



TIMKEN
MUSEUM
OF ART

THE PUTNAM FOUNDATION
FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022



Leaf & Cole, LLP
Certified Public Accountants

**THE PUTNAM FOUNDATION dba TIMKEN MUSEUM
FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
The Putnam Foundation dba Timken Museum

Opinion

We have audited the accompanying financial statements of the Putnam Foundation dba Timken Museum (a nonprofit organization), which comprise the statements of financial position as of March 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Putnam Foundation dba Timken Museum as of March 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Putnam Foundation dba Timken Museum 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 Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Putnam Foundation dba Timken Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Putnam Foundation'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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Putnam Foundation dba Timken Museum adopted accounting standards changes related to accounting for and disclosing of lease arrangements. Our opinion is not modified with respect to this matter.

Leaf & Cole LLP

San Diego, California
December 12, 2023

THE PUTNAM FOUNDATION dba TIMKEN MUSEUM
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
<u>Current Assets:</u> (Notes 2 and 5)		
Cash and cash equivalents	\$ 825,242	\$ 656,153
Pledges receivable	2,443,500	3,338,871
Prepaid expenses and other assets	123,111	197,608
Inventory	26,064	30,767
Total Current Assets	<u>3,417,917</u>	<u>4,223,399</u>
<u>Noncurrent Assets:</u> (Notes 2, 4, 5, 6, 7 and 8)		
Pledges receivable, net	4,529,042	1,491,838
Investments and cash - restricted	12,854,967	7,836,749
Right-of-use assets - operating leases, net	154,089	-
Property and equipment, net	3,850,778	2,718,667
Collections - works of art	13,879,171	13,869,275
Investments - endowment	2,182,859	2,182,859
Perpetual trust held by third-party trustee	14,116,682	15,747,291
Total Noncurrent Assets	<u>51,567,588</u>	<u>43,846,679</u>
TOTAL ASSETS	<u>\$ 54,985,505</u>	<u>\$ 48,070,078</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Notes 2 and 13)		
Accounts payable and accrued expenses	\$ 457,298	\$ 244,951
Operating lease liability	88,408	-
Total Current Liabilities	<u>545,706</u>	<u>244,951</u>
<u>Noncurrent Liabilities:</u> (Notes 2 and 13)		
Operating lease liability	77,587	-
Total Noncurrent Liabilities	<u>77,587</u>	<u>-</u>
Total Liabilities	<u>623,293</u>	<u>244,951</u>
<u>Commitments and Contingencies</u> (Notes 9 and 13)		
<u>Net Assets:</u> (Notes 2, 10, 11 and 12)		
Without Donor Restrictions:		
Undesignated	17,964,131	17,021,728
Board designated funds	655,000	615,000
Total Without Donor Restrictions	<u>18,619,131</u>	<u>17,636,728</u>
With Donor Restrictions:		
Purpose restrictions	14,128,946	5,998,982
Time restrictions	5,314,594	6,259,267
Perpetual in nature	16,299,541	17,930,150
Total With Donor Restrictions	<u>35,743,081</u>	<u>30,188,399</u>
Total Net Assets	<u>54,362,212</u>	<u>47,825,127</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 54,985,505</u>	<u>\$ 48,070,078</u>

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

THE PUTNAM FOUNDATION dba TIMKEN MUSEUM
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenue and Support:</u>						
Contributions	\$ 548,441	\$ 9,098,828	\$ 9,647,269	\$ 219,521	\$ 222,184	\$ 441,705
Government grants	462,087	-	462,087	568,311	-	568,311
Retail sales	80,478	-	80,478	8,054	-	8,054
Other income	61,539	-	61,539	71,071	-	71,071
In-kind contributions	12,151	-	12,151	-	-	-
Loss on sale of collection items	(4,500)	-	(4,500)	-	-	-
Investment (loss) income	(14,907)	(318,076)	(332,983)	8,997	79,239	88,236
Net assets released from restrictions	2,379,944	(2,379,944)	-	2,921,774	(2,921,774)	-
Total Revenue and Support	<u>3,525,233</u>	<u>6,400,808</u>	<u>9,926,041</u>	<u>3,797,728</u>	<u>(2,620,351)</u>	<u>1,177,377</u>
<u>Expenses:</u>						
Program Services:						
Program and exhibits	2,227,926	-	2,227,926	1,483,486	-	1,483,486
Total Program Services	<u>2,227,926</u>	<u>-</u>	<u>2,227,926</u>	<u>1,483,486</u>	<u>-</u>	<u>1,483,486</u>
Supporting Services:						
Management and general	240,532	-	240,532	152,805	-	152,805
Fundraising	74,372	-	74,372	91,214	-	91,214
Total Supporting Services	<u>314,904</u>	<u>-</u>	<u>314,904</u>	<u>244,019</u>	<u>-</u>	<u>244,019</u>
Total Expenses	<u>2,542,830</u>	<u>-</u>	<u>2,542,830</u>	<u>1,727,505</u>	<u>-</u>	<u>1,727,505</u>
<u>Other Income:</u>						
Change in fair value of perpetual trust held by third-party trustee	-	(846,126)	(846,126)	-	680,046	680,046
Total Other Income	<u>-</u>	<u>(846,126)</u>	<u>(846,126)</u>	<u>-</u>	<u>680,046</u>	<u>680,046</u>
Change in Net Assets	982,403	5,554,682	6,537,085	2,070,223	(1,940,305)	129,918
Net Assets at Beginning of Year	17,636,728	30,188,399	47,825,127	15,566,505	32,128,704	47,695,209
NET ASSETS AT END OF YEAR	<u>\$ 18,619,131</u>	<u>\$ 35,743,081</u>	<u>\$ 54,362,212</u>	<u>\$ 17,636,728</u>	<u>\$ 30,188,399</u>	<u>\$ 47,825,127</u>

