

National Gallery of Art

Financial Statements

September 30, 2025 and 2024

(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, 2025, and 2024, and the related statements of activities, and cash flows for the years 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, 2025, and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

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.

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.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2025, 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 14, 2025

NATIONAL GALLERY OF ART

Statements of Financial Position

September 30, 2025 and 2024

(In thousands)

	2025			2024		
	Private	Federal	Total	Private	Federal	Total
Assets						
Cash and cash equivalents	\$ 11,198	103,709	114,907	5,719	90,734	96,453
Accounts receivable and other assets, net	6,701	3,851	10,552	2,840	3,181	6,021
Pledges receivable, net	6,160	—	6,160	11,097	—	11,097
Investments and trusts held by others	1,526,842	—	1,526,842	1,380,513	—	1,380,513
Operating lease right-of-use assets	52,172	14,346	66,518	31,764	15,148	46,912
Property, plant and equipment, net	39,755	417,843	457,598	42,507	350,828	393,335
Art collections (Note 2)	—	—	—	—	—	—
Total assets	\$ <u>1,642,828</u>	<u>539,749</u>	<u>2,182,577</u>	<u>1,474,440</u>	<u>459,891</u>	<u>1,934,331</u>
Liabilities and Net Assets						
Liabilities:						
Accounts payable and other liabilities	\$ 23,239	38,638	61,877	18,890	31,876	50,766
Unexpended federal multi-year appropriations	—	40,516	40,516	—	42,034	42,034
Operating lease liabilities	61,580	14,861	76,441	31,764	15,513	47,277
Environmental liability	—	32,582	32,582	—	35,595	35,595
Total liabilities	<u>84,819</u>	<u>126,597</u>	<u>211,416</u>	<u>50,654</u>	<u>125,018</u>	<u>175,672</u>
Net assets:						
Without donor restrictions	551,675	368,905	920,580	498,927	293,579	792,506
With donor restrictions	1,006,334	44,247	1,050,581	924,859	41,294	966,153
Total net assets	<u>1,558,009</u>	<u>413,152</u>	<u>1,971,161</u>	<u>1,423,786</u>	<u>334,873</u>	<u>1,758,659</u>
Total liabilities and net assets	\$ <u>1,642,828</u>	<u>539,749</u>	<u>2,182,577</u>	<u>1,474,440</u>	<u>459,891</u>	<u>1,934,331</u>

See accompanying notes to financial statements.

NATIONAL GALLERY OF ART
Statements of Activities
Year ended September 30, 2025
(In thousands)

	Without donor restrictions			With donor restrictions	Total 2025
	Private	Federal	Total		
Operating:					
Support and revenue:					
Federal appropriations	\$ —	161,551	161,551	14,028	175,579
Gifts and grants	6,568	—	6,568	4,064	10,632
Spending policy appropriated for operations	11,185	—	11,185	28,167	39,352
Royalties and other income	2,929	—	2,929	—	2,929
	20,682	161,551	182,233	46,259	228,492
Net assets released from restrictions to fund operating expenses	28,525	13,539	42,064	(42,064)	—
Total support and revenue	49,207	175,090	224,297	4,195	228,492
Expenses:					
Collections	5,513	62,038	67,551	—	67,551
Special exhibitions	5,188	19,930	25,118	—	25,118
Education and public programs	21,059	39,240	60,299	—	60,299
Editorial and photography	1,676	6,423	8,099	—	8,099
General and administrative	8,325	44,780	53,105	—	53,105
Development	5,866	2,107	7,973	—	7,973
Total operating expenses	47,627	174,518	222,145	—	222,145
Change in net assets from operating activities	1,580	572	2,152	4,195	6,347
Non-operating:					
Federal appropriations	—	10,398	10,398	24,327	34,725
Interagency other financing sources transfer	—	—	—	55,735	55,735
Endowment gifts	—	—	—	1,715	1,715
Gifts for art acquisitions	—	—	—	5,773	5,773
Spending policy appropriated for art acquisitions	340	—	340	19,181	19,521
Change in value of split-interest agreements	(163)	—	(163)	825	662
Investment return less amounts appropriated for operations and art acquisitions	54,706	—	54,706	76,359	131,065
Acquisitions of works of art	(25,003)	—	(25,003)	—	(25,003)
Depreciation and amortization expense	(3,415)	(16,214)	(19,629)	—	(19,629)
Change in environmental liability	—	2,972	2,972	—	2,972
Other income (expense)	(403)	—	(403)	(978)	(1,381)
Net assets released from restrictions to fund non-operating expenses	25,106	77,598	102,704	(102,704)	—
Change in net assets from non-operating activities	51,168	74,754	125,922	80,233	206,155
Increase in net assets	52,748	75,326	128,074	84,428	212,502
Net assets at beginning of year	498,927	293,579	792,506	966,153	1,758,659
Net assets at end of year	\$ 551,675	368,905	920,580	1,050,581	1,971,161

See accompanying notes to financial statements.

