

CONSOLIDATED FINANCIAL STATEMENTS

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

**FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018**

**AMERICAN INSTITUTE FOR CONSERVATION OF HISTORIC AND
ARTISTIC WORKS, INC. DBA THE 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 the American Institute for Conservation, and Affiliate
Washington, D.C.

We have audited the accompanying consolidated financial statements of the American Institute for Conservation of Historic and Artistic Works, Inc. DBA the American Institute for Conservation and its affiliate, the Foundation for Advancement in Conservation (collectively referred to as AIC), which comprise the consolidated statement of financial position as of December 31, 2019, 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.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Institute for Conservation and its affiliate, the Foundation for Advancement in Conservation as of December 31, 2019, and the consolidated change in their net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from AIC's 2018 financial statements, which were audited by other auditors and, in their report dated April 25, 2019, they expressed an unmodified opinion on those statements.

Other Matter

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 26, the Consolidating Schedule of Activities on page 27 and the Consolidating Schedule of Change in Net Assets on page 28 are presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated 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 consolidated 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 28, 2020 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 this 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. This 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.



April 28, 2020

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

ASSETS		<u>2019</u>	<u>2018</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	407,475	\$ 286,580
Short-term investments		874,211	938,183
Grants and contributions receivable		795,440	522,249
Inventory, net		24,217	63,906
Prepaid expenses		<u>75,497</u>	<u>87,870</u>
Total current assets		<u>2,176,840</u>	<u>1,898,788</u>
PROPERTY AND EQUIPMENT			
Property and equipment, net		<u>21,835</u>	<u>27,963</u>
OTHER ASSETS			
Grants and contributions receivable, net of current portion and discount		953,958	148,963
Investments		5,242,122	4,444,819
Deposits and other		<u>12,562</u>	<u>18,508</u>
Total other assets		<u>6,208,642</u>	<u>4,612,290</u>
TOTAL ASSETS		<u>\$ 8,407,317</u>	<u>\$ 6,539,041</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$	195,189	\$ 113,097
Deferred revenue		<u>605,017</u>	<u>570,094</u>
Total current liabilities		<u>800,206</u>	<u>683,191</u>
LONG-TERM LIABILITIES			
Deferred rent		<u>88,936</u>	<u>60,595</u>
Total liabilities		<u>889,142</u>	<u>743,786</u>
NET ASSETS			
Without donor restrictions		1,305,265	996,308
With donor restrictions		<u>6,212,910</u>	<u>4,798,947</u>
Total net assets		<u>7,518,175</u>	<u>5,795,255</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 8,407,317</u>	<u>\$ 6,539,041</u>

See accompanying notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 1,386,160	\$ 1,587,256	\$ 2,973,416	\$ 1,643,992
Annual meeting	593,763	-	593,763	473,140
Investment income (loss), net	422,080	569,825	991,905	(496,479)
Publications, advertising and other	96,683	-	96,683	150,549
Membership dues	481,286	-	481,286	512,500
Specialty group revenue	215,435	-	215,435	205,705
Workshop income	141,062	-	141,062	92,605
Net assets released from donor restrictions	<u>743,118</u>	<u>(743,118)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>4,079,587</u>	<u>1,413,963</u>	<u>5,493,550</u>	<u>2,582,012</u>
EXPENSES				
Program Services:				
Meetings	603,997	-	603,997	590,577
Professional Development	655,545	-	655,545	520,982
Outreach	1,087,221	-	1,087,221	1,053,438
Publications	348,634	-	348,634	397,555
Emergency Programs	160,385	-	160,385	272,148
Specialty Groups	184,833	-	184,833	212,406
Committees and Other Programs	<u>25,988</u>	<u>-</u>	<u>25,988</u>	<u>41,439</u>
Total program services	<u>3,066,603</u>	<u>-</u>	<u>3,066,603</u>	<u>3,088,545</u>
Supporting Services:				
General and Administrative	427,720	-	427,720	332,666
Membership Maintenance	148,743	-	148,743	118,824
Fundraising	<u>127,564</u>	<u>-</u>	<u>127,564</u>	<u>143,539</u>
Total supporting services	<u>704,027</u>	<u>-</u>	<u>704,027</u>	<u>595,029</u>
Total expenses	<u>3,770,630</u>	<u>-</u>	<u>3,770,630</u>	<u>3,683,574</u>
Change in net assets	308,957	1,413,963	1,722,920	(1,101,562)
Net assets at beginning of year	<u>996,308</u>	<u>4,798,947</u>	<u>5,795,255</u>	<u>6,896,817</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,305,265</u>	<u>\$ 6,212,910</u>	<u>\$ 7,518,175</u>	<u>\$ 5,795,255</u>