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

THE PUTNAM FOUNDATION dba TIMKEN MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2023

	Supporting Services				Total
	Programs and Exhibits	Management and General	Fundraising	Total Supporting Services	
<u>Salaries and Related Expenses:</u>					
Salaries and wages	\$ 861,914	\$ 80,678	\$ 27,239	\$ 107,917	\$ 969,831
Payroll taxes	63,358	8,579	1,810	10,389	73,747
Employee benefits	90,244	25,147	3,484	28,631	118,875
Total Salaries and Related Expenses	1,015,516	114,404	32,533	146,937	1,162,453
<u>Nonsalary Related Expenses:</u>					
Advertising	24,206	900	7,000	7,900	32,106
Bank fees and other charges	7,730	1,224	534	1,758	9,488
Cost of goods sold - Museum store	37,871	281	-	281	38,152
Depreciation	33,377	-	-	-	33,377
Equipment expense	9,105	833	424	1,257	10,362
Events and donor recognition	7,692	-	-	-	7,692
Exhibition costs	224,105	-	-	-	224,105
Insurance	72,135	11,910	799	12,709	84,844
Occupancy	214,058	6,889	26,022	32,911	246,969
Other expenses	59,975	67,540	-	67,540	127,515
Outside services	399,549	35,291	6,832	42,123	441,672
Program expenses	56,010	-	-	-	56,010
Repairs and maintenance	36,031	340	-	340	36,371
Supplies and materials	30,566	920	228	1,148	31,714
Total Nonsalary Related Expenses	1,212,410	126,128	41,839	167,967	1,380,377
Total Expenses	\$ 2,227,926	\$ 240,532	\$ 74,372	\$ 314,904	\$ 2,542,830

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

**THE PUTNAM FOUNDATION dba TIMKEN MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2022**

	Supporting Services				Total
	Programs and Exhibits	Management and General	Fundraising	Total Supporting Services	
<u>Salaries and Related Expenses:</u>					
Salaries and wages	\$ 697,546	\$ 59,901	\$ 28,634	\$ 88,535	\$ 786,081
Payroll taxes	43,390	8,648	1,965	10,613	54,003
Employee benefits	83,787	20,879	4,123	25,002	108,789
Total Salaries and Related Expenses	824,723	89,428	34,722	124,150	948,873
<u>Nonsalary Related Expenses:</u>					
Advertising	-	-	31,475	31,475	31,475
Bank fees and other charges	5,352	848	370	1,218	6,570
Cost of goods sold - Museum store	8,450	-	-	-	8,450
Depreciation	34,643	-	-	-	34,643
Equipment expense	6,183	-	964	964	7,147
Events and donor recognition	6,809	-	-	-	6,809
Exhibition costs	34,067	-	-	-	34,067
Insurance	75,514	6,267	1,406	7,673	83,187
Occupancy	163,883	16,323	7,119	23,442	187,325
Other expenses	107,899	15,570	-	15,570	123,469
Outside services	188,017	22,520	15,047	37,567	225,584
Program expenses	12,902	-	-	-	12,902
Repairs and maintenance	3,092	-	-	-	3,092
Supplies and materials	11,952	1,849	111	1,960	13,912
Total Nonsalary Related Expenses	658,763	63,377	56,492	119,869	778,632
Total Expenses	\$ 1,483,486	\$ 152,805	\$ 91,214	\$ 244,019	\$ 1,727,505

