

# National Gallery of Art



Fiscal Year 2023

Performance and Accountability Report

**NATIONAL GALLERY OF ART**



**PERFORMANCE AND ACCOUNTABILITY REPORT**

**for the year ended September 30, 2023**



**NATIONAL GALLERY OF ART**  
**Performance and Accountability Report**  
**For the year ended September 30, 2023**

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## Message from the Director

On behalf of the National Gallery of Art, I am pleased to submit the National Gallery's FY 2023 Performance and Accountability Report (PAR). This report presents information on the National Gallery's financial, management and programmatic results for the previous year. I give my assurance that the performance and financial data included in this report are complete and reliable, consistent with guidance provided by the Office of Management and Budget.

This report meets the requirements of OMB Circular A-136 and other management legislation and demonstrates the National Gallery's commitment to be accountable for the results measured against the annual performance goals presented in our FY 2023 Annual Performance Plan.

The National Gallery of Art is now the most visited art museum in the United States. We are proud of this accomplishment and the progress the National Gallery has made to become a museum of the nation and for all the people. Our mission, to serve the nation by welcoming all people to explore and experience art, creativity, and our shared humanity, is central to every activity of the Gallery, from caring for and strengthening the collection to presenting special exhibitions and organizing public programs.



## Performance Highlights

This PAR discusses National Gallery achievements in FY 2023 and reviews progress towards the key annual performance goals and objectives established in the performance plan by:

- Providing the public with increased and continuing access to the National Gallery's collection and educational materials;
- Continuing to address the backlog of deferred maintenance;
- Advancing the National Gallery's Information Technology Strategic Plan; and
- Maintaining the National Gallery's security readiness.

## Excellence in Financial management

The National Gallery received an unmodified opinion on our FY 2023 financial statements. The auditors did not report any material weaknesses, significant deficiencies, or instances of non-compliance with laws, regulations, contracts, and grant agreements that are required to be reported in accordance with *Government Auditing Standards*.

FY 2023 has been a very productive year. In the coming year, the National Gallery will continue to focus on providing our visitors with a welcoming and rewarding experience with the world's artistic heritage through our collection, exhibitions, and programs.

Kaywin Feldman  
Director  
November 15, 2023

## Message from the CFO

This Performance and Accountability Report (PAR) discusses the National Gallery's achievements in FY 2023, provides performance and financial information, and reviews progress towards the key annual performance goals and objectives established in the performance plan. As we fulfill our mission to serve the nation by welcoming all people to explore and experience art, creativity, and our shared humanity, the National Gallery of Art is committed to effectively and efficiently managing the government resources provided to fulfill that mission. The National Gallery continued to make progress in FY 2023 towards achieving those long-term goals and objectives.

The performance section of this report discusses the National Gallery's programmatic activities conducted in FY 2023 in relation to the National Gallery's annual performance goals. In FY 2023 over three million people visited the National Gallery to view our magnificent permanent collection and special exhibitions, and attendance is expected to approach the pre-pandemic level of 4 million visitors in the coming year. In addition, nearly 20 million visited the National Gallery's website or followed the Gallery's social media accounts. Over the three years ending September 2023, visitation to the National Gallery's website and social media doubled, demonstrating the growing appetite for digital access to the Gallery's resources and programs.

The National Gallery received an unmodified audit opinion on our FY 2023 financial statements. The auditors did not report any material weaknesses, significant deficiencies, or instances of non-compliance with laws, regulations, contracts, and grant agreements that are required to be reported in accordance with *Government Auditing Standards*.

Building on the accomplishments of FY 2023, the National Gallery will continue to focus on increasing operating efficiency and enhancing the stewardship of our limited resources to meet the challenges that lie ahead.

William W. McClure  
Treasurer  
November 15, 2023

**National Gallery of Art  
Management's Discussion and Analysis  
(unaudited)**

**The National Gallery and our Mission**

The National Gallery of Art is one of the world's premiere art museums with a renowned collection of American and European master works of art. The National Gallery's mission is to serve the nation by welcoming all people to explore and experience art, creativity, and our shared humanity.

The National Gallery was created by a Joint Resolution of Congress in 1937. This event was the culmination of efforts by financier, Secretary of the Treasury, ambassador and art collector Andrew W. Mellon to establish an art gallery of the highest possible quality in the nation's capital for the people of the United States. The gift of his superlative collection of Old Master paintings and sculptures, as well as endowment funding and what is now known as the West Building, remains one of the greatest single private donations to any government.

The National Gallery today consists of two landmark buildings on the National Mall, the Andrew W. Mellon Memorial Fountain, and the National Gallery Sculpture Garden. The West Building, designed by John Russell Pope, opened in 1941. The East Building, designed by I.M. Pei, opened in 1978. An icon of modern architecture, the East Building was a gift from Paul Mellon and Ailsa Mellon Bruce, the children of the founder, and The Andrew W. Mellon Foundation. The Sculpture Garden opened in 1999 with construction funding and several sculptures donated by the Morris and Gwendolyn Cafritz Foundation. The Andrew W. Mellon Fountain designed by Sidney Waugh was dedicated in 1952 and transferred from the National Park Service to the National Gallery in 2016.



## **Organizational Structure**

The National Gallery is led by a Board of Trustees composed of four ex-officio members – the Chief Justice of the United States, the Secretary of State, the Secretary of the Treasury, and the Secretary of the Smithsonian Institution as well as five general trustees who are citizens of the United States. The general trustees are chosen by a majority vote of the general trustees for terms of ten years.

The eight Executive Officers of the National Gallery oversee the general operations and programs of the National Gallery. The Executive Officers are the Director, Deputy Director, Chief Curator, Dean of the Center for Advanced Study in the Visual Arts, Collections and Exhibitions and Public Programs Officer, Administrator, Treasurer, and the Secretary General and General Counsel.

The National Gallery is funded with Congressional appropriations and private funding.

## **Performance Goals, Objectives and Results**

Building on FY 2022 accomplishments, the National Gallery continued to make significant progress during FY 2023 advancing our mission to serve the nation by welcoming all people to explore and experience art, creativity, and our shared humanity. We develop our understanding of art through collecting and exhibiting in ways that reflect our nation and its histories; preserving our collections for future generations; and delivering compelling public programs and events, engaging digital experiences, and groundbreaking scholarship.

The National Gallery's annual performance goals reflect our mission and have been structured to support the Strategic Plan that identifies the following goals and objectives:

- The National Gallery will continue to seek out the finest works of art available for donation or for purchase with private funds to strengthen the core collection donated by Andrew W. Mellon;
- In order to maintain the very highest standards, the National Gallery will consistently hire and retain the best available curatorial, conservation, educational, and management staffs;
- Day-to-day operations will support the National Gallery's mission through the care, maintenance, and security of the works of art and the facilities at optimum levels; and
- The National Gallery will serve as a model for other museums from coast to coast, offering its expertise and educational resources, including loans of works of art and special exhibitions from the collection.

To achieve our mission, the National Gallery focused in FY 2023 on the following four key performance goals:

- Provide the public with continuing and increased access to the National Gallery's collection and educational materials:

The National Gallery of Art is defined by the high quality of its collection and educational programs, which are at the core of our mission. The National Gallery's role as an educational institution includes major initiatives such as: 1) displaying great works of original art using the highest standards; 2) organizing and presenting a comprehensive program of special exhibitions focusing on master works of art from all cultures and periods; 3) fostering understanding of the visual arts by providing access to the National Gallery's educational materials and programs; and 4) maintaining an active program of conservation and protection of the National Gallery's collection.

The National Gallery's performance as a national institution of the highest quality is dependent upon adequate funding of its programs and the staff to develop and administer them. The number and variety of these programs and their attendance will measure performance.





- Address the backlog of deferred maintenance:

The National Gallery of Art is committed to maintaining our buildings, equipment and grounds in excellent condition. The West Building, which opened in March 1941, and the East Building, which opened in June 1978, have both reached an age where the buildings, systems and components have exceeded their useful life, and significant repair and refurbishment is required.

The Master Facilities Plan (MFP), developed in 1997, identified all crucial repair, restoration and renovation projects and created a phased approach to complete them. The most critical projects began in 1999. The phased implementation of the MFP achieves cost efficiencies and reduces disruptions to ongoing National Gallery public programs and operations. The success of this initiative will be measured against the goals of providing optimum operational effectiveness and efficiency.

Coincident with the repair, restoration and renovation activity of the MFP is the crucial need to sustain the National Gallery's buildings and equipment at a high level of performance. The facilities maintenance program at the National Gallery focuses on a solid preventative maintenance initiative and the efficient operation of the complex systems necessary for the National Gallery to function as an art museum open to the public 363 days a year.



- Advance the National Gallery's Information Technology (IT) Strategic Plan:

IT improvements often require multiple years to implement – up to one year to prepare the solicitation packages and select a vendor, and then up to an additional two years to install, configure and test the new systems. The National Gallery's IT Strategic Plan addresses the proactive replacement, implementation, and repair of the National Gallery's mission-critical systems, and identifies the following objectives: 1) provide a reliable and secure IT infrastructure to support the National Gallery's mission; 2) improve operations through efficient and effective IT solutions; 3) align IT services with stakeholder and audiences' needs; and 4) implement a governance structure to prioritize and monitor IT performance. The success of this goal will be measured by the results of the four initiatives stated above.

- Provide the Highest Level of Security for the National Gallery's Collection, Visitors, Staff and Facilities:

The National Gallery of Art must protect our landmark buildings and grounds, irreplaceable art collection, staff, and millions of visitors we welcome each year. The National Gallery's prominent location on the National Mall at the foot of the Capitol adds even greater urgency to the need to harden security measures against a wide range of means and methods of possible attack.



In the Performance Report section, the National Gallery has detailed its key annual performance goals relating to the areas outlined above. The National Gallery reports nine metrics as statistical information only, as well as six established objectives for FY 2023 related to capital repairs, deferred maintenance, and information technology. The National Gallery met four objectives and did not meet two objectives. The National Gallery met the standard for the Condition Index (CI), facilities appearance, planned maintenance, and progress on the Master Facilities Plan (MFP). The objectives not met include reduction to deferred maintenance and progress toward the Information Technology funding allocations

## Federal Financial Statements Summary and Analysis

Summarized operating results and net position for the years ended September 30, 2023 and 2022 are presented below. This financial summary encompasses all activities supported by federal appropriations provided to the National Gallery of Art. It does not include the Gallery's activities supported by private funding.

**NATIONAL GALLERY OF ART**  
**Key Federal Financial Statement Information**  
**Fiscal Years 2023 and 2022**  
**(amounts in thousands)**

	<u>2023</u>	<u>2022</u>	Increase/(Decrease)	
			\$	%
<b>Results of Operations</b>				
Total financing sources	\$ 192,944	\$ 186,785	6,159	3%
Less net costs	174,616	169,077	5,539	3%
Net operating results	<u>\$ 18,328</u>	<u>\$ 17,708</u>	<u>620</u>	<u>4%</u>
<b>Net Position</b>				
<b>Assets</b>				
Fund balance with U.S. Treasury	\$ 100,376	\$ 104,020	(3,644)	-4%
Property, plant and equipment, net	342,791	331,957	10,834	3%
Other assets	2,240	2,017	223	n/a
Total Assets	<u>445,407</u>	<u>437,994</u>	<u>7,413</u>	<u>2%</u>
<b>Liabilities</b>				
Intragovernmental	1,573	1,524	49	3%
Accounts payable	7,437	8,265	(828)	-10%
Federal employee benefits payable	12,805	13,368	(563)	-4%
Environmental liability	30,755	37,248	(6,493)	-17%
Other	10,504	14,480	(3,976)	-27%
Total Liabilities	<u>63,074</u>	<u>74,885</u>	<u>(11,811)</u>	<u>-16%</u>
<b>Net Position</b>	<u>\$ 382,333</u>	<u>\$ 363,109</u>	<u>19,224</u>	<u>5%</u>

## **Operating Results**

The National Gallery is funded primarily by two Congressional appropriations: one appropriation covers the National Gallery's salaries, benefits and expenses, a portion of which is designated for special exhibitions, and the second appropriation provides funds necessary for the repair, restoration, and renovation of the Gallery's buildings.

The FY 2023 appropriation received for salaries, benefits and expenses is a two-year appropriation that must be obligated by the end of the second fiscal year, with the exception of that portion of the appropriation designated for special exhibitions expenses which is available until it is expended. The appropriation for the repair, restoration, and renovation of the National Gallery's buildings is available until expended.

The total appropriation received for FY 2023 was \$209.2 million, a \$28.7 million increase above the FY 2022 appropriation of \$180.5 million. The appropriation included \$166.3 million for salaries, benefits and expenses, \$3.9 million for special exhibitions and \$39.0 million for the repair, restoration and renovation of the buildings. \$24.0 million of the renovation appropriation was transferred to the Smithsonian Institution to fund shared costs for a joint art storage space project.

The National Gallery's net cost of operations totaled \$174.6 million for the year versus \$169.1 million in the prior year. Program costs represented \$130.2 million or 75% of total net costs, with the remaining \$44.4 million in "costs not assigned to programs" primarily representing general and administrative expenses. The modest increase in net costs is primarily due to increases in facilities, security, and special exhibitions over the prior year.

## **Net Position**

The National Gallery's net position totaled \$382.3 million, increasing \$19.2 million or 5% over the prior year. Net property, plant and equipment increased \$10.8 million with renovation work completed under the Master Facilities Plan. Total liabilities decreased by \$11.8 million, mostly due to a decrease in the valuation of the environmental liability.

Liabilities not funded with budgetary resources include the environmental liability, future funded and actuarial Federal Employees Compensation Act (FECA) liabilities, and liabilities for accrued annual leave and rent abatement. The remaining accounts payable, accrued expenses and other liabilities are covered by budgetary resources.

## **Independent Auditors' Report on the National Gallery's Financial Statements**

The National Gallery received an unmodified audit opinion on its FY 2023 financial statements. The auditors did not report any material weaknesses or instances of non-compliance with laws, regulations, contracts, and grant agreements that are required to be reported in accordance with *Government Auditing Standards*.

## **Systems, Controls and Legal Compliance**

### **Management Integrity: Controls and Compliance**

The National Gallery maintains a comprehensive management control program through the activities of its internal auditor and the National Gallery's Audit Committee, the review and monitoring effort of its legal staff, and ongoing proactive improvement efforts by its management staff.

Based on this program, the National Gallery has reasonable assurance that:

- The financial reporting is reliable,
- The National Gallery is in compliance with all applicable laws and regulations,
- Management's performance reporting systems are reliable.

In addition to these efforts, the National Gallery has been accredited by the American Association of Museums. In going through the accreditation process, qualified museum professionals conducted a thorough independent evaluation of all aspects of the National Gallery including a review of management controls.

The Director's Statement of Assurance as required under the *Federal Managers Financial Integrity Act*, attests to these and other Federal requirements for financial management.

### **Goals and the supporting financial systems strategies**

The National Gallery continues to pursue our financial management system strategy to improve reporting, accountability, and decision making, while furthering implementation of key Government-wide initiatives, e-Gov requirements, and other regulatory mandates. In so doing the National Gallery seeks to maintain financial management systems, processes, and controls that ensure financial accountability and transparency, provide useful information to management, and satisfy Federal laws, regulations, and guidance.

Continued assessment and change management and optimization of the National Gallery's financial management system capabilities will further assure the accuracy and completeness of data, standardize the business processes, institutionalize financial practices, and improve ease of preparation and completeness of all types of financial reports.

### **Limitations of the Financial Statements**

The principal financial statements have been prepared to report the financial position and results of operations of the National Gallery pursuant to the requirement of 31 U.S.C. 3515(b). The statements have been prepared from the books and records of the National Gallery in accordance with general accepted accounting principles. The Federal schedules included in the supplementary information are in addition to the financial reports the National Gallery used to monitor and control budgetary resources and were prepared from the same books and records.

These statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

## **National Gallery of Art Management Assurances**

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) requires each executive agency to establish internal accounting and administrative controls in accordance with standards prescribed by the Comptroller General (CG). The CG standards require that such systems of internal control shall be designed to provide reasonable assurance that:

- (i) obligations and costs are in compliance with applicable law;
- (ii) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- (iii) revenue and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports to maintain accountability over the assets.

The FMFIA also requires that the head of each agency, on the basis of an evaluation conducted in accordance with OMB and CG guidelines, prepare an annual statement that:

The agency's systems of internal accounting and administrative control fully comply with the requirements described above; or that such systems do not fully comply with such requirements.

The National Gallery's management is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations.

Section 2 of the FMFIA requires that, in the event material weaknesses in the agency's systems of internal accounting and administrative control are identified, the agency head shall report the plans and schedule for correcting any such weaknesses. I am pleased to state that the National Gallery has no material weaknesses to report.

Section 4 of the FMFIA requires that I include in this statement, a separate report on whether the agency's accounting system conforms to the principles, standards, and related requirements prescribed by the CG. Based on our evaluation of the National Gallery's internal controls and accounting system, the National Gallery's accounting system conforms to the principles, standards, and related requirements prescribed by the Comptroller General.

Kaywin Feldman  
Director  
November 15, 2023

**Table 1**

Audit Opinion	Unmodified
Restatement	No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
None	0	0	0	0	0

**Table 2**

Summary of Management Assurances

<b>Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)</b>	
Statement of Assurance	Internal controls over financial reporting are effective

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	0	0	0	0	0	0

<b>Effectiveness of Internal Control over Operations (FMFIA § 2)</b>	
Statement of Assurance	Internal controls over operations are effective

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	0	0	0	0	0	0

<b>Conformance with financial management system requirements (FMFIA § 4)</b>	
Statement of Assurance	System conforms to financial management system requirements

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	0	0	0	0	0	0

<b>Compliance with Federal Financial Management Improvement Act (FFMIA)</b>	
Overall Substantial Compliance	Yes
1. System Requirements	Yes
2. Accounting Standards	Yes
3. USSGL at Transaction Level	Yes



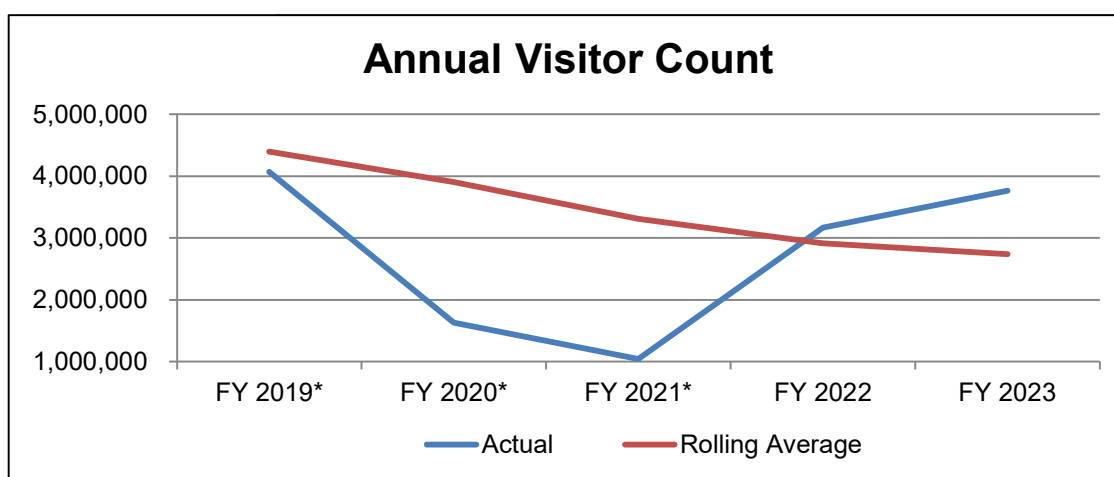
## National Gallery of Art Performance Report

The National Gallery's FY 2023 Federal funds appropriations supported the following key annual performance goals outlined below.

**Provide the public with increased and continuing access to the Gallery's collection and educational materials:**

- Present the National Gallery's collection and special exhibitions using the highest standards of display, lighting, and signage to encourage visitation by the widest audience.***

The National Gallery welcomed 3,764,900 visitors in FY 2023.



	FY 2019*	FY 2020*	FY 2021*	FY 2022	FY 2023
Actual	4,070,400	1,632,400	1,042,900	3,168,200	3,764,900
Rolling Average	4,397,900	3,903,900	3,310,800	2,914,700	2,735,760

\*In FY 2019 the National Gallery was closed for 26 days during a government shutdown. During the COVID-19 pandemic in FY 2020 the Gallery was closed completely from March 14 through June 20 and reopened the Sculpture Garden on June 20 and a portion of the West Building on July 20 with limited daily visitor capacity. The Gallery was partially open in FY 2021, including the East Building which reopened on June 18, 2021.

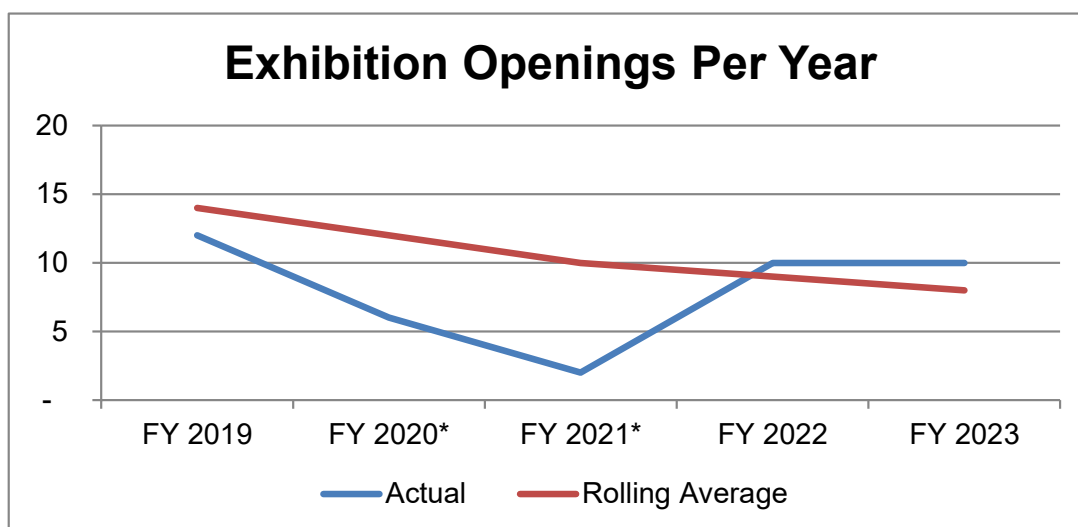
- Offer visitors the widest range of visual experience through a schedule of special exhibitions that are organized and presented by the National Gallery to augment existing strengths in the collection and to provide the opportunity to focus on material of exceptional merit from other cultures and periods.***

The National Gallery again achieved the goal of presenting a schedule of special exhibitions that offers audiences the widest range of visual experience. Special exhibitions gave audiences the opportunity to enjoy hundreds of masterpieces loaned by public and private collections from across the world. During FY 2023, the National Gallery opened 10 new special exhibitions and presented 20 exhibitions.

Exhibitions presented in FY 2023 included:

- *The Land Carries Our Ancestors: Contemporary Art by Native Americans*
- *Canova: Sketching in Clay*
- *Philip Guston Now*
- *This is Britain: Photographs from the 1970s and 1980s*
- *Vermeer's Secrets*
- *Sargent and Spain*
- *Called to Create: Black Artists of the American South*





	FY 2019	FY 2020*	FY 2021*	FY 2022	FY 2023
Actual	12	6	2	10	10
Rolling Average	14	12	10	9	8

\*During the COVID-19 pandemic in FY 2020 the National Gallery was closed completely from March 14 through June 20 and planned exhibitions were postponed. In FY 2021 the Gallery was only partially open and a planned exhibition was canceled.

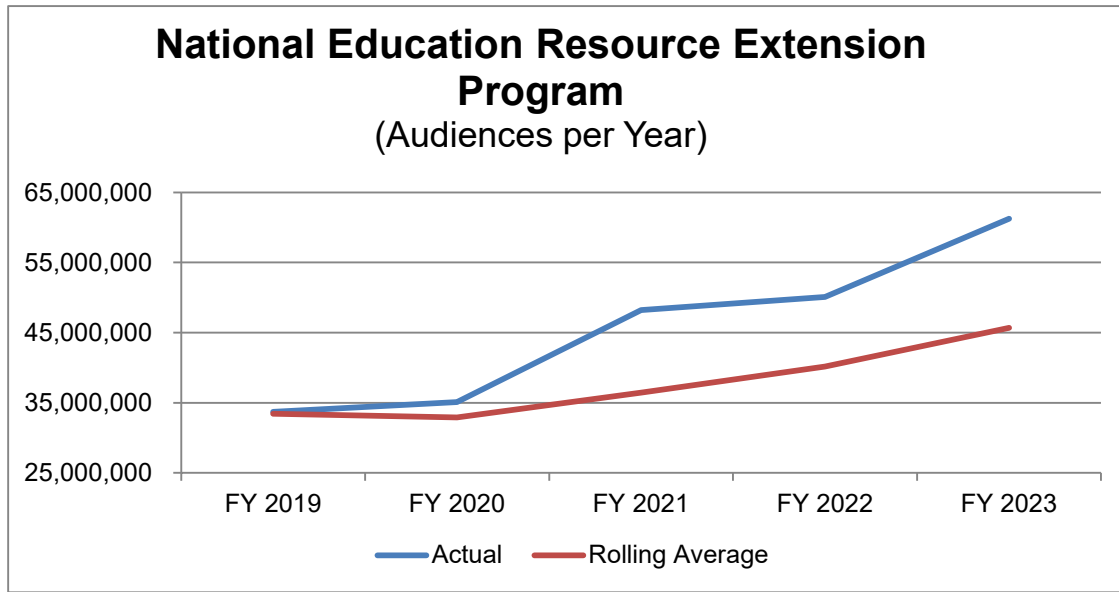
**3. Foster awareness of the visual arts by providing increased and continued access to the collection and educational materials.**

The National Gallery’s commitment to fostering the understanding of art at the highest possible scholarly levels continued in FY 2023 through our many educational program activities. The education resources outreach program provided films, videotapes and other long-distance learning materials free of charge to an audience of over 61 million, including schools, district media centers, colleges, universities, museums, health facilities, correctional facilities, and community groups. On-site education programs consisting of adult, student, and family programs and tours had 138,900 participants and there were over 98,000 subscriptions to online education newsletters. First Saturday, a Drop-In program, included activities such as face painting, sketching lab, printmaking demos, poetry celebration and concerts and enjoyed over 10,000 participants.

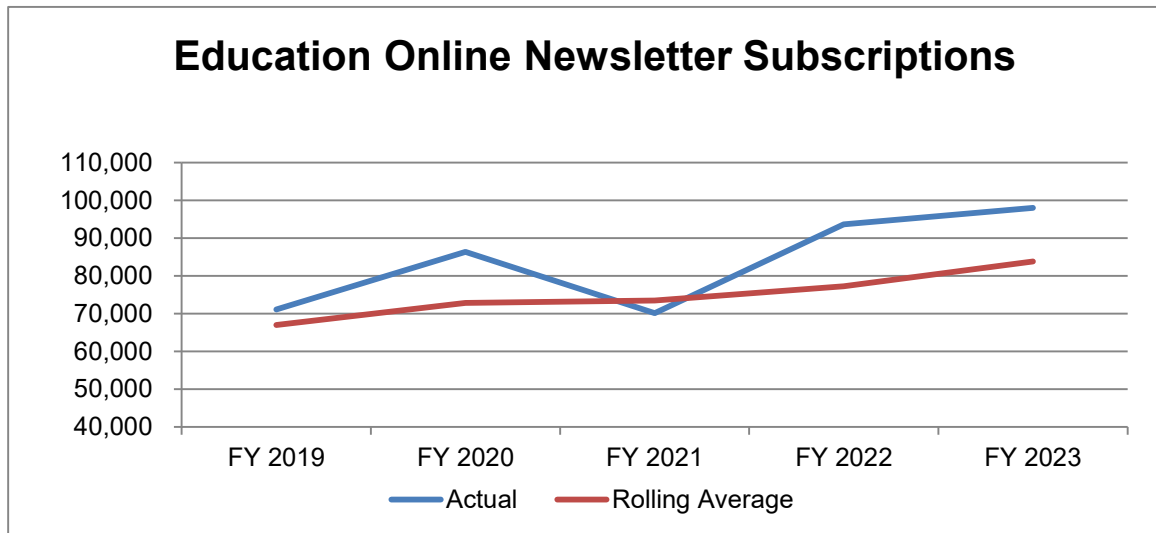
The National Gallery of Art public website is an in-depth resource that allows people from all over the world access to the National Gallery’s collections, exhibitions, educational resources and schedule of events. Increased digital content and the introduction of "Artle", a new daily game allowing users to guess the name of artists with works in the National Gallery’s permanent collection, spurred a dramatic increase in website traffic to 18.1 million unique visitors in FY 2023. An additional audience of 1,799,000 engaged with the National Gallery through various social media platforms.

The Art Research Library continued its longstanding practice of facilitating the interest in and scholarly research of various topics in art and architecture by facilitating 153,700 reference inquiries. The modern integrated library system on the web has enhanced the visibility of library offerings and increased the total number of website users.

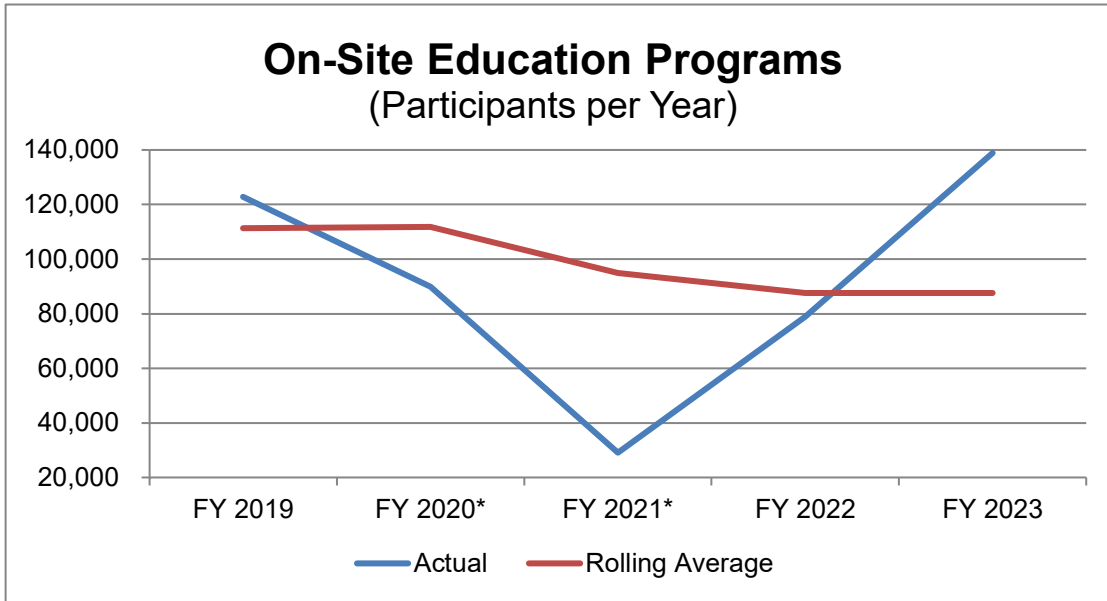
The following pages provide statistical metrics for education outreach.



