Financial assets available for use for general expenditures were comprised of the following:

Cash and cash equivalents	\$ 221,294
Investments	6,450,952
Grants and contributions receivable	885,325
Less: Donor-restricted funds	(5,762,950)
Less: Board designated funds	<u>(178,932)</u>

FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES	<u>\$ 1,615,689</u>
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As part of AIC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In the event of need, the Board could also approve use of the Board designated funds. In addition, AIC has a line of credit agreement (as further discussed in Note 5) which allows for additional available borrowings up to \$100,000.

11. CONTINGENCY

FAIC receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2022. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

12. COMMITMENTS

AIC is committed under agreements for conference space through 2024. The total commitments under the agreements are not determinable as they depend upon attendance and other unknown factors. There are cancellation penalties that would be due if the agreements were cancelled prior to the event date.

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12. COMMITMENTS (Continued)

The amount of the cancellation penalties increases through the date of the event. It is also the normal practice of AIC to obtain event cancellation insurance.

13. ENDOWMENT

FAIC's endowments consists of six individual donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the governing Board appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions.

The governing Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, FAIC considers a fund to be underwater if the fair value of the fund is less than the sum the (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

FAIC has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, FAIC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset composition by type of fund as of December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 3,233,631	\$ 3,233,631
Accumulated investment earnings	-	1,026,432	1,026,432
TOTAL ENDOWMENT FUNDS	\$ -	\$ 4,260,063	\$ 4,260,063

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13. ENDOWMENT (Continued)

Changes in endowment net assets were as follows during the year ended December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 4,969,148	\$ 4,969,148
Investment return, net	-	(704,868)	(704,868)
Contributions	-	150,000	150,000
Appropriation of endowment assets for expenditure	-	(154,217)	(154,217)
ENDOWMENT NET ASSETS, END OF YEAR	\$ -	\$ 4,260,063	\$ 4,260,063

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets without restrictions. Deficiencies of this nature exist in one of the donor-restricted endowment funds, which has an original gift value of \$550,000, and a deficiency of \$8,436 as of December 31, 2022. This deficiency resulted from unfavorable market fluctuations that occurred during the year.

Return Objectives and Risk Parameters -

FAIC 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 or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested to achieve a reasonable long-term rate of return of CPI plus 5% at a moderate level of risk to enable the preservation of capital, maintenance of the purchasing power of the original endowment gift, and provide current income for programs funded by the endowment assets.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, FAIC 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). FAIC invests the endowment assets with a target return of CPI plus 5% per annum.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

FAIC's Board of Directors have established a spending policy for the use of endowment assets of 5% of the fair value of the assets over a three year average period. In establishing this policy, the organization considered the long-term rate of return objectives of the endowments.

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13. ENDOWMENT (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy (continued) -

Accordingly, over the long-term, the organization expects the current spending policy to permit the preservation of the fair value of the original gift while accumulating capital appreciation to preserve the purchasing power of the endowment assets.

In some years, the actual spending for the purposes of the endowment may fall below the level determined under the spending policy. In these situations, only the amount actually spent is released from net assets with restrictions. Any cumulative excess of the amount determined under the spending policy over actual expenditures may be used in a future year to offset expenses in excess of the amount determined under the spending policy level in those years, subject to approval of the Board of Directors.

In addition, the Board of Directors may authorize a special release of accumulated earnings to fund expenditures consistent with the intent of the donor in situations where the spending policy resulted in accumulated investments earnings in excess of the amount needed to maintain the purchasing power of the original endowment.

14. PROGRAMS

Meetings

AIC's annual meeting includes formal presentations, demonstrations, and informal conversations on a variety of conservation topics, inviting discussion of philosophical and ethical issues, new techniques and materials, and recent discoveries that have grown out of conservation research. The meeting format encompasses lectures, exhibits of conservation-related products and services, workshops, and tours. In 2022, AIC's Annual Meeting was offered as an in-person with virtual meeting components.