NATIONAL GALLERY OF ART
Statements of Activities
Year ended September 30, 2024
(In thousands)

	Without donor restrictions			With donor restrictions	Total 2024
	Private	Federal	Total		
Operating:					
Support and revenue:					
Federal appropriations	\$ —	161,499	161,499	10,409	171,908
Gifts and grants	5,311	—	5,311	5,411	10,722
Spending policy appropriated for operations	5,769	—	5,769	26,285	32,054
Royalties and other income	2,801	—	2,801	—	2,801
	13,881	161,499	175,380	42,105	217,485
Net assets released from restrictions to fund operating expenses	25,806	9,978	35,784	(35,784)	—
Total support and revenue	39,687	171,477	211,164	6,321	217,485
Expenses:					
Collections	4,352	60,048	64,400	—	64,400
Special exhibitions	5,196	19,794	24,990	—	24,990
Education and public programs	13,931	37,141	51,072	—	51,072
Editorial and photography	1,903	6,299	8,202	—	8,202
General and administrative	6,842	45,136	51,978	—	51,978
Development	5,108	2,191	7,299	—	7,299
Total operating expenses	37,332	170,609	207,941	—	207,941
Change in net assets from operating activities	2,355	868	3,223	6,321	9,544
Non-operating:					
Federal appropriations	—	16,068	16,068	27,946	44,014
Interagency appropriation transfer	—	—	—	(24,735)	(24,735)
Endowment gifts	—	—	—	6,009	6,009
Gifts for art acquisitions	—	—	—	3,860	3,860
Spending policy appropriated for art acquisitions	167	—	167	3,313	3,480
Change in value of split-interest agreements	102	—	102	1,897	1,999
Investment return less amounts appropriated for operations and art acquisitions	90,558	—	90,558	130,692	221,250
Acquisitions of works of art	(7,957)	—	(7,957)	—	(7,957)
Depreciation and amortization expense	(3,766)	(12,807)	(16,573)	—	(16,573)
Change in environmental liability	—	(6,191)	(6,191)	—	(6,191)
Other income (expense)	(50)	—	(50)	—	(50)
Net assets released from restrictions to fund non-operating expenses	7,496	4,230	11,726	(11,726)	—
Change in net assets from non-operating activities	86,550	1,300	87,850	137,256	225,106
Increase (decrease) in net assets	88,905	2,168	91,073	143,577	234,650
Net assets at beginning of year	410,022	291,411	701,433	822,576	1,524,009
Net assets at end of year	\$ 498,927	293,579	792,506	966,153	1,758,659

See accompanying notes to financial statements.

NATIONAL GALLERY OF ART

Statements of Cash Flows September 30, 2025 and 2024 (In thousands)

	2025			2024		
	Private	Federal	Total	Private	Federal	Total
Cash flows from operating activities:						
Federal operating appropriations	\$ —	174,100	174,100	—	164,901	164,901
Operating gifts and grants	13,262	—	13,262	9,777	—	9,777
Investment income and dividends, net	720	—	720	649	—	649
Cash received from split interest agreements	2	—	2	30	—	30
Royalties and other income	3,777	—	3,777	3,112	—	3,112
Payments to employees	(30,084)	(106,949)	(137,033)	(29,392)	(107,853)	(137,245)
Payments to suppliers	5,616	(59,077)	(53,461)	(8,665)	(62,806)	(71,471)
Income tax refund (payments)	(15)	—	(15)	(15)	—	(15)
Net cash provided by (used in) operating activities	(6,722)	8,074	1,352	(24,504)	(5,758)	(30,262)
Cash flows from investing activities:						
Purchase of investments	(328,059)	—	(328,059)	(192,794)	—	(192,794)
Proceeds from sale of investments	369,352	—	369,352	220,583	—	220,583
Acquisitions of works of art	(40,927)	—	(40,927)	(10,334)	—	(10,334)
Purchase of property, plant and equipment	(659)	(29,785)	(30,444)	(102)	(23,163)	(23,265)
Net cash provided by (used in) investing activities	(293)	(29,785)	(30,078)	17,353	(23,163)	(5,810)
Cash flows from financing activities:						
Endowment gifts	3,652	—	3,652	2,693	—	2,693
Federal appropriations for capital projects	—	34,686	34,686	—	19,279	19,279
Gifts and grants for art acquisitions	6,034	—	6,034	3,852	—	3,852
Net cash provided by financing activities	9,686	34,686	44,372	6,545	19,279	25,824
Net change in cash and cash equivalents	2,671	12,975	15,646	(606)	(9,642)	(10,248)
Cash and cash equivalents at beginning of year	15,281	90,734	106,015	15,887	100,376	116,263
Cash and cash equivalents at end of year	\$ 17,952	103,709	121,661	15,281	90,734	106,015
Cash and cash equivalents reconciliation:						
Cash and cash equivalents included in Statement of Financial Position	\$ 11,198	103,709	114,907	5,719	90,734	96,453
Cash included in investments	6,754	—	6,754	9,562	—	9,562
Total cash and cash equivalents	\$ 17,952	103,709	121,661	15,281	90,734	106,015
Non-cash purchase of fixed asset	\$ —	55,735	55,735	—	—	—