	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Actual	33,706,500	35,113,300	48,216,300	50,113,200	61,256,200
Rolling Average	33,419,400	32,904,500	36,449,600	40,160,260	45,681,100



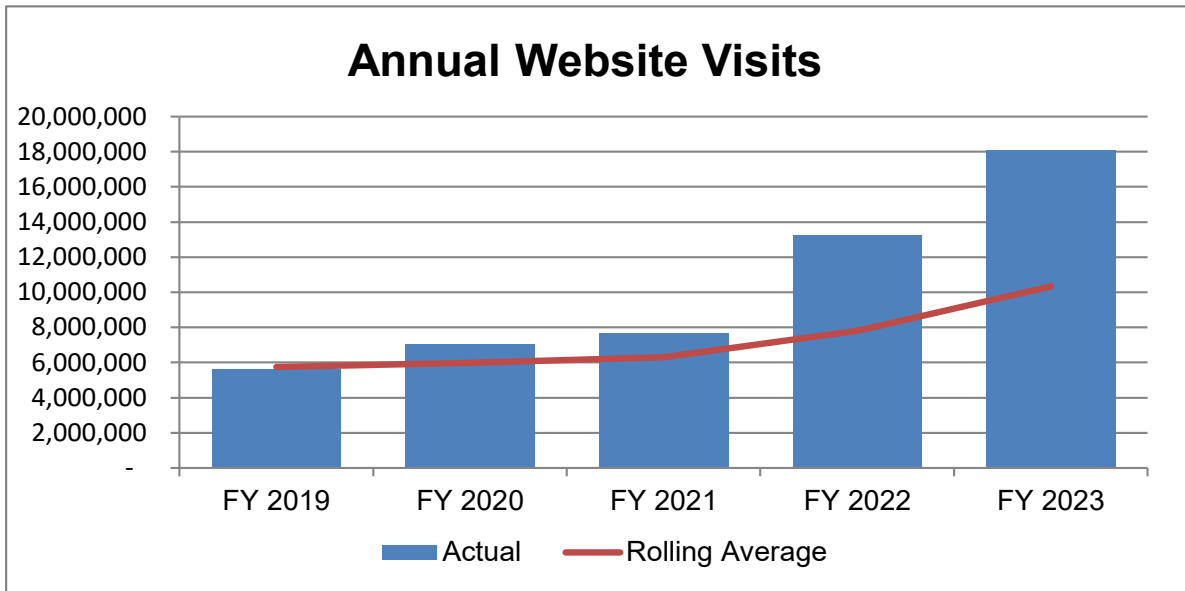
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Actual	71,100	86,300	70,100	93,600	98,000
Rolling Average	67,000	72,800	73,500	77,200	83,800



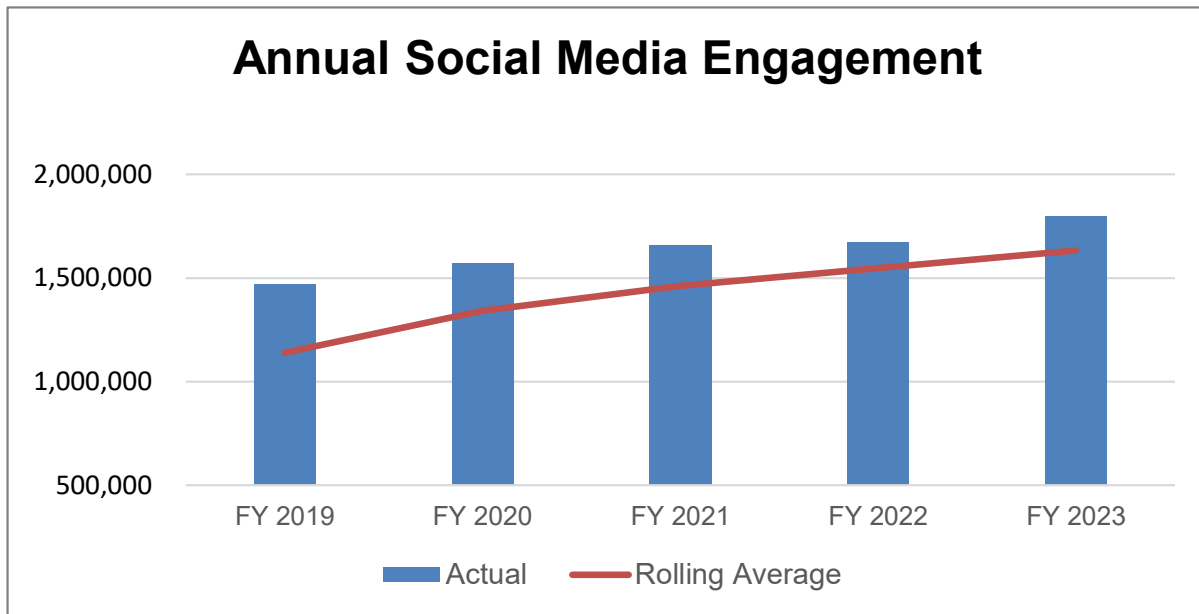
	FY 2019	FY 2020*	FY 2021*	FY 2022	FY 2023
Actual	122,800	89,900	29,100	78,900	138,900
Rolling Average	111,300	111,800	94,900	87,600	87,600

\*During the COVID-19 pandemic in FY 2020 the National Gallery was closed to the public completely from March 14 through June 20 and on-site public programming was suspended to follow CDC Guidance on social distancing. The National Gallery remained partially closed in FY 2021 with limited on-site programs.



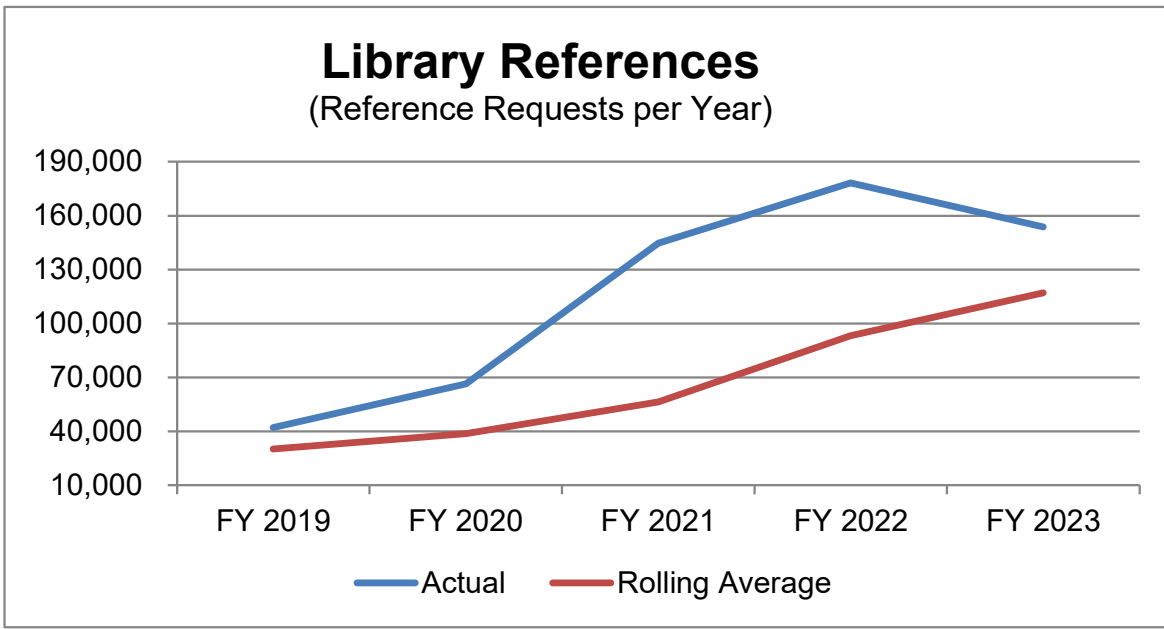


	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Actual	5,624,300	7,035,300	7,663,300	13,225,000	18,100,000
Rolling Average	5,741,000	5,983,200	6,301,300	7,801,800	10,329,600



	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Actual	1,470,000	1,571,000	1,657,200	1,670,000	1,799,000
Rolling Average	1,139,600	1,341,800	1,463,000	1,547,800	1,633,400

\* Social Media includes Facebook Likes, Twitter, LinkedIn and Instagram Followers



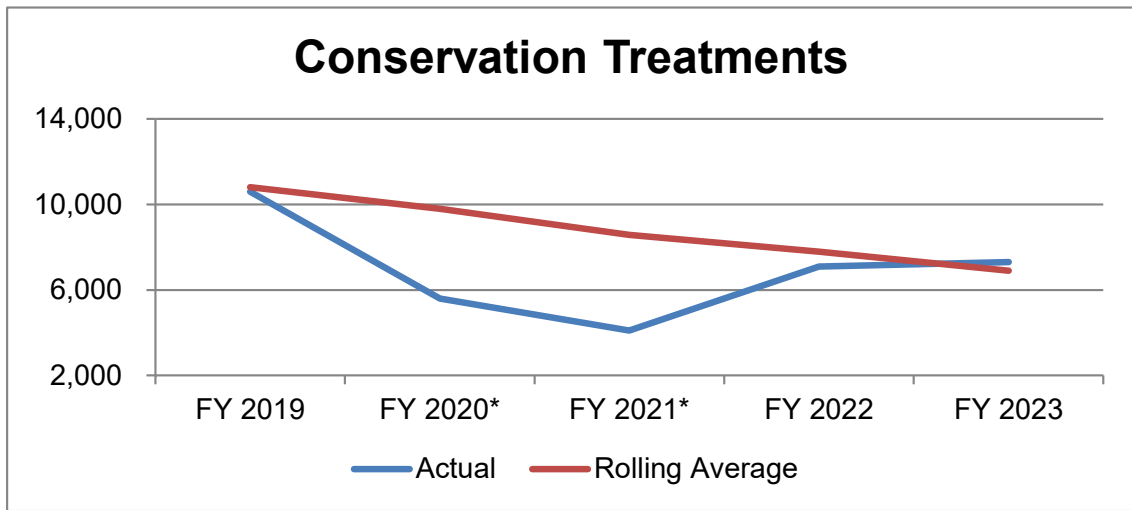
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Actual	42,200	66,400	144,600	178,300	153,700
Rolling Average	30,100	38,800	56,400	93,100	117,000

\*Since FY 2021, requests by Gallery interns, fellows, and staff are included



**4. Maintain an active program of conservation and protection of the works of art in the National Gallery’s collection including art displayed in the Sculpture Garden.**

Preserving the National Gallery’s outstanding collection for future generations remains one of the National Gallery’s critical responsibilities and the primary concern of its conservators and scientific researchers. In FY 2023, the National Gallery’s painting, object, paper, photography and textile conservators and scientific researchers undertook over 7,300 major and minor treatments and examinations. In addition, new technologies were studied and devised that further the National Gallery’s mission of preserving the works of art with which it is entrusted. Year-to-year fluctuation in the total number of treatments is due primarily to the number of artwork examinations required for special exhibitions.



	<u>FY 2019</u>	<u>FY 2020*</u>	<u>FY 2021*</u>	<u>FY 2022</u>	<u>FY 2023</u>
Actual	10,600	5,600	4,100	7,100	7,300
Rolling Average	10,800	9,800	8,570	7,800	6,900

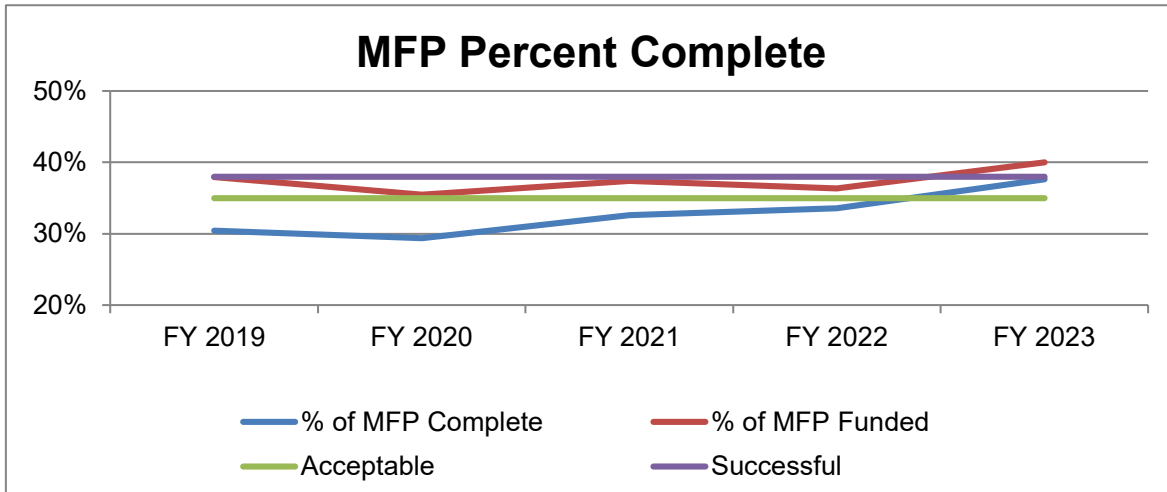
\*During the COVID-19 pandemic in FY 2020 the National Gallery was closed completely to the public from March 14 through June 20 and local stay-at-home orders prevented staff from working on-site for periods of time which led to a reduction in Conservation treatments.



**Continuing to address the backlog of deferred maintenance.**

**1. Manage the Master Facilities Plan (MFP) so that significant facilities repairs and replacements projects proceed on schedule.**

**Performance Measure:** Performance is determined by the extent to which cumulative MFP costs incurred to date are on schedule, based on amount expended vs. total plan costs as identified in the Congressional Request for the identified year.



Actual:	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
% of MFP Complete	30%	29%	33%	34%	38%
% of MFP Funded	38%	35%	37%	36%	40%
Target:					
Acceptable	35%	35%	35%	35%	35%
Successful	38%	38%	38%	38%	38%
Assessment:	Not Met	Not Met	Not Met	Not Met	Met

Performance is determined by the extent to which cumulative MFP costs incurred to date are on schedule, based on amount expended vs total plan costs as identified in the Congressional Request for the identified fiscal year.

Assessment: Funding was sufficient in FY 2023 to meet the minimally acceptable target. For the prior four years, funding had not been sufficient to allow the National Gallery to meet the target which resulted in an increase of total plan costs.

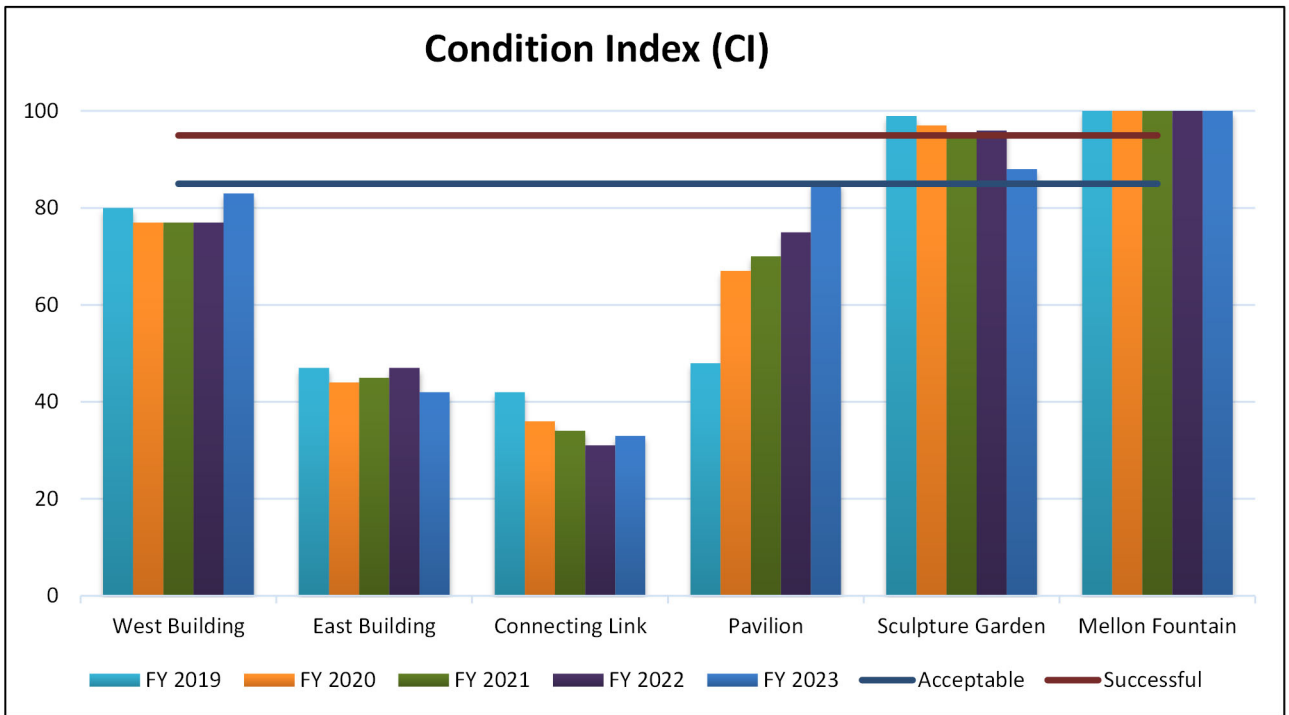
**2. Maintain the physical condition of the East and West Buildings, Sculpture Garden and Mellon Fountain to the highest standard.**

**Performance Measures:** Performance is measured by industry standard numerical ratings for appearance and maintenance posture for each building.