Professional Development and Education

The Foundation for Advancement in Conservation receives grants from a variety of Federal agencies and private foundations. National Endowment for the Humanities (NEH) grants have provided support for professional development workshops and scholarships since 2004. Getty Foundation grants have supported distance learning courses and, periodically, a Latin American Scholarship Program. Samuel H. Kress Foundation grants have supported international travel costs for conference speakers, and a Kress grant supports a conservation Fellowship program for one year post-graduate internships in advanced conservation. A 2019 grant from the Kress provided funds to enhance FAIC digital conservation resources. Andrew W. Mellon Foundation (now the Mellon Foundation) endowment grants support FAIC's professional development program and a series of collaborative workshops in photograph conservation, and a grant was provided for a five year initiative to establish a photograph conservation department at the State Hermitage Museum in St. Petersburg, Russia. A late 2017 grant from the Mellon Foundation was awarded to support growth capital. A cooperative agreement with the National Park Service, through the National Center for Preservation Technology and Training, funds preservation technology workshops, fellowships, and resources. National Endowment for the Arts grants in 2015 and 2019 supported workshops on the care of software-based artworks. FAIC also supports professional continuing education and attendance at AIC's annual meeting through scholarships from endowed funds as well as from FAIC Board-approved funds.

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14. PROGRAMS (Continued)

Outreach

Outreach to the Public

Public outreach focuses on providing information on conservation to non-conservators, such as those who are interested in conservation as a potential consumer/customer and those interested in preservation and conservation issues. Outreach to promote public understanding of art and historic artifacts conservation and its role in preserving our cultural heritage includes providing information about the care of collections through brochures, PowerPoint presentations, wikis, and information provided on the website.

AIC's Find a Professional resource, located on AIC's website, assists museums, libraries, and the general public in locating and selecting appropriate conservation services. AIC is active on its social media sites, which include Facebook, LinkedIn, Instagram, and Twitter. In addition, specially trained National Heritage Responders are available to assist following local or national disasters, and a 24-hour assistance phone line is maintained and answered by volunteer team members.

Outreach to Allied Professionals

AIC and FAIC work with allied professional organizations to promote the care of collections through articles, exhibits, pamphlets, lectures, and webinars. AIC is an affiliated member of the American Alliance of Museums (AAM), College Art Association (CAA), and U.S. Committee of the Blue Shield (USCBS). FAIC hosts an exhibit booth at professional conferences, such as the Association for Preservation Technology (APT) and American Association for State and Local History (AASLH) and presents sessions at a variety of related professional conferences, including AASLH and APT.

AIC's website provides allied professionals with information about emergency response efforts, available grants, documents such as Defining the Conservator: Essential Competencies and Requisite Competencies for Conservation Technicians and Collections Care Specialists, and other information about conservation and AIC. The Preventive Care Network is charged specifically to provide preventive care programs and resources for allied professionals. In 2014, 2016, 2019, and 2022, FAIC received funding from IMLS to manage the Connecting to Collections Care (C2C Care) Online Community, providing information and resources to the staff of collecting institutions. Cooperative agreements between IMLS and FAIC were awarded in 2016, with a new three-year agreement awarded in 2021, in support of the Collections Assessment for Preservation (CAP) program, providing building and conservation assessments for small to mid-sized museums. In 2015, FAIC became a member of the Coalition to Advance Learning in Archives, Libraries and Museums and is a member of the National Voluntary Organizations Assisting in Disaster (NVOAD). AIC is represented on the board of USCBS and was represented on the steering committee of the IMLS REALM project, focusing on the safe reopening of libraries and museums during the COVID pandemic.

Publications and Resources

AIC provides general and technical information on conservation issues, treatments, research, and organizational matters through the publication and distribution of a scholarly journal, newsletter, online directory, and other periodicals and publications. AIC also disseminates information about AIC and the field of conservation on its website, its online publications, in wikis, in online communities, and on its blog and social media sites.