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, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019							
	Program Services							
	Meetings	Professional Development	Outreach	Publications	Emergency Programs	Specialty Groups	Committees and Other Programs	Total Program Services
Salaries and wages	\$ 113,127	\$ 71,550	\$ 216,277	\$ 105,126	\$ 68,339	\$ 9,356	\$ 14,770	\$ 598,545
Payroll taxes and benefits	24,932	15,850	48,224	23,707	14,976	2,092	3,278	133,059
Printing and production	207	4,486	2,433	15,000	442	19,530	-	42,098
Professional fees	5,187	121,374	644,123	84,548	38,756	5,590	134	899,712
Occupancy	16,698	26,669	44,766	16,139	7,620	-	-	111,892
Insurance	2,250	1,611	2,704	882	460	-	-	7,907
Depreciation and amortization	1,523	1,599	2,684	2,663	457	-	-	8,926
Telecommunications	12,390	13,069	89,566	8,456	3,440	2,425	1,895	131,241
Travel	43,263	108,060	14,933	3,331	4,016	16,918	1,470	191,991
Postage and shipping	6,589	970	762	12,020	128	6,882	-	27,351
Equipment rental and maintenance	2,753	2,173	3,647	1,532	621	-	-	10,726
Office supplies and expenses	18,232	4,837	946	397	12,654	1,983	1,467	40,516
Dues and subscriptions	5,200	12,942	1,875	33	4,625	-	187	24,862
Conferences and meetings	343,679	28,079	-	1,365	1,804	119,847	2,787	497,561
Cost of sales	-	-	-	38,701	-	-	-	38,701
Bank fees	6,767	7,115	12,180	3,891	2,030	-	-	31,983
Scholarships and grants	-	213,137	2,000	30,000	-	-	-	245,137
Miscellaneous	1,200	22,024	101	843	17	210	-	24,395
TOTAL	\$ 603,997	\$ 655,545	\$1,087,221	\$ 348,634	\$ 160,385	\$ 184,833	\$ 25,988	\$ 3,066,603

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, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019 (Continued)				2018	
	Supporting Services					
	General and Administrative	Membership Maintenance	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries and wages	\$ 176,206	\$ 94,037	\$ 37,712	\$ 307,955	\$ 906,500	\$ 868,413
Payroll taxes and benefits	46,543	20,565	8,024	75,132	208,191	190,961
Printing and production	4,483	3,960	388	8,831	50,929	41,397
Professional fees	93,194	672	55,260	149,126	1,048,838	1,092,212
Occupancy	24,628	16,510	5,715	46,853	158,745	158,745
Insurance	2,589	997	345	3,931	11,838	11,257
Depreciation and amortization	5,911	457	343	6,711	15,637	13,504
Telecommunications	9,034	6,087	7,177	22,298	153,539	148,312
Travel	31,021	-	746	31,767	223,758	206,980
Postage and shipping	674	2,226	805	3,705	31,056	22,543
Equipment rental and maintenance	2,763	688	466	3,917	14,643	13,309
Office supplies and expenses	941	477	5,281	6,699	47,215	26,629
Dues and subscriptions	6,428	-	291	6,719	31,581	18,178
Conferences and meetings	12,856	-	2,771	15,627	513,188	496,496
Cost of sales	-	-	-	-	38,701	21,762
Bank fees	9,317	2,030	2,227	13,574	45,557	41,636
Scholarships and grants	-	-	-	-	245,137	303,433
Miscellaneous	1,132	37	13	1,182	25,577	7,807
TOTAL	\$ 427,720	\$ 148,743	\$ 127,564	\$ 704,027	\$ 3,770,630	\$ 3,683,574