- a) Facilities Condition Index (CI): The Condition Index is the GSA-defined measure of a constructed asset's physical condition at a specific point in time. The index is calculated as:

$$CI = [1 - (\$Repair Needs / \$Replacement Value)] \times 100$$

This measure is reported to GSA individually for each physical asset shown in the table below. The Mellon Fountain was added as of FY 2017, the first year its condition is reported after being transferred from the National Park Service in 2016:

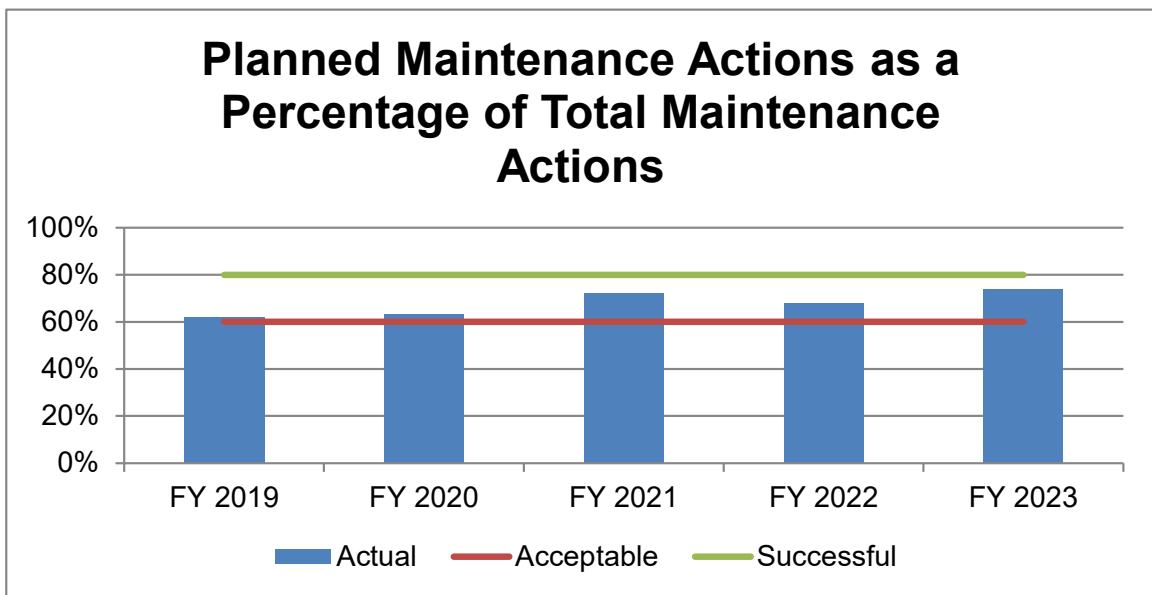


	West Building	East Building	Connecting Link	Pavilion	Sculpture Garden	Mellon Fountain
FY 2019	80	47	42	48	99	100
FY 2020	77	44	36	67	97	100
FY 2021	77	45	34	70	95	100
FY 2022	77	47	31	75	96	100
FY 2023	83	42	33	85	88	100
Acceptable	85	85	85	85	85	85
Successful	95	95	95	95	95	95
Assessment	Not Met	Not Met	Not Met	Met	Met	Met

Deferred Maintenance Backlog: Change in Deferred Maintenance Backlog as reported to GSA in the Federal Real Property Profile Report.

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Actual:	-2%	+10%	+6%	-5%	3%
Acceptable:	The deferred maintenance backlog decreases during the year				
Successful:	The deferred maintenance backlog decreases by at least 3% during the year				
Assessment:	Met	Not Met	Not Met	Met	Not Met

b) Planned Maintenance Percentage: Percentage of maintenance actions that were planned.



	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Actual	62%	63%	72%	68%	74%
Acceptable	60%	60%	60%	60%	60%
Successful	80%	80%	80%	80%	80%
Assessment	Met	Met	Met	Met	Met

c) Appearance Index. Maintain a minimum standard of appearance based on the Association of Higher Education Facilities Officers (APPA) scale of appearance standards.

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Actual	2	2	2	2	2
Acceptable	2	2	2	2	2
Successful	2	2	2	2	2

Assessment                      Met                      Met                      Met                      Met                      Met

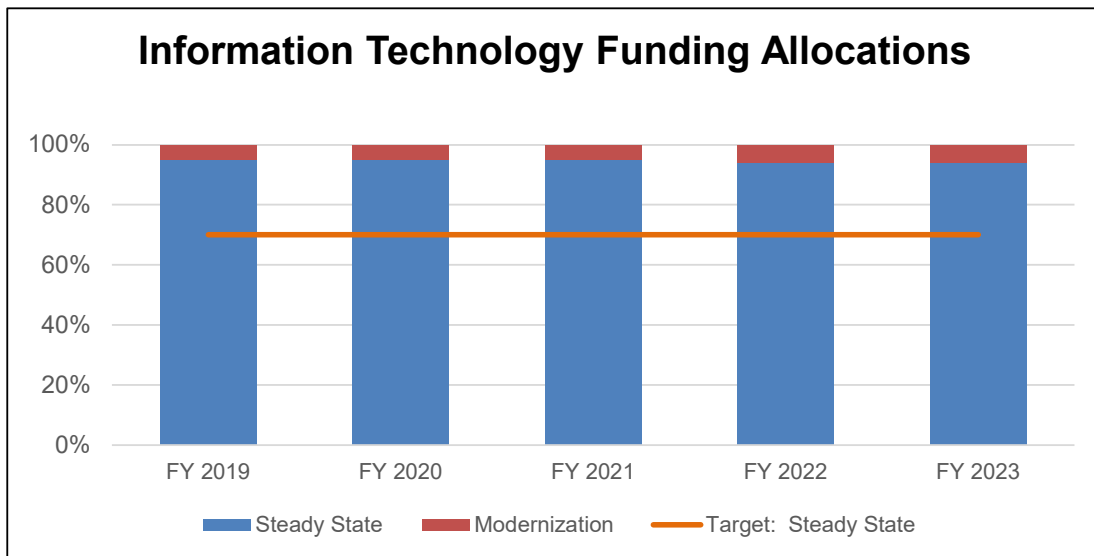


**Advancing the National Gallery’s Information Technology (IT) Strategic Plan:**

- Provide a robust and secure information technology environment to support the mission and administrative functions of the National Gallery with funding allocations for both steady state and modernization efforts that is consistent with industry benchmarks.***

**Performance Measure:** Percent of total enacted information technology funding allocated to steady state operations versus system modernization.

**Target:** No more than 70% of funding is allocated to steady state system operations.



Actual:	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Steady State	95%	95%	95%	94%	94%
Modernization	5%	5%	5%	6%	6%
Target:					
Steady State	70%	70%	70%	70%	70%
Modernization	30%	30%	30%	30%	30%
Assessment	Not Met	Not Met	Not Met	Not Met	Not Met

**Maintaining the National Gallery’s security readiness:**

- 1. *Protect the valuable collection and national/international loans entrusted to the National Gallery’s care as well as to ensure and to enhance protection of employees and visitors.***

The National Gallery, with the concurrence of OMB, does not publicly disclose security measures and results in the PAR.



**National Gallery of Art**

Financial Statements

September 30, 2023

(With Independent Auditors' Reports Thereon)



KPMG LLP  
Suite 900  
8350 Broad Street  
McLean, VA 22102

## Independent Auditors' Report

The Board of Trustees  
The National Gallery of Art:

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the National Gallery of Art (the Gallery), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Gallery as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Gallery 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.

#### *Emphasis of Matter*

As discussed in Note 2 to the financial statements, as of October 1, 2022, the Gallery changed its method of accounting for leases in accordance with the adoption of Accounting Standards Codification (ASC) Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, 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 Gallery's ability to continue as a going concern for one year after the date the financial statements are issued.

#### *Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from





fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government 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 Gallery'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 Gallery's ability to continue as a going concern for a reasonable period of time.

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

#### *Report on Summarized Comparative Information*

We have previously audited the Gallery's 2022 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated November 10, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### *Other Matter*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary private and federal information on the financial statements is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The other information in the September 30, 2023, Management's Discussion and Analysis, Performance Report, and the Other Supplementary Information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2023, on our consideration of the Gallery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Gallery's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Gallery's internal control over financial reporting and compliance.

KPMG LLP

McLean, Virginia  
November 9, 2023

## NATIONAL GALLERY OF ART

### Statement of Financial Position

September 30, 2023

(with summarized financial information as of September 30, 2022)

(In thousands)

<b>Assets</b>	2023			2022
	Private	Federal	Total	Total
Cash and cash equivalents	\$ 5,082	100,376	105,458	107,726
Accounts receivable and other assets, net	7,136	2,240	9,376	4,906
Pledges receivable, net	6,828	–	6,828	7,016
Investments and trusts held by others	1,147,145	–	1,147,145	1,028,899
Operating lease right-of-use assets	–	18,315	18,315	–
Property, plant and equipment, net	46,171	342,791	388,962	382,004
Art collections (Note 2)	–	–	–	–
Total assets	\$ 1,212,362	463,722	1,676,084	1,530,551
<b>Liabilities and Net Assets</b>				
Liabilities:				
Accounts payable and other liabilities	\$ 21,646	31,876	53,522	49,933
Unexpended federal multi-year appropriations	–	49,040	49,040	43,234
Operating lease liabilities	–	18,758	18,758	–
Environmental liability	–	30,755	30,755	37,248
Total liabilities	21,646	130,429	152,075	130,415
Net assets:				
Without donor restrictions	410,022	291,411	701,433	571,600
With donor restrictions	780,694	41,882	822,576	828,536
Total net assets	1,190,716	333,293	1,524,009	1,400,136
Total liabilities and net assets	\$ 1,212,362	463,722	1,676,084	1,530,551

See accompanying notes to financial statements.

**NATIONAL GALLERY OF ART**  
**Statement of Activities**  
**Year ended September 30, 2023**  
(with summarized financial information for the year ended September 30, 2022)  
(In thousands)

	Without donor restrictions			With donor restrictions	Total 2023	Total 2022
	Private	Federal	Total			
Operating:						
Support and revenue:						
Federal appropriations	\$ —	148,035	148,035	10,760	158,795	145,426
Gifts and grants	4,903	—	4,903	4,934	9,837	9,360
Spending policy appropriated for operations	13,719	—	13,719	25,056	38,775	29,049
Royalties and other income	2,419	—	2,419	—	2,419	1,547
	<u>21,041</u>	<u>148,035</u>	<u>169,076</u>	<u>40,750</u>	<u>209,826</u>	<u>185,382</u>
Net assets released from restrictions to fund operating expenses	<u>25,895</u>	<u>12,082</u>	<u>37,977</u>	<u>(37,977)</u>	<u>—</u>	<u>—</u>
Total support and revenue	<u>46,936</u>	<u>160,117</u>	<u>207,053</u>	<u>2,773</u>	<u>209,826</u>	<u>185,382</u>
Expenses:						
Collections	5,874	59,828	65,702	—	65,702	58,483
Special exhibitions	7,573	20,766	28,339	—	28,339	22,541
Education and public programs	17,197	31,325	48,522	—	48,522	39,356
Editorial and photography	1,603	6,740	8,343	—	8,343	7,787
General and administrative	6,529	38,677	45,206	—	45,206	42,425
Development	4,164	2,152	6,316	—	6,316	5,965
Total operating expenses	<u>42,940</u>	<u>159,488</u>	<u>202,428</u>	<u>—</u>	<u>202,428</u>	<u>176,557</u>
Change in net assets from operating activities	<u>3,996</u>	<u>629</u>	<u>4,625</u>	<u>2,773</u>	<u>7,398</u>	<u>8,825</u>
Non-operating:						
Federal appropriations	—	12,173	12,173	32,115	44,288	32,296
Interagency appropriation transfer	—	—	—	(24,000)	(24,000)	(7,000)
Endowment gifts	—	—	—	4,385	4,385	2,043
Gifts for art acquisitions	—	—	—	8,919	8,919	14,869
Spending policy appropriated for art acquisitions	179	—	179	7,197	7,376	7,813
Change in value of split-interest agreements	82	—	82	1,239	1,321	(1,944)
Investment return less amounts appropriated for operations and art acquisitions	37,684	—	37,684	66,758	104,442	(338,356)
Acquisitions of works of art	(20,047)	—	(20,047)	—	(20,047)	(17,612)
Depreciation and amortization expense	(3,982)	(12,482)	(16,464)	—	(16,464)	(16,362)
Change in environmental liability	—	6,305	6,305	—	6,305	(3,516)
Other income (expense)	(50)	—	(50)	—	(50)	(3,081)
Net assets released from restrictions to fund non-operating expenses	<u>18,068</u>	<u>87,278</u>	<u>105,346</u>	<u>(105,346)</u>	<u>—</u>	<u>—</u>
Change in net assets from non-operating activities	<u>31,934</u>	<u>93,274</u>	<u>125,208</u>	<u>(8,733)</u>	<u>116,475</u>	<u>(330,850)</u>
Increase (decrease) in net assets	<u>35,930</u>	<u>93,903</u>	<u>129,833</u>	<u>(5,960)</u>	<u>123,873</u>	<u>(322,025)</u>
Net assets at beginning of year	<u>374,092</u>	<u>197,508</u>	<u>571,600</u>	<u>828,536</u>	<u>1,400,136</u>	<u>1,722,161</u>
Net assets at end of year	<u>\$ 410,022</u>	<u>291,411</u>	<u>701,433</u>	<u>822,576</u>	<u>1,524,009</u>	<u>1,400,136</u>

See accompanying notes to financial statements.