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14. PROGRAMS (Continued)

Publications and Resources (continued)

FAIC maintains an online resource library and international discussion forum for conservation and preservation, Conservation Online (CoOL) and its Global Conservation Forum, as well as the Connecting to Collections Care and Heritage Emergency web resources. It also supports shared and crowd-sourced resources to advance collection storage and sustainability. Beginning in 2016, NEH funded the development of a free, online Life Cycle Assessment library and tool to help conservation and preservation professionals make sustainable choices in material selection. The National Park Service, through the National Center for Preservation Technology and Training, supports technology advancements to AIC's Wiki, an open-access publication written and edited by experts in conservation, preservation, and imaging. NPS and IMLS also supported development of an app that can be used during emergencies to guide preparation, recovery, and mitigation of loss. AIC and FAIC periodically partner with members or allied organizations to publish books on topics of interest to the field of conservation and preservation.

Samuel H. Kress Foundation grants have supported the printing of books and publication fellowships to support the completion of manuscripts. The Mellon, Getty, and Kress Foundations have supported a planning project, titled Charting the Digital Landscape of the Conservation Profession.

A 2020 cooperative agreement with NEH supports the "Held in Trust" project, which assesses the position and needs of conservation in the U.S., and a 2022 supplement to that grant supports the development of climate resiliency resources for cultural heritage.

Emergency Response

NEH first supported the creation of a specially trained team of emergency responders in 2001 and, since that time, FAIC's emergency preparedness and response programming and the response team, the National Heritage Responders, have grown.

The Kress Foundation provided emergency response funds in 2005, and IMLS provided grants for additional response training in 2006 and 2010. In 2010, NEH, IMLS, and NEA awarded grants to FAIC to support emergency response efforts in Haiti following its devastating earthquake, while, in 2013, the Mellon Foundation supported response efforts in New York following Hurricane Sandy. A major expansion of FAIC's Emergency Program took place in 2015. The Mellon Foundation provided capacity-building funds in support of emergency preparedness and response. NEH awarded a series of grants starting in 2014 for FAIC to administer the Alliance for Response program, a series of forums bringing together cultural heritage and emergency management professionals at the local level to encourage the creation of cooperative disaster networks. NEH also provided support for response efforts for cultural institutions affected by Hurricanes Harvey, Irma, and Maria in 2017, for Hurricane Florence in 2018, and for Flooding in Eastern Kentucky in 2022. A 2017 U.S. Department of Interior contract supported a tribal risk evaluation and planning program.

Specialty Groups

Conservators specialize in a broad range of materials, as reflected in the activities of AIC specialty groups, to which nearly all members belong. Additionally, about half of AIC's membership have identified themselves as conservators who work privately. A specialty group supporting the needs of private practitioners contributes to the organization.

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14. PROGRAMS (Continued)

Specialty Groups (continued)

The ten specialty group designations currently maintained by AIC are: Architecture, Book & Paper, Conservators in Private Practice, Electronic Media, Objects, Paintings, Photographic Materials, Research & Technical Studies, Textiles, and Wooden Artifacts. The specialty groups serve the field by facilitating communications among members through online communities and pages on AIC's website, providing a forum for current information at the annual meeting, publishing papers given at the annual meeting, and occasionally publishing books on topics relating to their area of specialty.

Committees and Other Programs

Committees

AIC maintains four standing committees: 1.) The Membership Committee reviews and approves applicants for the Professional Associate and Fellow classes of membership and promotes AIC membership in general. 2.) The Ethics and Standards Committee reviews instances of unethical or questionable conduct in relation to AIC's Code of Ethics, Guidelines for Practice, and the Commentaries to the Guidelines for Practice. These documents set forth the principles that guide conservation professionals and others who are involved in the care of cultural property. 3.) The Appeals Committee hears appeals of all actions of AIC's Board of Directors taken in response to the evidence provided by the Ethics and Standards Committee. 4.) The Nominating Committee presents a slate of candidates for the annual election of Directors and Officers of AIC.