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, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,722,920	\$ (1,101,562)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	15,637	13,504
Change in discount on grants and contributions receivable	37,880	9,403
Receipt of contributed securities and other assets	(1,987)	(25,602)
Proceeds from the sale of contributed securities	1,987	25,602
Net realized and unrealized (gains) losses on investments	(935,774)	538,464
(Increase) decrease in:		
Grants and contributions receivable	(1,116,066)	(12,580)
Inventory	39,689	22,568
Prepaid expenses	12,373	(54,275)
Deposits and other	5,946	10,428
Increase (decrease) in:		
Accounts payable and accrued expenses	82,092	(122,218)
Deferred revenue	34,923	(22,875)
Deferred rent	<u>28,341</u>	<u>33,357</u>
Net cash used by operating activities	<u>(72,039)</u>	<u>(685,786)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(9,510)	(23,476)
Purchases of investments	(324,063)	(383,700)
Proceeds from sales of investments	<u>526,507</u>	<u>1,184,023</u>
Net cash provided by investing activities	<u>192,934</u>	<u>776,847</u>
Net increase in cash and cash equivalents	120,895	91,061
Cash and cash equivalents at beginning of year	<u>286,580</u>	<u>195,519</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 407,475</u>	<u>\$ 286,580</u>

**AMERICAN INSTITUTE FOR CONSERVATION OF HISTORIC AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The American Institute for Conservation of Historic and Artistic Works, Inc. DBA The 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 property through research, publications and the exchange of knowledge as well as the establishment and upholding of professional standards. Cultural property 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 property. FAIC funds its activities primarily through grants.

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 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. 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.

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.

**AMERICAN INSTITUTE FOR CONSERVATION OF HISTORIC AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Basis of presentation (continued) -

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, 2018, from which the summarized information was derived.

New accounting pronouncements adopted -

During 2019, AIC adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way AIC recognized revenue; however, the presentation and disclosures of revenue have been enhanced. AIC has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Also during 2019, AIC adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. AIC adopted the ASU using a modified prospective basis.

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 income (loss) 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Investments (continued) -

All other investments are considered available for current operations and are classified as short-term investments in the accompanying Consolidated Statement of Financial Position.

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 collectible. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Property and equipment in excess of \$1,000 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, 2019 totaled \$15,637.

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, 2019, the balance in inventory was \$24,217 net of an obsolescence reserve of \$59,435.

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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Uncertain tax positions -

For the year ended December 31, 2019, 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.

Revenue -

Membership dues -

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.

Meetings, workshops and other -

Revenue received for meetings and workshops is recorded as revenue when the related event has occurred. Publication and advertising revenue is recognized when the publication has been delivered. The transaction price is determined based on cost and/or sales price. 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, 2019:

Membership dues	\$ 397,912
Meetings and workshops	196,709
Other	<u>10,396</u>
TOTAL DEFERRED REVENUE	<u>\$ 605,017</u>

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.

For grants and contributions qualifying under the contributions rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Revenue (continued) -

Grants and contributions (continued) -

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 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.

Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent. As such, AIC recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). 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 \$604,934 in unrecognized conditional awards as of December 31, 2019.

Contributed services -

Contributed services consist of consulting and other services used in workshops. Contributed services are recorded at their fair value as of the date of the gift. During the year ended December 31, 2019, the fair value of contributed services received was \$79,232 and is included in grants and contributions in the accompanying Consolidated Statement of Activities and Change in Net Assets.

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) or other reasonable basis.

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

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.

Reclassification -

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation.