**NATIONAL GALLERY OF ART**

Statement of Cash Flows  
Year ended September 30, 2023  
(with summarized financial information for the year ended September 30, 2022)  
(In thousands)

	Private	Federal	Total 2023	Total 2022
<b>Cash flows from operating activities:</b>				
Federal operating appropriations	\$ –	164,601	164,601	147,898
Operating gifts and grants	8,313	–	8,313	10,207
Investment income and dividends, net	870	–	870	919
Cash received from split interest agreements	963	–	963	3,985
Royalties and other income	2,011	–	2,011	1,353
Payments to employees	(24,492)	(98,759)	(123,251)	(120,439)
Payments to suppliers	(11,649)	(61,036)	(72,685)	(58,512)
Income tax refund (payments)	(50)	–	(50)	291
Net cash provided by (used in) operating activities	(24,034)	4,806	(19,228)	(14,298)
<b>Cash flows from investing activities:</b>				
Purchase of investments	(295,924)	–	(295,924)	(253,019)
Proceeds from sale of investments	323,469	–	323,469	244,994
Acquisitions of works of art	(16,708)	–	(16,708)	(18,625)
Purchase of property, plant and equipment	(238)	(28,738)	(28,976)	(32,547)
Net cash provided by (used in) investing activities	10,599	(28,738)	(18,139)	(59,197)
<b>Cash flows from financing activities:</b>				
Endowment gifts	5,460	–	5,460	2,572
Federal appropriations for capital projects	–	20,288	20,288	25,296
Gifts and grants for art acquisitions	9,549	–	9,549	9,959
Net cash provided by financing activities	15,009	20,288	35,297	37,827
Net change in cash and cash equivalents	1,574	(3,644)	(2,070)	(35,668)
Cash and cash equivalents at beginning of year	14,313	104,020	118,333	154,001
Cash and cash equivalents at end of year	\$ 15,887	100,376	116,263	118,333
<b>Cash and cash equivalents reconciliation:</b>				
Cash and cash equivalents included in Statement of Financial Position	\$ 5,082	100,376	105,458	107,726
Cash included in investments	10,805	–	10,805	10,607
Total cash and cash equivalents	\$ 15,887	100,376	116,263	118,333

See accompanying notes to financial statements.

## NATIONAL GALLERY OF ART

Notes to Financial Statements  
September 30, 2023  
(In thousands)

### (1) Organization

The National Gallery of Art (the National Gallery) was created in 1937 for the people of the United States of America by a joint resolution of Congress, accepting the gift of financier and art collector Andrew W. Mellon. The National Gallery is a nonprofit organization exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

A substantial portion of the National Gallery's operations is funded through annual federal appropriations approved annually by Congress and signed by the President. Since its founding, federal funds have supported the operations and maintenance and the protection and care of the nation's art collection, enabling the National Gallery to remain open 363 days a year at no charge to visitors. Federal appropriations are also received for the repair and restoration of the National Gallery's facilities.

In addition to federal appropriations, the National Gallery receives private donations from individuals, foundations, and corporations to support art acquisitions and conservation, scholarly and scientific research, exhibitions, and education outreach programs. All monies, related activities and balances from federal sources are referred to herein as "federal", while all other monies, related activities and balances are referred to herein as "private".

### (2) Summary of Significant Accounting Policies

#### (a) General

The National Gallery's financial statements are prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) under *FASB ASC 958, Not-for-Profit Presentation of Financial Statements*, which requires the National Gallery to report its activities according to the following net asset classifications:

- *Without donor restrictions* – Net assets without donor restrictions consist of the National Gallery's net investment in building improvements and other equipment purchased or constructed using federal funds less unfunded liabilities, and all other resources which are not subject to donor-imposed restrictions. At the discretion of the National Gallery's Board of Trustees, private funds which are not expended for operating activities may be set aside in designated reserves and earmarked to cover future program costs or other contingencies.
- *With donor restrictions* – Net assets with donor restrictions carry specific donor-imposed stipulations on the expenditure or other use of the contributed funds, including unexpended "no-year" federal appropriations received for special exhibitions and for the repair, renovation, and restoration of its buildings. Donor-imposed restrictions may expire by the passage of time or fulfillment of the donor's stipulations. For gifts restricted for capital additions, net assets are released from restriction when assets are placed in service.

Other net assets with donor restrictions include net assets with stipulations that require that the corpus of the gifts be retained permanently with only the income to be used to support operations or another specified purpose.

## NATIONAL GALLERY OF ART

Notes to Financial Statements  
September 30, 2023  
(In thousands)

### **(b) Measure of Operations**

The National Gallery includes in its measure of operations federal and private support and revenue and expenses that are integral to its core program services: collections; special exhibitions; education and public programs; and editorial and photography. The measure of operations excludes certain non-operating activities such as non-operating gifts and grants (endowment gifts and gifts for art acquisitions and capital projects), investment return less amounts designated for operations, acquisitions of works of art, depreciation and income tax expense, and changes in the environmental liability.

The National Gallery's Board of Trustees appropriates only a portion of the National Gallery's cumulative investment return for support of current operations and art acquisitions; the remainder is retained to support operations of future years and to offset potential market declines. The amount appropriated is computed under the National Gallery's spending policy and is appropriated for use based on the underlying donor-imposed restrictions (see note 11).

### **(c) Summarized Financial Information**

The financial statements include certain summarized prior-year information in total only. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the National Gallery's financial statements as of and for the year ended September 30, 2022, from which the summarized information was derived.

### **(d) Cash and Cash Equivalents**

Cash and cash equivalents include interest-bearing demand deposits and appropriated amounts yet to be disbursed remaining on deposit with the U.S. Department of Treasury (or U.S. Treasury). The National Gallery considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents, except where such cash equivalents are held as part of a long-term investment strategy (see note 5).

The fund balances with U.S. Treasury consist of appropriated funds that are available to pay current liabilities and finance authorized purchase commitments of the National Gallery. The National Gallery's fund balances with U.S. Treasury are carried forward until such time as goods or services are received and payments are made, or until the funds are returned to the U.S. Treasury.

### **(e) Pledges Receivable**

Unconditional promises to give to the National Gallery in the future (pledges receivable) are recorded at the fair value of future cash flows, after providing an allowance for uncollectibility (Level 3 inputs). Pledges are discounted at rates approximating the current market rate at the date of the gift. The resulting discount rates range from 2.0% to 4.6%. Conditional promises to give are recognized as income when the conditions stipulated by the donor are substantially met.

## NATIONAL GALLERY OF ART

Notes to Financial Statements  
September 30, 2023  
(In thousands)

### **(f) Investments and Trusts Held by Others**

Investments are generally reported at fair value. Common and preferred stocks and mutual funds are valued using readily determinable market prices. Alternative investments are reported at the estimated fair value as provided by the investment managers. The National Gallery reviews and evaluates valuation methods and assumptions the investment managers use in determining the fair value. For investments valued based on manager reported net asset values, the National Gallery applies procedures to assess the valuation, including comparing performance to relevant market indices and verifying that the underlying asset values agree with quoted market prices. Due to the inherent uncertainties of valuation of alternative investments, estimated values may differ from values that would have been used had a readily available market for the investments existed.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average historical value (cost of securities if purchased or the fair market value at the date of gift if received by donation). Dividend and interest income are recorded when earned on an accrual basis. In accordance with the policy of stating investments at fair value, the net change in unrealized appreciation or depreciation for the year is reflected in the statement of activities (see note 5).

The National Gallery has been named as beneficiary in several irrevocable charitable trusts held by third parties. The National Gallery's share of these trusts is generally recorded at current fair value. Income distributions from these trusts are recorded as investment income and changes in the value of these trusts are recorded as "change in value of split-interest agreements" in the statement of activities.

### **(g) Property, Plant and Equipment**

The land occupied by the National Gallery's buildings was appropriated and reserved by the Congress of the United States for that purpose. No value has been assigned in the accompanying financial statements. Property, plant, and equipment with a cost of \$50 or more is capitalized at cost and depreciated using the straight-line method over the useful life of the assets. These assets have been assigned a useful life as follows:

Buildings	50 years
Building improvements	up to 25 years
Equipment under capital lease	14 years
Equipment	5 - 10 years
Computer software	3 - 5 years

Other property items are expensed when purchased. Normal repairs and maintenance are charged to expense as incurred.



## NATIONAL GALLERY OF ART

Notes to Financial Statements  
September 30, 2023  
(In thousands)

### **(h) Art Collections**

The National Gallery's art collections focus upon European and American paintings, sculpture, decorative arts, works on paper, and photographs. The collections are maintained for public exhibition, education, and research in furtherance of public service rather than for financial gain.

The National Gallery acquires its art collections through purchase or by donations-in-kind. Only current year purchases made from specifically designated funds, not donations-in-kind, are reflected in the statement of activities. In conformity with accounting policies generally followed by art museums, the value of art has been excluded from the statement of financial position. The National Gallery does not deaccession any of its permanent collections.

### **(i) Accrued Leave**

Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefit costs. An unfunded liability as of the date of the financial statements is recognized for earned but unused annual leave by federal employees since this annual leave will be paid from future federal appropriations when the leave is used by employees. The amount accrued is based upon current pay of the employees.

### **(j) Unexpended Federal Multi-Year Appropriations**

The National Gallery's federal multi-year appropriations are recognized as revenue as expenditures are incurred throughout the year. The portion of these appropriations which are not obligated or expended are retained by the National Gallery in accordance with federal guidelines and returned to the U.S. Department of Treasury five years after the expiration of the two-year obligation period. The remaining unexpended balances of these funds are classified as a liability on the statement of financial position.

### **(k) Revenue Recognition**

#### *Federal Appropriations*

Multi-year appropriations received from the federal government are considered conditional contributions and are recognized when qualifying expenditures are incurred and conditions of the appropriations are met. The unexpended balances are deferred until expended or returned to the federal government. See also note 2(j). Federal no-year appropriations are considered unconditional contributions restricted for the support of the National Gallery's special exhibitions and for the repair, renovation, and restoration of its buildings. These appropriations are recognized in full as restricted revenue when received from the federal government.

## NATIONAL GALLERY OF ART

Notes to Financial Statements  
September 30, 2023  
(In thousands)

### *Investment Earnings*

Recognition of investment earnings is described in note 2(f). Dividend and interest income and realized and unrealized gains and losses are recognized as either net assets without donor restrictions or net assets with donor restrictions, in accordance with applicable donor and legal requirements.

### *Donor Gifts and Membership Dues*

Donor contributions and unconditional pledges are recognized in the statement of activities according to the existence or absence of donor restrictions when received from the donor. Recognition of conditional donor pledges is deferred until the underlying conditions are substantially satisfied. See also note 2(e).

Annual memberships with varying contribution amounts, anniversary dates, and levels of donor benefits are offered to the public. The valuation of benefits provided to donors is based on the fair value of the benefits offered for each membership level. The National Gallery recognizes contribution revenue for the entire amount of the membership dues received, as the recognition of the benefit portion of the membership has been determined to be materially consistent with the recognition of the benefit portion as computed on a pro-rata basis over the varying membership periods.

### *Auxiliary Services*

Revenue from auxiliary activities is derived primarily from outsourced retail shops and restaurant operations. Royalties from these operations are received on a monthly basis and accrued as appropriate.

### **(l) Employee Benefits**

The National Gallery offers its employees a comprehensive set of benefits including pension, health and life insurance, and workers compensation for injuries sustained on the job. All permanent employees of the National Gallery, both federal and nonfederal, hired subsequent to January 1, 1984 participate in the Federal Employees' Retirement System (FERS). Employees hired prior to January 1, 1984 had the option of remaining under the Civil Service Retirement System (CSRS) or electing FERS.

The FERS retirement plan provides benefits from three sources: a basic defined benefit plan, social security, and the Thrift Savings Plan (TSP), a defined contribution plan similar to a 401(k). The TSP is administered by the Federal Retirement Thrift Investment Board, an independent agency of the U.S. government. All employees have the option to make tax-deferred contributions to the TSP and, in some instances, receive a matching portion from the National Gallery.

The National Gallery's current year contributions to the pension plans are recognized in the statement of activities, using rates established by the Office of Personnel Management (OPM), the agency with Government-wide responsibility for the oversight and administration of the plans. Consistent with reporting under multi-employer pension plans, the National Gallery

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does not report CSRS and FERS assets, accumulated plan benefits or future liabilities, if any, applicable to its employees. This data is reported for plan participants by OPM (see note 15).

Gallery employees are also eligible to participate in the Federal Employees Health Benefit (FEHB) and the Federal Employees Group Life Insurance (FEGLI) programs, and may continue to participate in these programs after retirement. The National Gallery's current year contributions to the retirement and healthcare and life insurance programs are recognized in the statement of activities.

The Federal Employees Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the U.S. Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from the National Gallery.

Expense recognized in the National Gallery's financial statements includes current amounts invoiced and amounts expected to be invoiced by DOL, as well as the change in the actuarially determined cost of expected future benefits. The actuarial FECA liability represents the liability for expected future benefits for death, disability, medical, and miscellaneous costs for approved cases. The actuarial liability is determined by DOL annually, as of September 30, using a method that utilizes historical benefits payment patterns related to a specific incurred period, wage inflation factors, medical inflation factors and other variables. This liability constitutes an extended future estimate of cost which will not be obligated against budgetary resources until the fiscal year in which DOL bills the cost to the National Gallery. The cost associated with this liability cannot be met by the National Gallery without further appropriation action.

### **(m) Imputed Financing Sources**

In certain cases, costs of the National Gallery, such as post-retirement pension and benefits, are paid out of funds appropriated to other federal agencies. As an example, OPM is required to administer and pay the costs of federal post-retirement pension programs. Actuarially derived cost factors are provided annually by OPM to the National Gallery for use in the calculation of current period service cost. The excess of the computed service cost over employee withholding and amounts contributed by the National Gallery represents imputed costs to be financed directly through the Civil Service Retirement and Disability Fund administered by OPM. Similarly, OPM provides cost factors to the National Gallery for use in the calculation of the estimated cost of providing health and life insurance benefits to retired employees.

Imputed costs and offsetting federal funding sources for pension and post-retirement health and life insurance benefits are computed by the National Gallery and presented in note 15. The National Gallery does not recognize these imputed costs and off-setting financing sources in the statement of activities, as the amounts represent costs to be funded in future years by OPM.

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**(n) Contributed Services and Donated Assets**

Volunteers provide assistance to various departments of the National Gallery. The services provided by such volunteers do not meet the criteria for recognition of contributed services, and accordingly are not reflected in the accompanying financial statements.

Donated assets other than donations of art, if any, are recorded at fair value on the date of the gift. Gifts of long-lived assets are recorded as unrestricted revenue in the absence of donor-imposed restrictions.

**(o) Functional Allocation of Expenses**

The cost of providing various programs and other activities summarized on a functional and natural basis is shown in note 14. Included under the Collections category are the costs of the care and display of the National Gallery's collections. Special exhibition expenses include travel, transportation of items, and other services necessary for the display of special exhibitions. Included in Education and public programs expense is the cost of providing a wide array of lectures, tours, films, music, symposia and academic programs to the general public. Editorial and photography expenses include the costs to produce the many publications produced by the National Gallery. General and administrative expenses include costs for executive management, financial administration, human resources, and legal services. Costs associated with individual and corporate gifts and grants, annual appeals and other fundraising efforts are included in Development expenses.

**(p) Estimates**

The preparation of the financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingencies at the date of the financial statements, and the reported amounts of support and revenue and expenses during the reporting period. Actual results could differ from these estimates.

**(q) Risks and Uncertainties**

The National Gallery invests in a variety of investment securities. Investment securities are exposed to risks such as interest rate, market, and credit risks. As a result, changes in the values of investment securities may occur that could materially affect the value of the National Gallery's investments and its financial position.

**(r) Reclassifications**

Certain prior year balances have been reclassified to conform to current year presentation.

**(s) Recent Accounting Pronouncements**

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-2, Leases (Topic 842), as amended by subsequent ASUs, which requires lessees to recognize most leases on the statements of financial position through both a right-of-use asset and a corresponding lease liability for leases with terms of more than twelve months. Additional

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### Notes to Financial Statements

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qualitative and quantitative disclosures are also required. The National Gallery adopted Topic 842 using a modified retrospective transition approach effective October 1, 2022, which resulted in the recognition of a right-of-use asset of \$23.0 and an operating lease liability of \$23.3. There was no impact upon the opening net assets of October 1, 2022 (see note 6).

### (3) Financial Assets and Liquidity Resources

Federal appropriations provide for the daily operations and maintenance of the National Gallery, in addition to support for special exhibitions and renovation and repair of the National Gallery's buildings. Private donor endowments and gifts support Gallery programmatic activities and all art acquisitions. The National Gallery maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Cash required to meet operating needs of the National Gallery is invested in short-term accounts.