AIC has additional Board-approved committees that assist in the ongoing activities of the organization and these include: Audit, Awards, Bylaws, Communications, Education & Training, Emergency, Equity and Inclusion, Financial Advisory, Program (annual meeting general session program), and Sustainability.

Task Forces and Working Groups

AIC's Board of Directors periodically creates a task force or working group to research and make recommendations to the Board regarding particular issues. Task forces and working groups are given charges and a timeframe in which to complete their activities and recommendations. The Materials Working Group, Imaging Working Group, Ethics Core Documents Review Task Force were active in 2022.

Networks

On November 4, 2011, AIC's Board of Directors approved a new program or division of AIC by creating the Collection Care Network and approving its charge. The Emerging Conservation Professionals Network and Health & Safety Network, formally functioning as committees, Contemporary Art Conservation Network and the Archaeological Heritage Network are the other approved AIC networks.

Networks address topics that are of interest across specialties and are designed to augment the work of specialty groups. Any AIC member can be a member of a network. A small additional fee may be charged for network membership.

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15. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, AIC has evaluated events and transactions for potential recognition or disclosure through April 26, 2023, the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

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**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022**

ASSETS				
	<u>AIC</u>	<u>FAIC</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS				
Cash and cash equivalents	\$ 129,624	\$ 91,670	\$ -	\$ 221,294
Short-term investments	666,955	-	-	666,955
Grants and contributions receivable	23,432	745,676	-	769,108
Due from affiliate	515,034	123,656	(638,690)	-
Inventory, net	15,740	3,830	-	19,570
Prepaid expenses	98,729	-	-	98,729
Total current assets	<u>1,449,514</u>	<u>964,832</u>	<u>(638,690)</u>	<u>1,775,656</u>
PROPERTY AND EQUIPMENT				
Property and equipment, net	<u>45,973</u>	<u>-</u>	<u>-</u>	<u>45,973</u>
OTHER ASSETS				
Right-of-use asset	869,116	-	-	869,116
Grants and contributions receivable, net of current portion and discount	-	116,217	-	116,217
Investments	-	5,783,997	-	5,783,997
Deposit	<u>11,317</u>	<u>-</u>	<u>-</u>	<u>11,317</u>
Total other assets	<u>880,433</u>	<u>5,900,214</u>	<u>-</u>	<u>6,780,647</u>
TOTAL ASSETS	<u>\$ 2,375,920</u>	<u>\$ 6,865,046</u>	<u>\$ (638,690)</u>	<u>\$ 8,602,276</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 97,751	\$ 105,076	\$ -	\$ 202,827
Deferred revenue	314,409	-	-	314,409
Due to affiliate	123,656	515,034	(638,690)	-
Operating lease liability	<u>155,740</u>	<u>-</u>	<u>-</u>	<u>155,740</u>
Total current liabilities	<u>691,556</u>	<u>620,110</u>	<u>(638,690)</u>	<u>672,976</u>
LONG-TERM LIABILITIES				
Operating lease liability, net of current portion	<u>855,587</u>	<u>-</u>	<u>-</u>	<u>855,587</u>
Total liabilities	<u>1,547,143</u>	<u>620,110</u>	<u>(638,690)</u>	<u>1,528,563</u>
NET ASSETS				
Without donor restrictions	828,777	481,986	-	1,310,763
With donor restrictions	<u>-</u>	<u>5,762,950</u>	<u>-</u>	<u>5,762,950</u>
Total net assets	<u>828,777</u>	<u>6,244,936</u>	<u>-</u>	<u>7,073,713</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,375,920</u>	<u>\$ 6,865,046</u>	<u>\$ (638,690)</u>	<u>\$ 8,602,276</u>