See accompanying notes to financial statements.

NATIONAL GALLERY OF ART

Notes to Financial Statements
September 30, 2025 and 2024
(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.

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Notes to Financial Statements
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(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) *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.

(d) *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 6.4%. Conditional promises to give are recognized as income when the conditions stipulated by the donor are substantially met.

(e) *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

NATIONAL GALLERY OF ART

Notes to Financial Statements
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(In thousands)

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.

(f) 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.

(g) 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.

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Notes to Financial Statements
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(In thousands)

(h) *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.

(i) *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.

(j) *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(i). 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.

Investment Earnings

Recognition of investment earnings is described in note 2(e). 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(d).

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

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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 monthly and accrued as appropriate.

(k) 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 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

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(In thousands)

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.

(l) *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.

(m) *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.

(n) *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.

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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.

(o) *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.

(p) *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.

(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, 2025 and 2024 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.

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	2025			2024		
	Private	Federal	Total	Private	Federal	Total
Financial assets:						
Cash and cash equivalents	\$ 11,198	103,709	114,907	5,719	90,734	96,453
Investments and trusts held by others	1,526,842	–	1,526,842	1,380,513	–	1,380,513
Pledges and accounts receivable	18,716	–	18,716	12,051	–	12,051
Total financial assets at year-end	1,556,756	103,709	1,660,465	1,398,283	90,734	1,489,017
Less financial assets unavailable for general expenditures within one year:						
Financial assets with donor restrictions	(1,008,067)	–	(1,008,067)	(914,198)	–	(914,198)
Trusts held by others and charitable gift annuity assets	(24,064)	–	(24,064)	(23,152)	–	(23,152)
Board designations:						
Quasi-endowments	(92,612)	–	(92,612)	(88,765)	–	(88,765)
Operating reserve	(150,000)	–	(150,000)	(150,000)	–	(150,000)
Capital reserve	(35,000)	–	(35,000)	(35,000)	–	(35,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 247,013	103,709	350,722	187,168	90,734	277,902

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.

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(4) Pledges Receivable, Net

As of September 30, 2025 and 2024, net pledges receivable consisted of the following:

	2025	2024
Due in one year or less	\$ 3,606	5,395
Due between one year and five years	3,159	6,195
Due in more than five years	475	450
Subtotal	7,240	12,040
Less discounts of \$543 and \$793 and allowances of \$537 and \$150, respectively	(1,080)	(943)
Total	\$ 6,160	11,097

As of September 30, 2025, \$122 of the pledges receivable balance was receivable from related parties.

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

As of September 30, 2025 and 2024, investments and trusts held by others consisted of the following:

	2025	2024
Pooled investment portfolio	\$ 1,494,578	1,349,610
Trusts held by others	16,481	15,602
Charitable gift annuities and other	10,783	10,301
Subtotal	1,521,842	1,375,513
Loan to U.S. Treasury	5,000	5,000
Total	\$ 1,526,842	1,380,513

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. Interest income on this loan was \$222 at 4.4% and \$216 at 4.2% for the fiscal years ended September 30, 2025 and 2024, respectively. The fair value of the loan to the U.S. Treasury approximates the carrying value.