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

**THE PUTNAM FOUNDATION dba TIMKEN MUSEUM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 6,537,085	\$ 129,918
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	33,377	34,643
Net realized and unrealized loss on investments	592,030	19,600
Distributions from perpetual trust held by third-party trustee	784,483	737,903
Change in fair value of perpetual trust held by third-party trustee	846,126	(680,046)
Loss on sale of collection items	4,500	-
Amortization of right-of-use assets – operating leases	314,765	-
(Increase) Decrease in:		
Pledges receivable, net	(2,141,833)	(259,128)
Prepaid expenses and other assets	74,497	(55,978)
Inventory	4,703	-
Increase (Decrease) in:		
Accounts payable and accrued expenses	498,889	(4,153)
Deferred revenue	-	(178,125)
Operating lease liability	(302,859)	-
Net Cash Provided by (Used in) Operating Activities	<u>7,245,763</u>	<u>(255,366)</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of investments	(7,156,285)	(139,391)
Proceeds from sale of investments	1,507,603	2,155,030
Purchase of property and equipment	(1,452,030)	(1,749,529)
Purchase of collection items	(14,396)	(13,253)
Change in perpetual trust held by third-party trustee, net	1,630,609	57,857
Net Cash (Used in) Provided by Investing Activities	<u>(5,484,499)</u>	<u>310,714</u>
<u>Cash Flows From Financing Activities:</u>		
Distributions from perpetual trust held by third-party trustee	(784,483)	(737,903)
Change in fair value of perpetual trust held by third-party trustee	(846,126)	680,046
Payments on note payable	-	(3,263)
Net Cash Used in Financing Activities	<u>(1,630,609)</u>	<u>(61,120)</u>
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	130,655	(5,772)
Cash and Cash Equivalents and Restricted Cash at Beginning of Year	<u>930,333</u>	<u>936,105</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 1,060,988</u>	<u>\$ 930,333</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	<u>\$ 89,535</u>	<u>\$ -</u>
Right-of-use assets upon ASC 842 implementation:		
Operating leases	<u>\$ 234,427</u>	<u>\$ -</u>
Right-of-use assets after ASC 842 implementation:		
Operating leases	<u>\$ 154,089</u>	<u>\$ -</u>

THE PUTNAM FOUNDATION dba TIMKEN MUSEUM
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

Note 1 - Organization:

The Putnam Foundation (the “Foundation”) is a non-profit organization whose primary activity is the education of the public in fine arts, through the operation of the Timken Museum of Art (the “Museum”) located in Balboa Park in San Diego, California, and is the only fine art museum in San Diego that does not charge admission. Accessibility, whether through our free-admission policy or through outreach to underserved groups in the community, is at the heart of the Timken. In addition to contributions, the Foundation receives income from endowment funds and a perpetual trust, which provide restricted and unrestricted income.

Collections

The world-class Putnam Foundation collection of European old masters, 19th century American art, and Russian icons is on permanent display at the Museum. The Museum’s collection spans nearly 700 years of art history, from early Italian Renaissance devotional paintings to late nineteenth-century paintings from the United States, and includes important examples of French, Dutch, and Flemish paintings in addition to Italian and American. Notable works in the Timken’s collection include: Rembrandt’s *Saint Bartholomew*, the only oil painting by the Dutch master on display in San Diego; Pieter Bruegel the Elder’s *Parable of the Sower*; John Singleton Copley’s *Portrait of Mrs. Thomas Gage*; Eastman Johnson’s classic, *The Cranberry Harvest: Island of Nantucket*; and Jean-Baptiste-Camille Corot’s *View of Volterra*. A special feature of the Museum is the significant collection of Russian icons, many from the Moscow and Novgorod Schools, ranging from the fifteenth to the nineteenth century.

Note 2 - Significant Accounting Policies:

Accounting Method

The financial statements of the Foundation have been prepared on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes thereon are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations, and not subject to donor (or certain grantor) restrictions. The governing board has designated net assets without donor restrictions, as described in Note 10.
- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a 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.

Estimates

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

THE PUTNAM FOUNDATION dba TIMKEN MUSEUM
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

Note 2 - Significant Accounting Policies: (Continued)

Risks and Uncertainties

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

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value, and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy), and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The Foundation's statements of financial position include the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in equities and mutual funds are considered Level 1 assets, and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.
- Investments in corporate and government bonds are considered Level 2 assets, and are reported at fair value using matrix pricing or market corroborated pricing, and inputs such as yield curves and indices.
- Investments in hedge funds are considered Level 3 assets, and are reported at fair value based on the fair value of the underlying assets in the funds as reported by the fund manager, since these funds are valued by the fund manager and are not traded in an active market.
- The beneficial interest in the perpetual trust held by a third-party trustee (the "Trust") is considered a Level 3 asset and is recorded at fair value based on the fair value of the underlying Trust assets, as determined by the third-party trustee and reported to the Foundation. The statements provided by the third-party trustee are reviewed monthly by the Foundation's Controller, and quarterly by the Investment Committee, for reasonableness of reported values. The Trust assets are valued at fair value based on quoted market prices, except for investments in hedge funds, which are valued at the net asset value of the funds. The third-party trustee controls the investments in the Trust and makes all management and investment decisions.