New accounting pronouncements not yet adopted -

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Consolidated Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for non public entities beginning after December 15, 2020. Early adoption is permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment. 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, 2019:

	<u>Fair Value</u>
Mutual funds	\$ 3,646,084
Exchange traded funds	2,318,711
Certificates of deposit	<u>151,538</u>
TOTAL INVESTMENTS	<u>\$ 6,116,333</u>

As of December 31, 2019, investments included \$4,072,180 in funds which were restricted by donors related to the endowments.

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2. INVESTMENTS (Continued)

Included in investment income, net during the year ended December 31, 2019 are the following:

Interest and dividends	\$	70,232
Net realized and unrealized gains		935,774
External investment advisor fees		<u>(14,101)</u>
TOTAL INVESTMENT INCOME, NET	\$	<u>991,905</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.

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 were no transfers between levels in the fair value hierarchy during the year ended December 31, 2019. 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.
- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.

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, 2019:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ -	\$ 3,646,084	\$ -	\$ 3,646,084
Exchange-traded funds	2,318,711	-	-	2,318,711
Certificates of deposit	-	<u>151,538</u>	-	<u>151,538</u>
TOTAL	<u>\$ 2,318,711</u>	<u>\$ 3,797,622</u>	<u>\$ -</u>	<u>\$ 6,116,333</u>

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3. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2019, contributors to AIC have made written promises to give totaling \$1,796,681. 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 1.6% to 1.95%.

Grants and contributions are due as follows as of December 31, 2019:

Less than one year	\$ 795,440
One to five years	<u>1,001,241</u>
Total	1,796,681
Less: Present value discount	<u>(47,283)</u>
GRANTS AND CONTRIBUTIONS RECEIVABLE, NET	<u><u>\$ 1,749,398</u></u>

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2019:

Furniture and equipment	\$ 146,618
Less: Accumulated depreciation and amortization	<u>(124,783)</u>
PROPERTY AND EQUIPMENT, NET	<u><u>\$ 21,835</u></u>

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, 2019, and thus, no outstanding balance on the line of credit as of December 31, 2019.

6. BOARD DESIGNATED NET ASSETS

As of December 31, 2019, 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, 2019, Board designated net assets totaled \$121,173.

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7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31, 2019:

Subject to expenditure for specified purpose:	
Professional Development	\$ 1,079,868
Mellon Comprehensive Organizational Health Initiative	151,192
Kress Conservation Fellowship	972,537
Scholarships	125,221
Kress Publication Fellowship	308,543
Cultural Heritage Fund	667,087
Kress Travel Grant Annual Meeting	10,000
Other Programs	4,831
Outreach and Publications	10,000
Endowment to be invested in perpetuity	<u>2,883,631</u>
NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 6,212,910</u>

The following net assets with donor restrictions were released from donor restrictions during the year ended December 31, 2019 by incurring expenses which satisfied the restricted purposes specified by the donors:

Purpose restrictions satisfied:	
Professional Development	\$ 196,371
Mellon Comprehensive Organizational Health Initiative	212,566
Kress Conservation Fellowship	168,000
Scholarships	30,124
Getty Latin America Programs	76,220
Kress Publication Fellowship	35,000
Outreach/Publications	5,865
C2CC Care IMLS Match	1,471
Kress - Travel Grants - Annual Meeting	10,650
Other Programs	<u>6,851</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 743,118</u>

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.

AIC also leased certain office equipment under the terms of noncancelable operating leases that expired in 2019.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease.

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8. LEASE COMMITMENTS (Continued)

Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability in the accompanying Consolidated Statement of Financial Position.

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

<u>Year Ending December 31,</u>	
2020	\$ 135,620
2021	141,045
2022	146,687
2023	166,874
2024	173,549
Thereafter	<u>714,182</u>
	<u>\$ 1,477,957</u>

Rent expense during the year ended December 31, 2019 totaled \$158,745, and the deferred rent liability as of December 31, 2019 totaled \$88,936.