Following is a reconciliation of the National Gallery's total financial assets as of September 30, 2023 and 2022 to financial assets available to fund the National Gallery's general expenditures for the following fiscal year. General expenditures include all programmatic and supporting operating expenses, including expenditures for capital renovations but not including art acquisitions.

	2023		
	Private	Federal	Total
Financial assets:			
Cash and cash equivalents	\$ 5,082	100,376	105,458
Investments and trusts held by others	1,147,145	–	1,147,145
Pledges and accounts receivable	13,567	–	13,567
Total financial assets at year-end	1,165,794	100,376	1,266,170
Less financial assets unavailable for general expenditure within one year:			
Financial assets with donor restrictions	(774,143)	–	(774,143)
Trust held by others and charitable gift annuity assets	(20,012)	–	(20,012)
Board designations:			
Quasi-endowments	(75,374)	–	(75,374)
Operating reserve	(115,000)	–	(115,000)
Capital reserve	(30,000)	–	(30,000)
Financial assets available to meet cash needs for general expenditure within one year	\$ 151,265	100,376	251,641

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	2022		
	Private	Federal	Total
Financial assets:			
Cash and cash equivalents	\$ 3,706	104,020	107,726
Investments and trusts held by others	1,028,899	–	1,028,899
Pledges and accounts receivable	8,010	–	8,010
Total financial assets at year-end	1,040,615	104,020	1,144,635
Less financial assets unavailable for general expenditure within one year:			
Financial assets with donor restrictions	(698,844)	–	(698,844)
Trust held by others and charitable gift annuity assets	(19,792)	–	(19,792)
Board designations:			
Quasi-endowments	(68,652)	–	(68,652)
Operating reserve	(115,000)	–	(115,000)
Capital reserve	(30,000)	–	(30,000)
Financial assets available to meet cash needs for general expenditure within one year	\$ 108,327	104,020	212,347

Quasi-endowment assets include unrestricted funds designated by the National Gallery's Board of Trustees to function as endowment funds to support Gallery programs and operations. The operating reserve has been established to provide necessary resources in the event of the following: 1) potential extended market declines, as it is the National Gallery's policy to not spend from underwater endowment funds, 2) shortfalls in donor support and earned revenue during periods of economic recession, and 3) risk of potential losses for damage or theft of art works on loan to the National Gallery in excess of insurance coverage. Capital reserves are required for non-federal capital additions and renovations and related obligations.

#### (4) Pledges Receivable, Net

As of September 30, 2023 and 2022, net pledges receivable consisted of the following:

	2023	2022
Due in one year or less	\$ 2,938	2,894
Due between one year and five years	3,870	4,176
Due in more than five years	600	600
Subtotal	7,408	7,670
Less discounts of \$430 and \$504 and allowances of \$150 and \$150, respectively	(580)	(654)
Total	\$ 6,828	7,016

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### (5) Investments, Trusts Held by Others and Fair Value Measurement

As of September 30, 2023 and 2022, investments and trusts held by others consisted of the following:

	2023	2022
Pooled investment portfolio	\$ 1,119,891	1,001,900
Trusts held by others	13,396	12,659
Charitable gift annuities and other	8,858	9,340
Subtotal	1,142,145	1,023,899
Loan to U.S. Treasury	5,000	5,000
Total	\$ 1,147,145	1,028,899

In 1942, the National Gallery, under authority of an Act of Congress, made a \$5,000 permanent loan to the U.S. Treasury. This loan bears interest at the higher of 4.00% or 0.25% below the average monthly rate for long-term funds paid by the U.S. Treasury (4.01% during fiscal year 2023). Interest income on this loan was \$203 for the fiscal years ended September 30, 2023 and 2022. The fair value of the loan to the U.S. Treasury approximates the carrying value.

As of September 30, 2023 and 2022, the carrying value of the National Gallery's cash, cash equivalents and balances with U.S. Treasury, receivables, deferred charges and other assets, and accounts payable and accrued expenses approximate their fair values because of the terms and relatively short maturity of these assets and liabilities. The National Gallery's investments in private equity, venture capital, and real estate are valued based on the most current net asset value (NAV) adjusted for cash flows when the reported NAV is not at the measurement date.

The fair value of a financial instrument is the exit price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The National Gallery applies a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels:

- *Level 1* – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the National Gallery has the ability to access as of the reporting date. Investments include investments in equity, real estate, and fixed income mutual funds that are traded in an active exchange market.
- *Level 2* – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly as of the reporting date.
- *Level 3* – Valuations based on inputs that are unobservable and significant to the overall fair value measurement as of the reporting date. The determination of fair value for these financial instruments requires one or more inputs subject to significant management judgment or estimation. Investments in trusts held by others are valued using Level 3 inputs. These

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investments include a trust invested in real property that is valued based on property valuations involving significant judgments and estimation. Another trust is a perpetual trust invested in equity, fixed income securities, and mutual funds where the National Gallery receives annual distributions but will never receive the trust's principal.

The following tables summarize the fair values of investments and trusts held by others as of September 30, 2023 and 2022 for financial assets by pricing observability levels:

	2023			Fair value at September 30, 2023
	Prices in active markets for identical assets (Level 1)	Unobservable inputs (Level 3)	Investments measured at net asset value <sup>1</sup>	
U.S. equities	\$ 162,392	–	221,577	383,969
International equities:				
Developed market equities	67,808	–	99,372	167,180
Emerging market equities	–	–	67,393	67,393
Global market equities	–	–	121,649	121,649
Real estate private investments	–	–	38	38
Private equity and venture capital funds	–	–	40,648	40,648
Hedge funds	–	–	226,847	226,847
Multi-asset fund	–	–	7,459	7,459
Fixed income securities	–	–	93,903	93,903
Cash	10,805	–	–	10,805
Pooled investments	241,005	–	878,886	1,119,891
Loan to U.S. Treasury	5,000	–	–	5,000
Money market fund	263	–	–	263
Trusts held by others	–	13,396	–	13,396
Charitable gift annuities and other	8,595	–	–	8,595
Total	\$ 254,863	13,396	878,886	1,147,145

<sup>1</sup> Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.



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	2022			
	Prices in active markets for identical assets (Level 1)	Unobservable inputs (Level 3)	Investments measured at net asset value <sup>1</sup>	Fair value at September 30, 2022
U.S. equities	\$ 145,894	–	180,860	326,754
International equities:				
Developed market equities	60,459	–	130,182	190,641
Emerging market equities	–	–	61,717	61,717
Real estate private investments	–	–	177	177
Private equity and venture capital funds	–	–	26,741	26,741
Hedge funds	–	–	284,623	284,623
Multi-asset fund	–	–	8,768	8,768
Fixed income securities	–	–	91,872	91,872
Cash	10,607	–	–	10,607
Pooled investments	216,960	–	784,940	1,001,900
Loan to U.S. Treasury	5,000	–	–	5,000
Money market fund	251	–	–	251
Trusts held by others	–	12,659	–	12,659
Charitable gift annuities and other	9,089	–	–	9,089
Total	\$ 231,300	12,659	784,940	1,028,899

<sup>1</sup> Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

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The fair values of the following investments have been estimated using the net asset value per share of the investments as of September 30, 2023:

		<u>Fair value</u>	<u>Commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
U.S. equities	(a)	\$ 221,577	2,753	Quarterly to 5 years	90 days
International equities:	(b)				
Developed market equities		99,372	–	Weekly to monthly	3 to 30 days
Emerging market equities		67,393	–	Monthly	7 to 30 days
Global market equities		121,649	–	Semi-monthly to Quarterly	6 to 90 days
Real estate private investments	(c)	38	–	N/A	N/A
Private equity and venture capital funds	(d)	40,648	120,957	N/A	N/A
Hedge funds	(e)	226,847	–	Quarterly to Two Years	45 to 90 days
Multi-asset fund	(f)	7,459	–	N/A	N/A
Fixed income securities	(g)	93,903	–	Daily	2 days
Total		<u>\$ 878,886</u>	<u>123,710</u>		

The fair values of the following investments have been estimated using the net asset value per share of the investments as of September 30, 2022:

		<u>Fair value</u>	<u>Commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
U.S. equities	(a)	\$ 180,860	3,415	Monthly to 5 years	30 to 90 days
International equities:	(b)				
Developed market equities		130,182	–	Weekly to monthly	3 to 30 days
Emerging market equities		61,717	–	Monthly	7 to 30 days
Real estate private investments	(c)	177	–	N/A	N/A
Private equity and venture capital funds	(d)	26,741	102,594	N/A	N/A
Hedge funds	(e)	284,623	–	Quarterly to rolling three years	45 to 181 days
Multi-asset fund	(f)	8,768	–	N/A	N/A
Fixed income securities	(g)	91,872	–	Daily	2 days
Total		<u>\$ 784,940</u>	<u>106,009</u>		

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- (a) U.S. equities: Investments in limited partnerships and limited liability companies that invest in the equity securities of U.S. companies.
- (b) International equities: Investments in equity securities of international companies in developed, emerging, and global markets comprised of investments in limited partnerships and limited liability companies.
- (c) Real estate: Investments in limited partnerships which invest in privately held real estate. The limited partnerships are organized as funds of funds.
- (d) Private equity and venture capital funds: Investments in limited partnerships which invest in shares of operating companies that are not listed on a publicly traded stock exchange, including leveraged buyouts, growth capital, distressed investments, and venture capital or that are organized as funds of funds.
- (e) Hedge funds: Investments in limited partnerships and limited liability companies which employ investment strategies such as long/short equity, long/short credit, and distressed assets.
- (f) Multi-asset fund: Investment in a side pocket of a limited partnership which contains shares of funds engaged in private equity, venture capital, hedge funds, real estate, and natural resources.
- (g) Fixed income securities: Investment in a limited partnership which invests in investment grade fixed income securities issued by U.S. government and corporate entities.

The following schedule summarizes the investment return, net of expenses, and its classification in the statement of activities for the years ended September 30, 2023 and 2022:

	2023			2022
	Without donor restrictions	With donor restrictions	Total	
Total net investment return	\$ 51,582	99,011	150,593	(301,494)
Appropriated for operations	(13,719)	(25,056)	(38,775)	(29,049)
Appropriated for art acquisitions	(179)	(7,197)	(7,376)	(7,813)
Investment return less amounts appropriated for operations and art acquisitions	<u>\$ 37,684</u>	<u>66,758</u>	<u>104,442</u>	<u>(338,356)</u>

### (6) Leases

The National Gallery leases office and warehouse space under long-term operating leases expiring at various dates to 2038. Operating leases as a lessee are included in operating lease right-of-use assets (ROU assets) and operating lease liabilities (lease liabilities) on the statements

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of financial position. Rent expense under operating leases that provide for scheduled rent increases over their terms is recognized on a straight-line basis.

ROU assets represent the right to use an underlying asset for the lease term if the expected lease term is greater than 12 months. Lease liabilities represent the obligation to make lease payments arising from the lease. The National Gallery elected a policy to not recognize ROU assets and lease liabilities for short-term leases, generally comprised of leases for office equipment.

ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term discounted using 4.0%, which represents an incremental borrowing rate. The commencement date is when the National Gallery takes possession of the asset, or in the case of real estate leases, when the landlord makes the building available for use. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option.

The following table reconciles the undiscounted cash flows expected to be paid in the next five years and thereafter, recorded on the statements of financial position for lease liabilities existing as of September 30, 2023:

Fiscal year ending:		
2024	\$	3,914
2025		1,262
2026		1,284
2027		1,308
2028		1,332
Thereafter		15,526
Undiscounted cash flows for leases		<u>24,626</u>
Less: discount		<u>(5,868)</u>
Operating lease liabilities		<u><u>18,758</u></u>

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Notes to Financial Statements  
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Prior to the adoption of the new lease guidance on October 1, 2022, ROU assets and lease liabilities were not recognized in the statements of financial position. The following table depicts annual minimum lease payments under operating leases in effect as of September 30, 2022:

Fiscal Year Ending:	
2023	\$ 5,717
2024	3,914
2025	1,262
2026	1,284
2027	1,308
Thereafter	1,666
Total minimum lease payments	\$ 15,151

Rental expense was approximately \$7,398 and \$6,803 for the years ended September 30, 2023 and 2022, respectively.

### (7) Property, Plant and Equipment, Net

As of September 30, 2023 and 2022, net property, plant and equipment consisted of the following:

	2023			2022 Total
	Private funds	Federal funds	Total	
Buildings and improvements	\$ 188,198	429,263	617,461	528,159
Equipment and computer software	7,287	105,037	112,324	106,949
Construction-in-progress	—	16,443	16,443	87,698
Subtotal	195,485	550,743	746,228	722,806
Less accumulated depreciation and amortization	(149,314)	(207,952)	(357,266)	(340,802)
Total	\$ 46,171	342,791	388,962	382,004
Depreciation expense	\$ 3,982	12,482	16,464	16,362

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(In thousands)

### (8) Accounts Payable and Other Liabilities

As of September 30, 2023 and 2022, accounts payable and other liabilities consisted of the following:

	2023			2022
	Private funds	Federal funds	Total	
Accrued salaries and benefits	\$ 6,390	19,950	26,340	26,050
Accounts payable and accrued expenses	7,886	9,240	17,126	11,378
Other liabilities	7,370	2,686	10,056	12,505
Total	\$ 21,646	31,876	53,522	49,933

### (9) Environmental Liability

In 2006 the National Gallery, in conjunction with third party consultants, determined the cost of removing asbestos and other hazardous materials from the National Gallery's buildings pursuant to the Clean Air Act as amended. The environmental liability was initially recorded at the estimated fair value calculated using inflation rates ranging from 1.9% to 2.6% and discount rates ranging from 4.6% to 4.9% (Level 3 inputs). The cost of the remediation is amortized over the useful life of the asset. The actual cost may vary from the current estimated cost at completion in the future due to inflation and the timing of implementing the various remedies. Management annually updates the total estimated costs for completion.

The National Gallery's financial statements reflect an unfunded liability for environmental remediation clean-up costs as follows:

	2023	2022
Beginning balance	\$ 37,248	34,580
Remediation accretion	1,490	1,418
Change in liability valuation	(7,795)	2,098
Remediation costs incurred	(188)	(848)
Total	\$ 30,755	37,248

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**(10) Net Assets**

As of September 30, 2023 and 2022, net assets consisted of the following:

	2023		Total
	Without donor restrictions	With donor restrictions	
Donor restricted endowment funds	\$ —	645,800	645,800
Add pledges receivable	—	3,550	3,550
Net donor restricted endowment funds	—	649,350	649,350
Perpetual trust held by a third party and charitable gift annuity	—	10,385	10,385
Permanent loan from U.S. Treasury	—	5,000	5,000
Board-designated endowment funds	75,342	—	75,342
Total net assets subject to spending rules	75,342	664,735	740,077
Net assets with donor restrictions available for:			
Gallery programs and operations	—	119,651	119,651
Federal repair and renovation	—	29,231	29,231
Net investment in property, plant and equipment and software asset	382,243	8,959	391,202
Future-funded federal liabilities	(44,662)	—	(44,662)
Other board-designated net assets:			
Operating reserves	115,000	—	115,000
Capital reserves	30,000	—	30,000
Undesignated	143,510	—	143,510
Total	\$ 701,433	822,576	1,524,009

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	2022		
	Without donor restrictions	With donor restrictions	Total
Donor restricted endowment funds	\$ —	580,742	580,742
Add pledges receivable	—	806	806
Net donor restricted endowment funds	—	581,548	581,548
Perpetual trust held by a third party and charitable gift annuity	—	9,997	9,997
Permanent loan from U.S. Treasury	—	5,000	5,000
Board-designated endowment funds	68,622	—	68,622
Total net assets subject to spending rules	68,622	596,545	665,167
Net assets with donor restrictions available for:			
Gallery programs and operations	—	114,639	114,639
Federal repair and renovation	—	32,670	32,670
Net investment in property, plant and equipment and software asset	299,339	84,682	384,021
Future-funded federal liabilities	(51,784)	—	(51,784)
Other board-designated net assets:			
Operating reserves	115,000	—	115,000
Capital reserves	30,000	—	30,000
Undesignated	110,423	—	110,423
Total	\$ 571,600	828,536	1,400,136

Donor restricted endowment funds include accumulated appreciation of \$333,057 and \$274,698 as of September 30, 2023 and 2022, respectively. Future-funded federal liabilities represent environmental remediation, accrued vacation, and workers compensation liabilities to be funded with future fiscal year federal appropriations. Board designated reserves have been established to provide necessary resources in the event of potential extended market declines, as well as shortfalls in donor support and earned revenue during periods of economic recession, and to offset potential losses for damage or theft of art works on loan to the National Gallery in excess of insurance coverage. Capital reserves fund non-federal capital additions and renovations and related obligations.