Inventory

Inventory of gift shop items are valued at the lower of average cost (first-in, first-out) or net realizable value.

THE PUTNAM FOUNDATION dba TIMKEN MUSEUM
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

Note 2 - Significant Accounting Policies: (Continued)

Capitalization and Depreciation

The Foundation capitalizes all expenditures in excess of \$2,000 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as support with donor restrictions. Absent donor stipulations regarding how those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property is depreciated using the straight-line method over the estimated useful asset lives as follows:

Building improvements	11 - 15 years
Equipment	5 - 7 years

Depreciation totaled \$33,377 and \$34,643 for the years ended March 31, 2023 and 2022, respectively.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property, the asset account is reduced by the cost and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

Valuation of Long-Lived Assets

The Foundation reviews its long-lived assets for impairment at least annually. Whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, recoverability of the asset to be held and used is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Based on an evaluation of existing long-lived assets, the Foundation believes no impairment exists at March 31, 2023 and 2022.

Collections - Works of Art

The Foundation has capitalized its works of art since its inception. If purchased, items accessioned into works of art are capitalized at cost and, if donated, they are capitalized at their appraised or fair value on the accession date, the date on which the item is accepted by the Board of Directors (the "Board"). Gains or losses on the deaccession of works of art are classified in the statements of activities as with donor restrictions or without donor restrictions depending on donor restrictions, if any, placed on the item at the time of accession. Accession of works of art did not occur for the years ended March 31, 2023 and 2022. Deaccession of works of art from the collection totaled \$4,500 and \$-0- during the years ended March 31, 2023 and 2022, respectively, with no proceeds received for each year ended resulting in a loss on sale of \$4,500 and \$-0- for the years ended March 31, 2023 and 2022, respectively. The collection totaled \$13,879,171 and \$13,869,275 at March 31, 2023 and 2022, respectively.

THE PUTNAM FOUNDATION dba TIMKEN MUSEUM
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

Note 2 - Significant Accounting Policies: (Continued)

Collections - Works of Art (Continued)

The collection is subject to a policy that requires proceeds from their sales to be used to acquire other items for collections or to support the direct care of collections. Direct care of collections is defined by the Foundation as costs that prolong the life and usefulness of the collection, costs providing benefits that enhance the quality and protection of the collection, and costs that make a physical impact on collection objects, increasing or restoring their cultural or scientific value. Routine and ongoing expenditures are not considered direct care of collections. Costs incurred in connection with the acquisition and conservation of works of art are expensed in the period incurred.

An independent appraisal made during 2015, adjusted for accessions and deaccessions at cost, valued the works of art held by the Foundation at \$275,283,000. Subsequent to the issuance of the appraisal report, the museum made acquisitions and received donated works of art totaling in the amount of \$1,967,852. Management believes that the value at March 31, 2023 has not declined since the 2015 appraisal.

Compensated Absences

Accumulated unpaid vacation and other employee benefit amounts totaling \$58,656 and \$49,566 at March 31, 2023 and 2022, respectively, are accrued when incurred, and included in accounts payable and accrued expenses.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Foundation that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Donated Services and Materials

The Foundation utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services by volunteers for the years ended March 31, 2023 and 2022 did not meet the requirements above; therefore, no amounts were recognized in the financial statements for volunteer time.

The Foundation has received donations of donated goods. The donations are recorded at their fair value, and totaled \$12,151 and \$-0- for the years ended March 31, 2023 and 2022, respectively, and have been included in in-kind contributions and expenses for the years ended March 31, 2023 and 2022, respectively.

**THE PUTNAM FOUNDATION dba TIMKEN MUSEUM
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

Note 2 - Significant Accounting Policies: (Continued)

Donated Services and Materials (Continued)

2023				
Items Donated	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Travel	\$12,151	Program services	No associated donor restrictions	Estimated the fair value on the basis of estimate of current market price that would be received for selling similar products in the United States.

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. The Foundation allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Foundation's management.

Income Taxes

The Foundation is a public charity, and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, except on net income derived from unrelated business activities. The Foundation's unrelated business activity did not generate taxable income, and no tax liability has been recorded at March 31, 2023 and 2022. The Foundation believes that it has appropriate support for any tax positions taken, and, as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation is not a private foundation.

The Foundation's Return of Organization Exempt from Income Tax and Exempt Organization Business Income Tax Returns for Tax for the years ended March 31, 2023, 2022, 2021, and 2020 are subject to examination by Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

Concentration of Credit Risk

The Foundation's policy is to place cash and cash equivalents with high-credit-quality financial institutions. Amounts placed with FDIC and SIPC insured institutions and covered by insurance may at times exceed the insured deposit limit. The Foundation has not experienced any losses in such accounts.