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. 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, 2019 totaled \$32,961, 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 within one year of the Consolidated Statement of Financial Position were comprised of the following:

Cash and cash equivalents	\$ 407,475
Investments	6,116,333
Grants and contributions receivable	<u>1,749,398</u>
Less: Donor-restricted funds	(6,212,910)
Less: Board designated funds	<u>(121,173)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 1,939,123</u>

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10. LIQUIDITY (Continued)

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. AIC has financial assets available equal to approximately six months of operating expenses. In the event of need, the Board could also approve use of the Board designated funds.

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 2019. 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 2022. 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. The amount of the cancellation penalties increases through the date of the event. As of December 31, 2019, the aggregate amount of possible liquidated damages was a minimum of approximately \$19,000 to a maximum of approximately \$412,322. 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, including funds designated by the Board of Directors to function as endowments, 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, AIC 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.

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13. ENDOWMENT (Continued)

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, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 2,883,631	\$ 2,883,631
Accumulated investment earnings	<u>-</u>	<u>1,188,549</u>	<u>1,188,549</u>
TOTAL ENDOWMENT FUNDS	<u>\$ -</u>	<u>\$ 4,072,180</u>	<u>\$ 4,072,180</u>

Changes in endowment net assets were as follows during the year ended December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 3,591,340	\$ 3,591,340
Investment return:			
Investment gain, net	-	569,825	569,825
Contributions	-	100,000	100,000
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(188,985)</u>	<u>(188,985)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 4,072,180</u>	<u>\$ 4,072,180</u>

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. As of December 31, 2019, there were no deficiencies of this nature.

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13. ENDOWMENT (Continued)

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 in mutual funds with a target return of CPI plus 5% per annum and money market funds.

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. 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 annual meeting includes formal presentations, demonstrations, and informal conversations on a variety of conservation topics, inviting discussion of philosophical 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.

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14. PROGRAMS (Continued)

Professional Development

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 2006. Beginning in 2016, NEH also funded the development of a free, online Life Cycle Analysis (LCA) library and tool for conservation and preservation professionals. Getty Foundation grants have supported distance learning courses and, periodically, a Latin American Scholarship Program. Samuel H. Kress Foundation grants have supported printing of books, international travel costs for conference speakers, and a publication grant to support completion of manuscripts that has been supported since 1994. 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 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. NEA grants in 2015 and 2019 supported workshops on the care of software-based artworks. The Mellon, Getty, and Kress Foundations have supported a planning project, titled Charting the Digital Landscape of the Conservation Profession, while the Getty Foundation and Institute for Museum and Library Services (IMLS) supported a major strategic planning effort. FAIC also supports professional continuing education and attendance at the AIC annual meeting through scholarships from endowed funds as well as from FAIC Board-approved funds.

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. The AIC Find a Conservator resource, located on the AIC 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 (formerly AIC-CERT members) are available to assist following local or national disasters, and a 24-hour assistance phone line is maintained and manned by volunteer team members.

Outreach to Allied Professionals

AIC works 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). AIC hosts an exhibit booth at professional conferences, such as the Association for Preservation Technology (APT), American Association for State and Local History (AASLH), and AAM and assists its members in presenting AIC panel sessions at a variety of related professional conferences, including AAM and CAA.

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14. PROGRAMS (Continued)

Outreach (continued)

Outreach to Allied Professionals (continued)

The AIC 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 the AIC. The Collections Care Network is charged specifically to provide preventive care programs and resources for allied professionals. In 2014, 2016, and 2019, 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. A cooperative agreement between IMLS and FAIC was awarded in 2016, with the most recent extension in 2019, 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.

Publications

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 publications. AIC also disseminates information about AIC and the field of conservation on its website, in wikis, in online communities, and on its blog and social media sites. FAIC maintains an online resource library and international distribution list 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. AIC and FAIC periodically partner with members or allied organizations to publish books on topics of interest to the field of conservation and preservation.

Emergency Programs

NEH first supported the creation of a specially trained team of emergency responders in 2001 and, since that time, AIC'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 AIC 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 AIC's Emergency Program took place in 2015. The Mellon Foundation provided capacity-building funds in support of emergency preparedness and response. NEH awarded grants in late 2014 and late 2016 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, and for Hurricane Florence in 2018. 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.