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Net assets with donor restrictions are available for the purposes as follows as of September 30, 2023 and 2022:

	2023			
	Subject to spending policy	Spendable with purpose restrictions	Placement in service and time restrictions	Total
Acquisition of art	\$ 125,238	5,344	–	130,582
Collections	79,306	1,030	–	80,336
Special exhibitions	61,036	23,349	–	84,385
Education and public programs	211,293	87,253	–	298,546
Editorial and photography	6,939	276	–	7,215
Operations	180,923	2,019	–	182,942
Capital projects	–	380	–	380
Federal repair and renovation projects	–	29,231	8,959	38,190
Total	<u>\$ 664,735</u>	<u>148,882</u>	<u>8,959</u>	<u>822,576</u>

	2022			
	Subject to spending policy	Spendable with purpose restrictions	Placement in service and time restrictions	Total
Acquisition of art	\$ 111,918	10,520	–	122,438
Collections	71,112	558	–	71,670
Special exhibitions	55,147	23,349	–	78,496
Education and public programs	186,609	77,713	–	264,322
Editorial and photography	6,283	256	–	6,539
Operations	165,476	1,667	147	167,290
Capital projects	–	429	–	429
Federal repair and renovation projects	–	32,670	84,682	117,352
Total	<u>\$ 596,545</u>	<u>147,162</u>	<u>84,829</u>	<u>828,536</u>

## NATIONAL GALLERY OF ART

Notes to Financial Statements  
September 30, 2023  
(In thousands)

### (11) Endowment Funds

The National Gallery's endowment consists of 126 individual funds established for a variety of purposes. The endowment includes donor-restricted endowment funds and six funds designated by the Board of Trustees to function as endowment funds supporting Gallery programs and operations. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The National Gallery's Board of Trustees has resolved to be guided by the standards in the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as enacted by the District of Columbia on January 23, 2008, in the management, investment, and expenditure of Gallery endowment funds although it is not required to do so as a matter of law. The Board has interpreted UPMIFA as allowing the National Gallery to appropriate for expenditure or accumulate so much of an endowment fund as the National Gallery determines is prudent for the uses, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

The National Gallery retains in perpetuity the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and changes to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Earnings and accumulated appreciation of the endowment funds remain restricted until appropriated for expenditure by the National Gallery in a manner consistent with the standard of prudence prescribed by UPMIFA.

The National Gallery has adopted investment and spending policies for endowment assets that are intended to provide a predictable stream of funding for programs while maintaining the purchasing power of the endowment. Under the investment policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that reduces risk through diversification while obtaining a competitive rate of return. The National Gallery targets a diversified asset allocation that utilizes fixed income and equity-based investments to achieve its long-term objectives within prudent risk constraints.

The National Gallery's spending policy is based on an annual endowment spending rate of 5% of the average fair value of endowment investments at June 30 of the previous five years. This spending rate constitutes the Board's annual appropriation for spending endowment earnings to support both the purchase of art and support of operations. Beginning in fiscal year 2021 through fiscal year 2026 additional unrestricted funds up to \$3.5 million a year will be appropriated for strategic initiatives as approved by the National Gallery's Board of Trustees. Funds appropriated for art acquisition may exceed the 5% spending rate based on the availability of works of art for acquisition.

## NATIONAL GALLERY OF ART

### Notes to Financial Statements September 30, 2023 (In thousands)

The following table summarizes the change in the National Gallery's endowment funds during the years ended September 30, 2023 and 2022:

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Endowment funds at beginning of year	\$ 68,622	580,742	649,364	82,045	777,342	859,387
Contributions received	-	5,460	5,460	4,461	2,572	7,033
Charitable gift annuity distribution	-	-	-	3,960	-	3,960
Investment return	10,174	85,844	96,018	(20,499)	(173,562)	(194,061)
Appropriation of endowment assets for expenditures	(3,454)	(26,246)	(29,700)	(1,345)	(25,610)	(26,955)
Endowment funds at end of year	<u>\$ 75,342</u>	<u>645,800</u>	<u>721,142</u>	<u>68,622</u>	<u>580,742</u>	<u>649,364</u>

### Funds with Deficiencies

From time to time the fair value of assets of individual donor-restricted endowment funds may fall below the level required to be maintained in perpetuity in accordance with UPMIFA or the applicable donor gift document, creating an "underwater" endowment fund. It is the policy of the National Gallery not to spend from underwater funds.

The following table summarizes the Gallery's funds with deficiencies as of September 30, 2023 and 2022:

	2023	2022
Fair value of endowment funds	9,838	\$ 14,891
Original gift corpus	(9,928)	(16,755)
Underwater deficiency	<u>(90)</u>	<u>\$ (1,864)</u>

## NATIONAL GALLERY OF ART

Notes to Financial Statements

September 30, 2023

(In thousands)

### (12) Net Assets Released from Restrictions

Net assets are released from donor restrictions as expenses are incurred to satisfy the restricted purposes or by occurrence of the passage of time or other events specified by donors. Restrictions of net assets were released by the National Gallery as follows for the years ended September 30, 2023 and 2022.

	2023			2022
	Private	Federal	Total	Total
<b>Operating Releases</b>				
Purpose-restricted gifts released for programs and operations	\$ 3,224	12,082	15,306	10,573
Appropriated endowment spend released:				
Without purpose restrictions	2,892	–	2,892	2,808
With purpose restrictions	19,779	–	19,779	17,037
Total operating releases	<u>25,895</u>	<u>12,082</u>	<u>37,977</u>	<u>30,418</u>
<b>Non-operating Releases</b>				
Purpose-restricted gifts released for:				
Acquisition of art	9,994	–	9,994	9,015
Capital projects	–	87,278	87,278	3,880
Appropriated endowment spend released for:				
Acquisition of art	8,074	–	8,074	8,413
Total non-operating releases	<u>18,068</u>	<u>87,278</u>	<u>105,346</u>	<u>21,308</u>
Total releases	<u>\$ 43,963</u>	<u>99,360</u>	<u>143,323</u>	<u>51,726</u>

**NATIONAL GALLERY OF ART**

Notes to Financial Statements  
September 30, 2023  
(In thousands)

**(13) Federal Appropriations**

The National Gallery is funded primarily by two Congressional appropriations: one appropriation covers the National Gallery’s salaries, benefits and expenses, a portion of which is designated for special exhibitions, and the second appropriation provides funds necessary for capital including the repair, restoration and renovation of the National Gallery’s buildings. The appropriation received for salaries, benefits and expenses is a two-year appropriation that must be obligated by the end of the second fiscal year, with the exception of the portion of the appropriation designated for special exhibitions expenses, which is available until it is expended. The appropriation for the repair, restoration, and renovation of the National Gallery’s buildings is available until expended. The fiscal year 2023 salaries and expenses appropriation includes \$3,875 for no-year special exhibitions funding.

The National Gallery’s federal appropriations received in the fiscal years ending 2023 and 2022 are reconciled to federal appropriation revenue recognized as follows:

	2023			2022 Total
	Salaries and expenses	Repairs, restoration and renovation	Total	
Federal appropriations received	\$ 170,240	39,000	209,240	180,500
Interagency appropriation transfer	–	(24,000)	(24,000)	(7,000)
Unexpended appropriations	(35,547)	–	(35,547)	(28,476)
Amounts expended from prior years’ appropriations	29,390	–	29,390	25,698
Federal appropriation revenue recognized	\$ 164,083	15,000	179,083	170,722
Operating	\$ 151,910	6,885	158,795	145,426
Non-operating	12,173	32,115	44,288	32,296
Non-operating interagency appropriation transfer	–	(24,000)	(24,000)	(7,000)
Total federal appropriation revenue recognized	\$ 164,083	15,000	179,083	170,722

Interagency appropriation transfer is a transfer to the Smithsonian Institution for construction of a joint art storage facility.

## NATIONAL GALLERY OF ART

### Notes to Financial Statements

September 30, 2023

(In thousands)

#### (14) Functional Classification of Expenses

Expenses by functional and natural classification for the fiscal years ended September 30, 2023 and 2022 are shown below:

	2023						
	Collections	Special exhibitions	Education and public programs	Editorial and photography	General and administrative	Development	Total
Compensation	\$ 43,224	13,272	29,267	6,388	26,510	4,475	123,136
Contractual services	13,157	7,242	9,217	1,272	11,478	1,301	43,667
Occupancy	4,370	1,396	1,316	202	5,577	120	12,981
Office expenses	2,024	2,453	2,635	402	1,167	214	8,895
Other	2,927	3,976	6,087	79	474	206	13,749
Total operating expenses	65,702	28,339	48,522	8,343	45,206	6,316	202,428
Art acquisitions	20,047	–	–	–	–	–	20,047
Depreciation expense	9,240	1,723	2,448	364	2,494	195	16,464
Environmental liability accretion	894	164	208	30	179	15	1,490
Other expenses	–	–	–	–	50	–	50
Total expenses	\$ 95,883	30,226	51,178	8,737	47,929	6,526	240,479
	2022						
	Collections	Special exhibitions	Education and public programs	Editorial and photography	General and administrative	Development	Total
Compensation	\$ 42,085	12,574	26,763	6,164	25,674	4,564	117,824
Contractual services	9,128	5,352	6,835	945	9,716	832	32,808
Occupancy	4,355	1,319	1,338	212	5,313	127	12,664
Office expenses	1,863	1,555	2,646	325	1,243	336	7,968
Other	1,052	1,741	1,774	141	479	106	5,293
Total operating expenses	58,483	22,541	39,356	7,787	42,425	5,965	176,557
Art acquisitions	17,612	–	–	–	–	–	17,612
Depreciation expense	9,077	1,706	2,426	372	2,581	200	16,362
Environmental liability accretion	851	156	199	28	170	14	1,418
Other expenses	726	167	745	133	1,501	100	3,372
Total expenses	\$ 86,749	24,570	42,726	8,320	46,677	6,279	215,321

## NATIONAL GALLERY OF ART

Notes to Financial Statements  
September 30, 2023  
(In thousands)

Certain costs including depreciation expense, utilities, building maintenance, security, information systems, and other operating costs have been allocated among program and supporting services. These costs are allocated based on various factors such as square footage, direct labor dollars, estimates of time and effort, and desktop locations.

### **(15) Employee Benefits**

Total pension expense recognized in the National Gallery's financial statements was \$14,328 and \$13,695 for the years ended September 30, 2023 and 2022, respectively. These amounts do not include pension expense financed by OPM and imputed to the National Gallery of \$2,535 and \$800, respectively. To the extent that Gallery employees are covered by the thrift savings component of FERS, the National Gallery's payments to the plan are recorded as operating expenses. The National Gallery's costs associated with the thrift savings component of FERS for the years ended September 30, 2023 and 2022 were \$3,728 and \$3,527, respectively.

In addition, the National Gallery makes matching contributions for all employees who are eligible for current health and life insurance benefits. The National Gallery's contributions for active employees are recognized as operating expenses. During fiscal years 2023 and 2022, the National Gallery contributed \$6,668 and \$6,568, respectively. Using the cost factors supplied by OPM, the National Gallery has not recognized as an expense in its financial statements the future cost of post-retirement health benefits and life insurance for its employees. These costs amounted to approximately \$6,415 and \$5,911 during fiscal years 2023 and 2022, respectively, and are financed by OPM and imputed to the National Gallery.

The National Gallery has a commitment to certain key employees whereby the National Gallery will pay those employees a specified amount at a future point in time. The cost of these benefits is accrued over the key employees' future years of service to the National Gallery. The cost of these benefits for fiscal years 2023 and 2022 total \$200 and is recognized as an expense in the statement of activities and as a liability included in accounts payable and other liabilities in the accompanying statement of financial position.

### **(16) Income Taxes**

The National Gallery is a nonprofit organization exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. As a 501(c)(3) organization, the National Gallery is taxed only on income unrelated to its tax-exempt purpose, primarily certain investment earnings. In accordance with the guidance on accounting for uncertainty in income taxes, the National Gallery regularly evaluates its operations and tax positions and is not aware of any uncertain tax positions requiring financial statement adjustment or disclosure.

## **NATIONAL GALLERY OF ART**

Notes to Financial Statements

September 30, 2023

(In thousands)

### **(17) Subsequent Events**

The National Gallery has performed an evaluation of subsequent events through November 9, 2023, which is the date the financial statements were available to be issued, noting no events which affect the financial statements as of September 30, 2023.



## **NATIONAL GALLERY OF ART**

Federal Supplementary Schedules  
September 30, 2023  
(In thousands)

In accordance with The Accountability of Tax Dollars Act of 2002 (ATDA), the National Gallery is required to submit an annual Performance and Accountability Report (PAR) to The Office of Management and Budget (OMB), the U.S. Department of Treasury, the Government Accountability Office and to Congress. The PAR requirements are detailed in OMB Circular A-136, *Federal Reporting Requirements*, and include a number of components, including a financial section. The following supplementary schedules and related notes reflect the National Gallery's Federal activities and have been prepared for Federal reporting purposes.

**Supplementary Schedule 1**

**NATIONAL GALLERY OF ART**

Federal Balance Sheets  
September 30, 2023 and 2022  
(In thousands)

	2023	2022
<b>Assets</b>		
Intragovernmental:		
Fund balance with Treasury	\$ 100,376	104,020
Total intragovernmental	100,376	104,020
Property, plant and equipment, net	342,791	331,957
Other assets	2,240	2,017
Total assets	\$ 445,407	437,994
<b>Liabilities</b>		
Intragovernmental:		
Accounts payable	\$ 350	236
Other liabilities		
Unfunded FECA liability	1,212	1,273
Other	11	15
Total intragovernmental	1,573	1,524
Accounts payable	7,437	8,265
Environmental liability	30,755	37,248
Other Liabilities:		
Federal employee benefits payable	12,805	13,368
Other	10,504	14,480
Total other than intragovernmental	61,501	73,361
Total liabilities	63,074	74,885
<b>Net position</b>		
Unexpended appropriations - funds from other than dedicated collections	82,517	81,621
Cumulative results of operations - funds from other than dedicated collections	299,816	281,488
Total net position	382,333	363,109
Total liabilities and net position	\$ 445,407	437,994

See notes to federal supplementary schedules and accompanying independent auditors' report.

**Supplementary Schedule 2**

**NATIONAL GALLERY OF ART**  
Federal Schedule of Net Cost  
Years ended September 30, 2023 and 2022  
(In thousands)

	<u>2023</u>	<u>2022</u>
Program costs:		
Collections	\$ 66,163	66,518
Special exhibitions	22,350	18,629
Education	34,295	32,389
Editorial and photography	<u>7,433</u>	<u>7,048</u>
Total program costs	130,241	124,584
Costs not assigned to programs	<u>44,375</u>	<u>44,493</u>
Net cost of operations	<u>\$ 174,616</u>	<u>169,077</u>

See notes to federal supplementary schedules and accompanying independent auditors' report.