THE PUTNAM FOUNDATION dba TIMKEN MUSEUM
NOTES TO FINANCIAL STATEMENTS
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Note 2 - Significant Accounting Policies: (Continued)

Cash and Cash Equivalents and Restricted Cash

For purposes of the statements of cash flows, the Foundation considers all highly liquid investment instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents and restricted cash consist of the following at March 31:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents - operations	\$ 825,242	\$ 656,153
Investments and cash - restricted	<u>235,746</u>	<u>274,180</u>
Total Cash and Cash Equivalents and Restricted Cash	<u>\$ 1,060,988</u>	<u>\$ 930,333</u>

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through December 12, 2023, the date the financial statements were available to be issued, and concluded that there were no events or transaction that need to be disclosed.

Reclassification

The Foundation has reclassified certain prior year information to conform with the current year presentation.

Accounting Pronouncements Adopted

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. ASU 2020-07 improves transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit entities. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. This standard is applied on a retrospective basis. The adoption had no effect on the 2022 financial statements.

Change in Accounting Principle

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Codification (“ASC”) 842, *Leases (“FASB ASC 842”)* to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the statement of financial position by lessees, and the disclosures of key information about leasing arrangements.

The Foundation adopted this guidance Accounting Standards Codification (ASC) 842 in 2022 using the effective date transition method which allows the Foundation to apply the guidance for the current year presentation and not adjust the prior year numbers. The Foundation elected the package of practical expedients that allows an entity to not reassess (i) whether any expired or existing contracts are or contain leases, (ii) lease classification for any expired or existing leases and (iii) initial direct costs for any expired or existing leases. The Foundation did not elect to use hindsight for leases existing at the adoption date.

As a result of the adoption of FASB ASC 842 on April 1, 2022, right of use assets of \$234,427 and operating lease liability of \$234,427 was recorded.

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NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

Note 3 - Liquidity and Availability:

The Foundation regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted endowments, contributions without donor restrictions, and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The table below presents financial assets available for general expenditures within one year at March 31:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 825,242	\$ 656,153
Pledges receivable	45,000	138,871
Appropriation of operating reserve and endowment earnings	460,000	465,000
Distributions from perpetual trust	784,000	765,000
Financial assets available for general expenditures within one year	<u>\$ 2,114,242</u>	<u>\$ 1,980,024</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation has a line-of-credit agreement with available borrowings totaling \$450,000 as described in Note 9 and operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

The Foundation's governing board has designated a portion of its resources without donor restrictions for an operating reserve, as described in Note 10. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board of Directors. The earnings from the operating reserve expected to be used within one year are identified in the table above.

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for available for general use. Appropriations of endowment fund earnings are made in accordance with the spending policy as described in Note 12. Donor-restricted endowment funds are not available for general expenditure.

The beneficial interest in the Putnam Foundation Trust is a perpetual trust (Note 8). Income from the perpetual trust is available for general use and is distributed to the Foundation based on a spending policy established by the trustee.

THE PUTNAM FOUNDATION dba TIMKEN MUSEUM
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

Note 4 - Fair Value Measurements:

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at March 31:

	2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2023
Equities:				
Domestic	\$ 3,006,053	\$ -	\$ -	\$ 3,006,053
International	743,018	-	-	743,018
Fixed Income:				
Domestic	121,002	9,919,388	-	10,040,390
Hedge funds	-	-	1,012,619	1,012,619
Perpetual trust held by third-party trustee (Note 8)	-	-	14,116,682	14,116,682
	<u>\$ 3,870,073</u>	<u>\$ 9,919,388</u>	<u>\$ 15,129,301</u>	<u>\$ 28,918,762</u>
	2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2022
Equities:				
Domestic	\$ 2,762,201	\$ -	\$ -	\$ 2,762,201
International	1,392,799	-	-	1,392,799
Fixed Income:				
Domestic	255,102	4,359,121	-	4,614,223
Hedge funds	-	-	976,205	976,205
Perpetual trust held by third-party trustee (Note 8)	-	-	15,747,291	15,747,291
	<u>\$ 4,410,102</u>	<u>\$ 4,359,121</u>	<u>\$ 16,723,496</u>	<u>\$ 25,492,719</u>

The reconciliation for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are included in Note 8, as indicated above.