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14. PROGRAMS (Continued)

Specialty Groups (continued)

A specialty group supporting the needs of private practitioners contributes to the organization. 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 the AIC 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 the AIC 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 the AIC 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 the AIC.

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

Task Forces and Working Groups

The AIC 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 Member Designation Working Group and the Materials Working Group are the current active working groups.

Networks

On November 4, 2011, the AIC 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, formally treated as a committee, and the Contemporary Art Conservation Network are the other approved AIC networks. Networks address topics that are of interest to any specialty 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 28, 2020, the date the consolidated financial statements were issued.

On March 11, 2020, the World Health Organization (WHO) declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen and the global financial markets have declined. The fair value of the investment portfolio of AIC has a fair value of approximately \$5,866,967 as of the end of April 2020.

AIC has coordinated with the venue to postpone its 2020 annual meeting due to the COVID-19 pandemic.

The 2020 Annual Meeting in Salt Lake City, UT has been rescheduled for May 19-24, 2024 in Salt Lake City, UT. The rescheduling effectively allowed AIC to cancel their in-person meeting without penalty. They will be offering a virtual meeting program for 2020.

As described in Note 12, if the 2021 annual meeting is cancelled, cancellation charges are possible. Other potential financial or operational impacts from COVID-19 are unknown at this time.

SUPPLEMENTAL INFORMATION

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

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019**

ASSETS				
	<u>AIC</u>	<u>FAIC</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS				
Cash and cash equivalents	\$ 206,167	\$ 201,308	\$ -	\$ 407,475
Short-term investments	722,672	151,539	-	874,211
Grants and contributions receivable	47,281	748,159	-	795,440
Due from affiliate	537,984	102,456	(640,440)	-
Inventory, net	14,708	9,509	-	24,217
Prepaid expenses	<u>62,086</u>	<u>13,411</u>	<u>-</u>	<u>75,497</u>
Total current assets	<u>1,590,898</u>	<u>1,226,382</u>	<u>(640,440)</u>	<u>2,176,840</u>
PROPERTY AND EQUIPMENT				
Property and equipment, net	<u>13,439</u>	<u>8,396</u>	<u>-</u>	<u>21,835</u>
OTHER ASSETS				
Grants and contributions receivable, net of current portion and discount	-	953,958	-	953,958
Investments	-	5,242,122	-	5,242,122
Deposits and other	<u>11,939</u>	<u>623</u>	<u>-</u>	<u>12,562</u>
Total other assets	<u>11,939</u>	<u>6,196,703</u>	<u>-</u>	<u>6,208,642</u>
TOTAL ASSETS	<u>\$ 1,616,276</u>	<u>\$ 7,431,481</u>	<u>\$ (640,440)</u>	<u>\$ 8,407,317</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 116,557	\$ 78,632	\$ -	\$ 195,189
Due to affiliate	102,456	537,984	(640,440)	-
Deferred revenue	<u>586,068</u>	<u>18,949</u>	<u>-</u>	<u>605,017</u>
Total current liabilities	<u>805,081</u>	<u>635,565</u>	<u>(640,440)</u>	<u>800,206</u>
LONG-TERM LIABILITIES				
Deferred rent	<u>88,936</u>	<u>-</u>	<u>-</u>	<u>88,936</u>
Total liabilities	<u>894,017</u>	<u>635,565</u>	<u>(640,440)</u>	<u>889,142</u>
NET ASSETS				
Without donor restrictions	722,259	583,006	-	1,305,265
With donor restrictions	<u>-</u>	<u>6,212,910</u>	<u>-</u>	<u>6,212,910</u>
Total net assets	<u>722,259</u>	<u>6,795,916</u>	<u>-</u>	<u>7,518,175</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,616,276</u>	<u>\$ 7,431,481</u>	<u>\$ (640,440)</u>	<u>\$ 8,407,317</u>