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**CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>AIC</u>	<u>FAIC</u>	<u>Eliminations</u>	<u>Total</u>
REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS				
Grants and contributions	\$ -	\$ 1,472,238	\$ (23,100)	\$ 1,449,138
Annual meeting	586,274	-	-	586,274
Investment loss, net	(118,300)	(322,437)	-	(440,737)
Publications, advertising and other	91,005	12,669	-	103,674
Membership dues	496,392	-	-	496,392
Specialty group revenue	154,717	-	-	154,717
Workshop income	21,521	66,003	-	87,524
Net assets released from donor restrictions	<u>-</u>	<u>552,240</u>	<u>-</u>	<u>552,240</u>
Total revenue and support without donor restrictions	<u>1,231,609</u>	<u>1,780,713</u>	<u>(23,100)</u>	<u>2,989,222</u>
EXPENSES				
Program Services:				
Meetings	553,279	-	-	553,279
Professional Development and Education	-	634,130	-	634,130
Outreach	-	1,078,771	-	1,078,771
Publications and Resources	213,077	112,305	-	325,382
Emergency Response	-	236,353	-	236,353
Specialty Groups	195,637	-	(23,100)	172,537
Committees and Other Programs	<u>47,604</u>	<u>-</u>	<u>-</u>	<u>47,604</u>
Total program services	<u>1,009,597</u>	<u>2,061,559</u>	<u>(23,100)</u>	<u>3,048,056</u>
Supporting Services:				
General and Administrative	296,676	183,267	-	479,943
Membership Maintenance	158,953	-	-	158,953
Fundraising	<u>-</u>	<u>38,987</u>	<u>-</u>	<u>38,987</u>
Total supporting services	<u>455,629</u>	<u>222,254</u>	<u>-</u>	<u>677,883</u>
Total expenses	<u>1,465,226</u>	<u>2,283,813</u>	<u>(23,100)</u>	<u>3,725,939</u>
Change in net assets without donor restrictions	(233,617)	(503,100)	-	(736,717)
REVENUE AND SUPPORT WITH DONOR RESTRICTIONS				
Grants and contributions	-	304,376	-	304,376
Investment loss, net	-	(704,868)	-	(704,868)
Net assets released from donor restrictions	<u>-</u>	<u>(552,240)</u>	<u>-</u>	<u>(552,240)</u>
Change in net assets with donor restrictions	<u>-</u>	<u>(952,732)</u>	<u>-</u>	<u>(952,732)</u>
TOTAL CHANGE IN NET ASSETS	<u>\$ (233,617)</u>	<u>\$ (1,455,832)</u>	<u>\$ -</u>	<u>\$ (1,689,449)</u>

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**CONSOLIDATING SCHEDULE OF CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>AIC</u>	<u>FAIC</u>	<u>Eliminations</u>	<u>Total</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Net assets at beginning of year	\$ 1,062,394	\$ 985,086	\$ -	\$ 2,047,480
Change in net assets without donor restrictions	<u>(233,617)</u>	<u>(503,100)</u>	<u>-</u>	<u>(736,717)</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 828,777</u>	<u>\$ 481,986</u>	<u>\$ -</u>	<u>\$ 1,310,763</u>
NET ASSETS WITH DONOR RESTRICTIONS				
Net assets at beginning of year	\$ -	\$ 6,715,682	\$ -	\$ 6,715,682
Change in net assets with donor restrictions	<u>-</u>	<u>(952,732)</u>	<u>-</u>	<u>(952,732)</u>
NET ASSETS WITH DONOR RESTRICTIONS AT END OF YEAR	<u>\$ -</u>	<u>\$ 5,762,950</u>	<u>\$ -</u>	<u>\$ 5,762,950</u>
TOTAL NET ASSETS AT END OF YEAR	<u>\$ 828,777</u>	<u>\$ 6,244,936</u>	<u>\$ -</u>	<u>\$ 7,073,713</u>