THE PUTNAM FOUNDATION dba TIMKEN MUSEUM
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

Note 4 - Fair Value Measurements: (Continued)

The following table represents the Foundation's Level 3 financial instrument, the valuation techniques used to measure the fair value of the financial instrument, and the significant unobservable inputs and the range of values for those inputs for the years ended March 31:

2023				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Hedge funds	\$ 1,012,619	Valuation of underlying assets as provided by fund managers	Base price	N/A
Perpetual trust held by third party trustee	\$ 14,116,682	Valuation of underlying assets as provided by the third-party trustee	Base price	N/A
2022				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Hedge funds	\$ 975,205	Valuation of underlying assets as provided by fund managers	Base price	N/A
Perpetual trust held by third party trustee	\$ 15,747,291	Valuation of underlying assets as provided by the third-party trustee	Base price	N/A

Note 5 - Pledges Receivable:

Pledges receivable consist of the following at March 31:

	<u>2023</u>	<u>2022</u>
Receivables due in less than one year - capital campaign	\$ 2,398,500	\$ 3,200,000
Receivables due in less than one year - operating	45,000	138,871
Total Pledges Receivable - Current	<u>2,443,500</u>	<u>3,338,871</u>
Receivables due in one-to-five years - capital campaign	818,500	1,600,000
Receivables due in more than five years - capital campaign	5,000,000	-
Less: Discount to present value	<u>(1,289,458)</u>	<u>(108,162)</u>
Total Pledges Receivable, Net – Noncurrent	<u>4,529,042</u>	<u>1,491,838</u>
Total Pledges Receivable, Net	<u>\$ 6,972,542</u>	<u>\$ 4,830,709</u>

Pledges receivable have been discounted to their present value using discount rates ranging from 3.20% to 4.66% and 3.00% for the years ended March 31, 2023 and 2022, respectively.

THE PUTNAM FOUNDATION dba TIMKEN MUSEUM
NOTES TO FINANCIAL STATEMENTS
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Note 6 - Investments:

Investments consist of the following at March 31:

	<u>2023</u>	<u>2022</u>
Mutual Funds:		
Fixed income	\$ 10,040,390	\$ 4,614,223
Equities	3,749,071	4,155,000
Hedge funds	1,012,619	976,205
Total Investments	<u>\$ 14,802,080</u>	<u>\$ 9,745,428</u>

Investments are classified as follows:

	<u>2023</u>	<u>2022</u>
Investments and cash - restricted	\$ 12,619,221	\$ 7,562,569
Investments - endowment	2,182,859	2,182,859
Total Investments	<u>\$ 14,802,080</u>	<u>\$ 9,745,428</u>

The following schedule summarizes the investment (loss) income for the years ended March 31:

	<u>2023</u>		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Interest and dividend income	\$ 403	\$ 296,336	\$ 296,739
Net realized and unrealized loss	(15,310)	(588,235)	(603,545)
Investment management fees	-	(26,177)	(26,177)
Net Investment Loss	<u>\$ (14,907)</u>	<u>\$ (318,076)</u>	<u>\$ (332,983)</u>
	<u>2022</u>		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Interest and dividend income	\$ 25	\$ 217,358	\$ 217,383
Net realized and unrealized income (loss)	8,972	(19,600)	(10,628)
Investment management fees	-	(118,519)	(118,519)
Net Investment Income	<u>\$ 8,997</u>	<u>\$ 79,239</u>	<u>\$ 88,236</u>

THE PUTNAM FOUNDATION dba TIMKEN MUSEUM
NOTES TO FINANCIAL STATEMENTS
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Note 7 - Property and Equipment:

Property and equipment consist of the following at March 31:

	<u>2023</u>	<u>2022</u>
Building improvements	\$ 1,368,381	\$ 1,368,381
Equipment	135,866	134,489
Construction in progress	3,585,044	2,420,933
Subtotal	<u>5,089,291</u>	<u>3,923,803</u>
Less: Accumulated depreciation	<u>(1,238,513)</u>	<u>(1,205,136)</u>
Property and Equipment, Net	<u>\$ 3,850,778</u>	<u>\$ 2,718,667</u>

Note 8 - Perpetual Trust Held by Third-Party Trustee:

The Foundation has a beneficial interest in the Putnam Foundation Trust, a perpetual trust, which is held by JP Morgan and is classified as with donor restrictions, as these investments must be maintained in perpetuity. The assets held in the Putnam Foundation Trust consists of 55% and 63% publicly traded U.S. and international equities traded on the open markets; 32% and 27% U.S. and International fixed income mutual funds traded on open markets; and 13% and 10% alternative investments consisting of two hedge funds at the years ended March 31, 2023 and 2022, respectively.

The activity in the beneficial interest in the Putnam Foundation Trust consisted of the following for the years ended March 31:

	<u>2023</u>	<u>2022</u>
Balance at Beginning of Year	\$ 15,747,291	\$ 15,805,148
Distributions to the Foundation	(784,483)	(737,903)
Change in fair value	(846,126)	680,046
Balance at End of Year	<u>\$ 14,116,682</u>	<u>\$ 15,747,291</u>

Note 9 - Line-of-Credit:

The Foundation has a line-of-credit with Torrey Pines Bank in the amount of \$450,000, with interest at the Wall Street Journal prime rate plus 1.50% (9.00% as of March 31, 2023). The line-of-credit matures on December 27, 2024. There were no outstanding advances under the line-of-credit at March 31, 2023 and 2022.