**AMERICAN INSTITUTE FOR CONSERVATION OF HISTORIC AND
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**CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>AIC</u>	<u>FAIC</u>	<u>Eliminations</u>	<u>Total</u>
REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS				
Grants and contributions	\$ 17,074	\$ 1,390,686	\$ (21,600)	\$ 1,386,160
Annual meeting	593,763	-	-	593,763
Investment income, net	117,149	304,931	-	422,080
Publications, advertising and other	64,691	31,992	-	96,683
Membership dues	481,286	-	-	481,286
Specialty group revenue	215,435	-	-	215,435
Workshop income	24,032	117,030	-	141,062
Net assets released from donor restrictions	<u>-</u>	<u>743,118</u>	<u>-</u>	<u>743,118</u>
Total revenue and support without donor restrictions	<u>1,513,430</u>	<u>2,587,757</u>	<u>(21,600)</u>	<u>4,079,587</u>
EXPENSES				
Program Services:				
Meetings	603,997	-	-	603,997
Professional Development	-	655,545	-	655,545
Outreach	-	1,087,221	-	1,087,221
Publications	296,215	52,419	-	348,634
Emergency Programs	-	160,385	-	160,385
Specialty Groups	206,433	-	(21,600)	184,833
Committees and Other Programs	<u>25,988</u>	<u>-</u>	<u>-</u>	<u>25,988</u>
Total program services	<u>1,132,633</u>	<u>1,955,570</u>	<u>(21,600)</u>	<u>3,066,603</u>
Supporting Services:				
Management and General	248,125	179,595	-	427,720
Membership Maintenance	148,743	-	-	148,743
Fundraising	<u>-</u>	<u>127,564</u>	<u>-</u>	<u>127,564</u>
Total supporting services	<u>396,868</u>	<u>307,159</u>	<u>-</u>	<u>704,027</u>
Total expenses	<u>1,529,501</u>	<u>2,262,729</u>	<u>(21,600)</u>	<u>3,770,630</u>
Change in net assets without donor restrictions	<u>(16,071)</u>	<u>325,028</u>	<u>-</u>	<u>308,957</u>
REVENUE AND SUPPORT WITH DONOR RESTRICTIONS				
Grants and contributions	-	1,587,256	-	1,587,256
Investment gain, net	-	569,825	-	569,825
Net assets released from donor restrictions	<u>-</u>	<u>(743,118)</u>	<u>-</u>	<u>(743,118)</u>
Change in net assets with donor restrictions	<u>-</u>	<u>1,413,963</u>	<u>-</u>	<u>1,413,963</u>
TOTAL CHANGE IN NET ASSETS	<u>\$ (16,071)</u>	<u>\$ 1,738,991</u>	<u>\$ -</u>	<u>\$ 1,722,920</u>

**AMERICAN INSTITUTE FOR CONSERVATION OF HISTORIC AND
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**CONSOLIDATING SCHEDULE OF CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>AIC</u>	<u>FAIC</u>	<u>Eliminations</u>	<u>Total</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Net assets at beginning of year	\$ 738,330	\$ 257,978	\$ -	\$ 996,308
Change in net assets without donor restrictions	<u>(16,071)</u>	<u>325,028</u>	<u>-</u>	<u>308,957</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 722,259</u>	<u>\$ 583,006</u>	<u>\$ -</u>	<u>\$ 1,305,265</u>
NET ASSETS WITH DONOR RESTRICTIONS				
Net assets at beginning of year	\$ -	\$ 4,798,947	\$ -	\$ 4,798,947
Change in net assets with donor restrictions	<u>-</u>	<u>1,413,963</u>	<u>-</u>	<u>1,413,963</u>
NET ASSETS WITH DONOR RESTRICTIONS AT END OF YEAR	<u>\$ -</u>	<u>\$ 6,212,910</u>	<u>\$ -</u>	<u>\$ 6,212,910</u>
TOTAL NET ASSETS AT END OF YEAR	<u>\$ 722,259</u>	<u>\$ 6,795,916</u>	<u>\$ -</u>	<u>\$ 7,518,175</u>