**Supplementary Schedule 3**

**NATIONAL GALLERY OF ART**

Federal Schedule of Changes in Net Position  
Years ended September 30, 2023 and 2022  
(In thousands)

	2023	2022
<b>Unexpended appropriations:</b>		
Beginning balances	\$ 81,621	\$ 88,501
Appropriations received	209,240	180,500
Appropriations transferred out	(24,000)	(7,000)
Other adjustments	(350)	(305)
Appropriations used	(183,994)	(180,075)
Net change in unexpended appropriations	896	(6,880)
Unexpended appropriations - funds from other than dedicated collections	\$ 82,517	\$ 81,621
 <b>Cumulative results of operations:</b>		
Beginning balances	\$ 281,488	\$ 263,780
Appropriations used	183,994	180,075
Imputed financing from costs absorbed by others	8,950	6,710
Net cost of operations	(174,616)	(169,077)
Net change in cumulative results of operations	18,328	17,708
Cumulative results of operations - funds from other than dedicated collections	\$ 299,816	\$ 281,488
Net position	\$ 382,333	\$ 363,109

See notes to federal supplementary schedules and accompanying independent auditors' report.

**Supplementary Schedule 4**

**NATIONAL GALLERY OF ART**

Federal Schedule of Budgetary Resources  
Years ended September 30, 2023 and 2022  
(In thousands)

	<u>2023</u>	<u>2022</u>
<b>Budgetary resources:</b>		
Unobligated balance, bought forward, October 1	\$ 30,025	27,736
Recoveries of prior year unpaid obligations	1,565	2,265
Other changes in unobligated balance	<u>(300)</u>	<u>(257)</u>
Unobligated balance from prior year budget authority, net	31,290	29,744
Appropriations	185,240	173,500
Total budgetary resources	<u>\$ 216,530</u>	<u>203,244</u>
<b>Status of budgetary resources:</b>		
New obligations and upward adjustments	\$ 184,031	173,219
Unobligated balance, end of year:		
Apportioned, unexpired accounts	31,151	28,846
Unapportioned, unexpired accounts	—	54
Expired unobligated balance	<u>1,348</u>	<u>1,125</u>
Total unobligated balance, end of year	<u>32,499</u>	<u>30,025</u>
Total budgetary resources	<u>\$ 216,530</u>	<u>203,244</u>
<b>Outlays, net</b>		
Outlays, gross	\$ 188,584	179,946
Actual offsetting collections	<u>(50)</u>	<u>(48)</u>
Outlays, net	<u>\$ 188,534</u>	<u>179,898</u>

See notes to federal supplementary schedules and accompanying independent auditors' report.

**NATIONAL GALLERY OF ART**

Notes to Federal Supplementary Schedules  
September 30, 2023  
(In thousands)

**(1) Explanation of Differences between the Schedules of Budgetary Resources and the Budget of the United States Government**

Statement of Federal Financial Accounting Standards No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting* requires explanations of material differences between budgetary resources available, status of those resources and outlays as presented in the Schedule of Budgetary Resources (SBR) to the related actual balances published in the *Budget of the United States Government* (President’s Budget). However, the President’s Budget that will include FY 2023 actual budgetary execution information has not yet been published. *The Budget of the United States Government* is scheduled for publication in February 2024. Accordingly, information required for such disclosure is not available at the time of preparation of these schedules.

Instead, the National Gallery’s FY 2022 SBR balances and the related President’s Budget are shown in a table below for each major budget account in which a difference exists. The differences are primarily due to rounding and to reporting requirement differences for expired and unexpired appropriations between the U.S. Treasury guidance used to prepare the SBR and the OMB guidance used to prepare the President’s Budget. The SBR includes both unexpired and expired appropriations, while the President’s Budget discloses only unexpired budgetary resources that are available for new obligations.

	Budgetary resources	Obligations incurred	Distributed offsetting receipts	Net outlays
Schedule of budgetary resources	\$ 203,244	173,219	–	179,898
Other	(1,244)	(219)	–	102
Budget of the U.S. government	<u>\$ 202,000</u>	<u>173,000</u>	<u>–</u>	<u>180,000</u>

**NATIONAL GALLERY OF ART**

Notes to Federal Supplementary Schedules  
September 30, 2023  
(In thousands)

**(2) Fund Balance with Treasury**

As of September 30, 2023 and 2022 fund balance with Treasury consisted of the following:

	2023	2022
Unobligated balance:		
Available	31,151	28,846
Unavailable	1,348	1,179
Obligated balance not yet disbursed	67,877	73,995
Total appropriated funds	\$ 100,376	104,020

**(3) Heritage Assets**

The National Gallery’s general property, plant and equipment (PP&E) falls into two categories: general PP&E and heritage assets. General PP&E items are used to provide general government goods and services. Heritage assets are defined as possessing significant structural, historic, cultural or natural characteristics, and are not included in general PP&E. No value is assigned to heritage assets in the accompanying financial statements.

Multi-use heritage assets are heritage assets that are predominantly for general government operations. Buildings and improvements presented on the balance sheet consist of the East and West Buildings which are multi-use heritage assets. The costs of acquisition, significant betterment or reconstruction of multi-use heritage assets are capitalized as general PP&E and depreciated and are included on the balance sheet as PP&E.

**(4) Stewardship Assets**

The National Gallery has been entrusted with stewardship responsibility for multiple assets classified as heritage assets, including its art collection, library collection and image collection. These heritage assets are integral to the mission of the National Gallery to serve the nation by welcoming all people to explore and experience art, creativity, and our shared humanity. Heritage assets are not included on the balance sheet, as no financial value is, nor can be, placed on these assets.

The National Gallery’s stewardship policy is to ensure that the facilities housing the National Gallery’s heritage collections assets meet specific environmental, security, fire protection, housekeeping, physical examination, and conservation treatment, storage, and exhibit space standards. The goal of the National Gallery is to preserve the heritage asset collections for as long as possible and to manage their condition in accordance with the intended use and not unduly hasten their deterioration.

**NATIONAL GALLERY OF ART**

Notes to Federal Supplementary Schedules  
September 30, 2023  
(In thousands)

For the year ended September 30, 2023 the changes in heritage assets were as follows:

	October 1, 2022	Increases	Decreases	September 30, 2023
Art collection	1	–	–	1
Image collection	1	–	–	1
Library collection	1	–	–	1
Total	3	–	–	3

The National Gallery acquires its collections using private funds or by donation-in-kind, and does not deaccession any of its permanent collections.

**(5) Liabilities Not Covered by Budgetary Resource**

As of September 30, 2023 and 2022, liabilities not covered by budgetary resources consisted of the following:

	2023	2022
Environmental liability	\$ 30,755	37,248
Actuarial FECA liability	6,944	7,271
Unfunded leave	5,861	6,097
Unfunded FECA liability	1,212	1,273
Total liabilities not covered by budgetary resources	44,772	51,889
Total liabilities covered by budgetary resources	17,859	22,399
Total liabilities not requiring budgetary resources	443	597
Total liabilities	\$ 63,074	74,885



**NATIONAL GALLERY OF ART**

Notes to Federal Supplementary Schedules  
September 30, 2023  
(In thousands)

**(6) Budget and Accrual Reconciliation**

Federal accounting incorporates the use of both budgetary accounting which is based on the receipt and use of cash, and financial accounting. Financial accounting is based on the accrual basis of accounting in which revenues are recognized when earned and expenses are recognized when goods and services are received. Following is a reconciliation of the National Gallery's net costs, presented in accordance with the accrual basis of accounting, to net outlays as of September 30, 2023 and 2022, respectively.

	2023		
	Intra- governmental	Public	Total
Net cost	\$ 13,061	161,555	174,616
Components of net cost that are not part of net outlays:			
Depreciation expense	–	(12,482)	(12,482)
Environmental liability accretion	–	(1,490)	(1,490)
Environmental liability change in value	–	7,795	7,795
Imputed costs absorbed by others	(8,950)	–	(8,950)
Subtotal	(8,950)	(6,177)	(15,127)
Components of net outlays that are not part of net cost:			
Acquisitions of property, plant and equipment	–	23,316	23,316
Remediation costs incurred	–	188	188
Subtotal	–	23,504	23,504
Other reconciling items:			
Increase in other assets	–	223	223
(Increase) decrease in liabilities:			
Accounts payable	(114)	828	714
Federal employee benefits payable	–	563	563
Other liabilities	65	3,976	4,041
Subtotal	(49)	5,590	5,541
Net outlays	\$ 4,062	184,472	188,534

**NATIONAL GALLERY OF ART**

Notes to Federal Supplementary Schedules  
September 30, 2023  
(In thousands)

	2022		
	Intra- governmental	Public	Total
Net cost	\$ 10,600	158,477	169,077
Components of net cost that are not part of net outlays:			
Depreciation expense	–	(12,207)	(12,207)
Prior year software implementation expenses	–	(3,335)	(3,335)
Environmental liability accretion	–	(1,418)	(1,418)
Environmental liability change in value	–	(2,098)	(2,098)
Imputed costs absorbed by others	(6,710)	–	(6,710)
Subtotal	(6,710)	(19,058)	(25,768)
Components of net outlays that are not part of net cost:			
Acquisitions of property, plant and equipment	–	33,569	33,569
Remediation costs incurred	–	848	848
Subtotal	–	34,417	34,417
Other reconciling items:			
Increase in other assets	–	2,017	2,017
(Increase) decrease in liabilities:			
Accounts payable	1,348	(427)	921
Federal employee benefits payable	–	255	255
Other liabilities	279	(1,300)	(1,021)
Subtotal	1,627	545	2,172
Net outlays	\$ 5,517	174,381	179,898

**(7) Reconciliation of Net Position to Net Assets**

The National Gallery's net position presented in the Federal Balance Sheet (Supplementary Schedule 1) is reconciled to federal net assets presented in the Statement of Financial Position for the years ended September 30, 2023 and 2022, as follows:

	2023	2022
Net position	\$ 382,333	363,109
Unexpended federal multi-year appropriations	(49,040)	(43,234)
Net assets reported in the Statement of Financial Position	\$ 333,293	319,875

**NATIONAL GALLERY OF ART**

Notes to Federal Supplementary Schedules  
September 30, 2023  
(In thousands)

**(8) Undelivered Orders**

The amount of budgetary resources obligated for undelivered orders as of September 30, 2023 and 2022 consisted of the following:

	2023	2022
Intragovernmental	\$ 663	689
Other	49,354	50,907
Total undelivered orders	\$ 50,017	51,596

**(9) Lease Commitments**

The National Gallery has entered into several operating leases for warehouse and office space, which continue through December 31, 2028. The terms of these operating leases include additional rent for operating expenses, real estate taxes, utilities, and maintenance. Future minimum lease payments under these leases are as follows:

Fiscal Year Ending:

2024	\$	3,914
2025		1,262
2026		1,284
2027		1,308
2028		1,332
Thereafter		334
Total minimum lease payments	\$	9,434

Rental expense was approximately \$7,398 and \$6,803 for the years ended September 30, 2023 and 2022, respectively.

**NATIONAL GALLERY OF ART**  
Other Supplementary Information  
Unaudited  
September 30, 2023  
(In thousands)

Schedule of Budgetary Resources by Appropriation Accounts  
Year ended September 30, 2023

	<u>Operating</u>	<u>Renovation</u>	<u>Total</u>
<b>Budgetary resources:</b>			
Unobligated balance, bought forward, October 1	\$ 15,695	14,330	30,025
Recoveries of prior year unpaid obligations	1,304	261	1,565
Other changes in unobligated balance	(300)	-	(300)
Unobligated balance from prior year budget authority, net	16,699	14,591	31,290
Appropriations	170,240	15,000	185,240
Total budgetary resources	<u>\$ 186,939</u>	<u>29,591</u>	<u>216,530</u>
<b>Status of budgetary resources:</b>			
New obligations and upward adjustments	\$ 170,268	13,763	184,031
Unobligated balance, end of year:			
Apportioned, unexpired accounts	15,323	15,828	31,151
Unapportioned, unexpired accounts	-	-	-
Expired unobligated balance	1,348	-	1,348
Total unobligated balance, end of year	<u>16,671</u>	<u>15,828</u>	<u>32,499</u>
Total budgetary resources	<u>\$ 186,939</u>	<u>29,591</u>	<u>216,530</u>
<b>Outlays, net</b>			
Outlays, gross	\$ 165,220	23,364	188,584
Actual offsetting collections	(50)	-	(50)
Outlays, net	<u>\$ 165,170</u>	<u>23,364</u>	<u>188,534</u>

**NATIONAL GALLERY OF ART**  
Other Supplementary Information  
Unaudited  
September 30, 2023  
(In thousands)

Schedule of Budgetary Resources by Appropriation Accounts  
Year ended September 30, 2022

	<u>Operating</u>	<u>Renovation</u>	<u>Total</u>
<b>Budgetary resources:</b>			
Unobligated balance, bought forward, October 1	\$ 13,730	14,006	27,736
Recoveries of prior year unpaid obligations	2,196	69	2,265
Other changes in unobligated balance	<u>(257)</u>	<u>—</u>	<u>(257)</u>
Unobligated balance from prior year budget authority, net	15,669	14,075	29,744
Appropriations	<u>156,419</u>	<u>17,081</u>	<u>173,500</u>
Total budgetary resources	<u>\$ 172,088</u>	<u>31,156</u>	<u>203,244</u>
<b>Status of budgetary resources:</b>			
New obligations and upward adjustments	\$ 156,394	16,825	173,219
Unobligated balance, end of year:			
Apportioned, unexpired accounts	14,527	14,319	28,846
Unapportioned, unexpired accounts	42	12	54
Expired unobligated balance	<u>1,125</u>	<u>—</u>	<u>1,125</u>
Total unobligated balance, end of year	<u>15,694</u>	<u>14,331</u>	<u>30,025</u>
Total budgetary resources	<u>\$ 172,088</u>	<u>31,156</u>	<u>203,244</u>
<b>Outlays, net</b>			
Outlays, gross	\$ 151,628	28,318	179,946
Actual offsetting collections	<u>(48)</u>	<u>—</u>	<u>(48)</u>
Outlays, net	<u>\$ 151,580</u>	<u>28,318</u>	<u>179,898</u>

**NATIONAL GALLERY OF ART**  
Other Supplementary Information  
Unaudited  
September 30, 2023  
(In thousands)

**Deferred Maintenance**

The National Gallery’s buildings and grounds include two landmark buildings, the East and West buildings, joined by an underground connecting link, and an adjacent sculpture garden and pavilion. As required by SFFAS 42, *Deferred Maintenance and Repairs*, a condition assessment survey method is used to evaluate the condition of the National Gallery’s buildings and facilities equipment to determine the future repair and maintenance requirements to maintain the buildings, systems, and equipment in an acceptable working condition.

A comprehensive update of the National Gallery’s facilities condition assessment was conducted in FY 2017 using current industry standards to identify and evaluate the condition and lifecycle of all Gallery real property assets, including projects covered under the National Gallery’s Master Facilities Plan. The deferred maintenance estimates as of FY 2023 and FY 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Buildings	\$ 66,380	52,364
Facilities equipment	<u>31,753</u>	<u>89,199</u>
Total deferred maintenance	<u>\$ 98,133</u>	<u>141,563</u>

The current estimate is a realistic measure of the maintenance and repair work that must be completed in order to maintain the National Gallery’s buildings and equipment in an acceptable operating condition.



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**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

The Board of Trustees  
The National Gallery of Art:

We have audited, in accordance with the 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, the financial statements of the National Gallery of Art (the Gallery), which comprise the Gallery's statement of financial position as of September 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Gallery's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Gallery's internal control. Accordingly, we do not express an opinion on the effectiveness of the Gallery's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matter**

As part of obtaining reasonable assurance about whether the Gallery's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

McLean, Virginia  
November 9, 2023



***Please send your comments to:***

National Gallery of Art  
Office of the Treasurer  
2000B South Club Drive  
Landover, MD 20785

***Cover Image***

National Gallery of Art, West Building, East Building, and Mellon Fountain.

Photograph courtesy of the National Gallery of Art, Washington, DC, Gallery Archives.