Note 10 - Board-Designated Funds:

The Foundation's governing board has designated a portion of funds without donor restrictions as an operating reserve fund. The operating reserve fund target minimum is equal to three months of average operating costs, adjusted annually based on the annual budget. The funds are available in cash or cash equivalents and are held in the general cash and investment accounts of the Foundation. The operating reserve policy governs the use and replenishment of the operating reserve funds. The operating reserve totaled \$655,000 and \$615,000 at March 31, 2023 and 2022, respectively.

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NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

Note 11 - Net Assets With Donor Restrictions:

Net assets with donor restrictions represent contributions received or receivable by the Foundation, which are limited in their use by time or donor-imposed restrictions. Net assets with donor restrictions are available for the following purpose at March 31:

	<u>2023</u>	<u>2022</u>
Subject to Expenditure for Specified Purpose:		
Capital improvements	\$ 13,815,208	\$ 5,675,819
Acquisition fund	313,738	313,738
Exhibits and educational programs	-	9,425
Total Subject to Expenditure For Specified Purpose	14,128,946	5,998,982
Subject to the Passage of Time:		
Accumulated earnings on endowment assets	5,314,594	6,259,267
Perpetual in Nature:		
Endowments (Note 12)	16,299,541	17,930,150
Total Net Assets with Donor Restrictions	\$ 35,743,081	\$ 30,188,399

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose, or by the occurrence of the passage of time or other events specified by the donors, are as follows for the years ended March 31:

	<u>2023</u>	<u>2022</u>
Purpose Restrictions Accomplished:		
Capital improvements	\$ 1,082,999	\$ 1,634,206
Exhibits and educational programs	9,425	18,925
Time Restrictions Fulfilled:		
Perpetual trust distributions	784,483	737,903
Appropriation of accumulated earnings on endowment assets	463,037	465,740
Accumulated earnings transferred from operating reserve	40,000	65,000
Total Net Assets Released From Restrictions	\$ 2,379,944	\$ 2,921,774

Note 12 - Endowment Net Assets:

The Foundation's endowment was established for a general purpose. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the enacted version of the Uniform Prudent Management of Institutional funds Act of 2006 ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies donor-restricted net assets of a perpetual nature as (1) the original value of gifts donated to the permanent endowment; (2) the original value of subsequent gifts donated to the permanent endowment; (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in donor-restricted net assets of a perpetual nature is classified as donor-restricted net assets with time restriction until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

THE PUTNAM FOUNDATION dba TIMKEN MUSEUM
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

Note 12 - Endowment Net Assets: (Continued)

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

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation.

The Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. The Foundation has no underwater endowment funds at March 31, 2023 and 2022.

The Foundation has investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for operations. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under the Foundation’s investment policy, as approved by the Board, the endowment assets are invested in a manner which attempts to achieve a pre-tax absolute real return, in excess of inflation and after fees and expenses, of 5% for all endowment assets of a perpetual nature. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation has a spending policy of appropriating for distribution 5% of its endowment fund’s three-year, moving-average fair value as of the most recent fiscal year-end.

The Foundation targets a diversified asset allocation, primarily focused on equity and fixed-income-based investments, to achieve its long-term return objectives within prudent risk constraints. If the accumulated gains/losses fund has a debit balance, the endowment is “underwater” and no endowment appropriations are allowed until the endowment value has returned to a credit balance, unless this limitation is waived by the Board.

Endowment composition by type of fund at March 31:

	2023		
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions - Perpetual</u>	<u>Total</u>
Perpetual trust held by third-party trustee	\$ -	\$ 14,116,682	\$ 14,116,682
Timken Ames Endowment	5,313,515	612,341	5,925,856
Roon Endowment	1,079	760,518	761,597
Walter Fitch Education Endowment	-	750,000	750,000
Outreach Español Endowment	-	60,000	60,000
Total Endowment Net Assets	<u>\$ 5,314,594</u>	<u>\$ 16,299,541</u>	<u>\$ 21,614,135</u>

THE PUTNAM FOUNDATION dba TIMKEN MUSEUM
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

Note 12 - Endowment Net Assets: (Continued)

	2022		
	With Donor Restrictions	With Donor Restrictions - Perpetual	Total
Perpetual trust held by third-party trustee	\$ -	\$ 15,747,291	\$ 15,747,291
Timken Ames Endowment	6,258,188	612,341	6,870,529
Roon Endowment	1,079	760,518	761,597
Walter Fitch Education Endowment	-	750,000	750,000
Outreach Español Endowment	-	60,000	60,000
Total Endowment Net Assets	\$ 6,259,267	\$ 17,930,150	\$ 24,189,417

Endowment composition by type of fund and changes in endowment net assets as of, and for, the years ended March 31:

	With Donor Restrictions	With Donor Restrictions - Perpetual	Total
Endowment net assets, March 31, 2021	\$ 6,705,590	\$ 17,988,007	\$ 24,693,597
Investment income	84,416	680,046	764,462
Appropriation of accumulated earnings on endowment assets	(465,739)	(737,903)	(1,203,642)
Transfer from operating reserve	(65,000)	-	(65,000)
Endowment net assets, March 31, 2022	\$ 6,259,267	\$ 17,930,150	\$ 24,189,417
Investment loss	(441,636)	(846,126)	(1,287,762)
Appropriation of accumulated earnings on endowment assets	(463,037)	(784,483)	(1,247,520)
Transfer to operating reserve	(40,000)	-	(40,000)
Endowment net assets, March 31, 2023	\$ 5,314,594	\$ 16,299,541	\$ 21,614,135

Note 13 - Commitments and Contingencies:

Leases

The Foundation leases office space under an operating lease that expires in January 2025. Rent expense totaled \$109,876 and \$102,298 for the years ended March 31, 2023 and 2022, respectively.

The following summarizes the line items on the statement of financial position for the operating lease at March 31, 2023:

Right-of-use assets - operating leases, net	\$ <u>154,089</u>
Operating lease liability - current portion	\$ 88,408
Operating lease liability - less current portion	<u>77,587</u>
Total Operating Lease Liabilities	<u>\$ 165,995</u>

**THE PUTNAM FOUNDATION dba TIMKEN MUSEUM
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

Note 13 - Commitments and Contingencies: (Continued)

Leases (Continued)

The following summarizes the weighted average remaining lease term and discount rate at March 31, 2023:

Weighted average remaining lease term - Operating	24 months
Weighted average discount rate	2.65%

The following summarizes the line items in the statement of activities which include the components of lease expense for the year ended March 31, 2023:

Operating lease expense	\$ 109,876
Total Lease Cost	<u>\$ 109,876</u>

The following summarizes cash flow information related to leases for the year ended March 31, 2023:

Operating cash flows from operating leases	<u>\$ 89,535</u>
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The Foundation leases equipment and storage space under operating leases that expire through February 2024. Rent expense totaled \$25,252 and \$36,936 for the years ended March 31, 2023 and 2022, respectively.

The building and land where the Foundation is located are owned by the City of San Diego (the “City”) and leased to the Foundation, and therefore are not assets of the Foundation and are not reflected in the accompanying financial statements. Additions and renovations to the original building are assets of the Foundation and are reflected as leasehold improvements in the accompanying financial statements. The Foundation operates the museum under a 20-year lease with the City through June 30, 2039. In addition, the Foundation has the option to extend the term of the lease for two periods of five years each. As part of this agreement, the Foundation is to make the premises available to the public, without charge, one day per month. Under the agreement, the Foundation pays an annual rent of \$3,598, increasing by the CPI annually, as well as provides for the continuous operation, development, and maintenance of the premises.

Future minimum lease payments are as follows:

Years Ended March 31	
2024	\$ 99,697
2025	82,069
2026	3,598
2027	3,598
2028	3,598
Thereafter	<u>39,573</u>
Total	<u>\$ 232,133</u>

THE PUTNAM FOUNDATION dba TIMKEN MUSEUM
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

Note 13 - Commitments and Contingencies: (Continued)

Pension Plan

The Foundation sponsors a 401(k) pension plan (the “Plan”) covering employees over 21 years of age after they have six months of service. Each employee’s total contribution may not exceed the maximum allowable under current regulations. The Foundation also pays all administrative costs of the Plan. All beneficiaries of the Plan are responsible for their own investment decisions. The Foundation’s matching contributions to the Plan totaled \$17,183 and \$7,826 for the years ended March 31, 2023 and 2022, respectively.

Consolidated Appropriations Act Paycheck Protection Program

In February 2021, the Foundation obtained a loan totaling \$178,125 from the U.S. Small Business Administration, under the Consolidated Appropriations Act Paycheck Protection Program (PPP2). The loan is forgivable to the extent that the Foundation meets the terms and conditions of PPP2. Any portion of the loan that is not forgiven bears interest at 1%, and is due in February 2026. The Foundation recognized \$-0- and \$178,125 as revenue for the years ended March 31, 2023 and 2022, respectively. The full loan amount was forgiven by the U.S. Small Business Administration on December 29, 2021.

Coronavirus Pandemic Contingency

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Foundation is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Foundation’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Foundation’s donors, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact the Foundation’s financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.