As of September 30, 2025 and 2024, 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

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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 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, 2025 and 2024 for financial assets by pricing observability levels:

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	2025			
	Prices in active markets for identical assets (Level 1)	Unobservable inputs (Level 3)	Investments measured at net asset value ¹	Fair value at September 30, 2025
U.S. equities	\$ 211,572	—	303,863	515,435
International equities:				
Developed market equities	53,799	—	133,658	187,457
Emerging market equities	—	—	90,659	90,659
Global market equities	—	—	174,232	174,232
Private equity and venture capital funds	—	—	95,878	95,878
Hedge funds	—	—	293,492	293,492
Multi-asset fund	—	—	4,888	4,888
Fixed income securities	—	—	120,719	120,719
Money market fund	5,064	—	—	5,064
Cash	6,754	—	—	6,754
Pooled investments	277,189	—	1,217,389	1,494,578
Loan to U.S. Treasury	5,000	—	—	5,000
Money market fund	—	—	—	—
Trusts held by others	—	16,481	—	16,481
Charitable gift annuities and other	10,783	—	—	10,783
Total	<u>\$ 292,972</u>	<u>16,481</u>	<u>1,217,389</u>	<u>1,526,842</u>

¹ 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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Notes to Financial Statements September 30, 2025 and 2024 (In thousands)

	2024			
	Prices in active markets for identical assets (Level 1)	Unobservable inputs (Level 3)	Investments measured at net asset value ¹	Fair value at September 30, 2024
U.S. equities	\$ 207,327	–	269,796	477,123
International equities:				
Developed market equities	78,504	–	123,366	201,870
Emerging market equities	–	–	78,294	78,294
Global market equities	–	–	149,303	149,303
Private equity and venture capital funds	–	–	62,246	62,246
Hedge funds	–	–	245,743	245,743
Multi-asset fund	–	–	5,975	5,975
Fixed income securities	–	–	105,937	105,937
Money market fund	13,557	–	–	13,557
Cash	9,562	–	–	9,562
Pooled investments	308,950	–	1,040,660	1,349,610
Loan to U.S. Treasury	5,000	–	–	5,000
Money market fund	106	–	–	106
Trusts held by others	–	15,602	–	15,602
Charitable gift annuities and other	10,195	–	–	10,195
Total	\$ 324,251	15,602	1,040,660	1,380,513

¹ 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, 2025:

		<u>Fair value</u>	<u>Commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
U.S. equities	(a)	\$ 303,863	1,583	Quarterly to 5 years	90 days
International equities:	(b)				
Developed market equities		133,658	—	Weekly to monthly	3 to 30 days
Emerging market equities		90,659	—	Monthly	7 to 30 days
Global market equities		174,232	—	Semi-monthly to Quarterly	6 to 90 days
Private equity and venture capital funds	(c)	95,878	137,513	N/A	N/A
Hedge funds	(d)	293,492	—	Quarterly to Two Years	45 to 90 days
Multi-asset fund	(e)	4,888	—	N/A	N/A
Fixed income securities	(f)	120,719	—	Daily	2 days
Total		<u>\$ 1,217,389</u>	<u>139,096</u>		

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Notes to Financial Statements September 30, 2025 and 2024 (In thousands)

The fair values of the following investments have been estimated using the net asset value per share of the investments as of September 30, 2024:

		<u>Fair value</u>	<u>Commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
U.S. equities	(a)	\$ 269,796	2,341	Quarterly to 5 years	90 days
International equities:	(b)				
Developed market equities		123,366	—	Weekly to monthly	3 to 30 days
Emerging market equities		78,294	—	Monthly	7 to 30 days
Global market equities		149,303	—	Semi-monthly to Quarterly	6 to 90 days
Private equity and venture capital funds	(c)	62,246	115,722	N/A	N/A
Hedge funds	(d)	245,743	—	Quarterly to Two Years	45 to 90 days
Multi-asset fund	(e)	5,975	—	N/A	N/A
Fixed income securities	(f)	105,937	—	Daily	2 days
Total		<u>\$ 1,040,660</u>	<u>118,063</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) 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.
- (d) 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.
- (e) 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.
- (f) 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, 2025 and 2024:

	2025			2024		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Total net investment return	\$ 66,231	123,707	189,938	96,494	160,290	256,784
Appropriated for operations	(11,185)	(28,167)	(39,352)	(5,769)	(26,285)	(32,054)
Appropriated for art acquisitions	(340)	(19,181)	(19,521)	(167)	(3,313)	(3,480)
Investment return less amounts appropriated for operations and art acquisitions	\$ 54,706	76,359	131,065	90,558	130,692	221,250

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(6) Leases

The National Gallery leases office and warehouse space under long-term operating leases expiring at various dates to 2045. 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 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 rates ranging from 4.0% to 4.75%, 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 National Gallery has independent leasing authority and may execute leases with non-governmental lessors. The private ROU assets and lease liability represent a 20-year real estate lease executed with a non-governmental lessor; however, the annual lease expense remains a qualifying expenditure for the National Gallery's multi-year appropriation. As a result, each year the current twelve-month portion of the Private ROU assets and lease liability will be transferred to Federal ROU assets and lease liability.

The National Gallery also has a governmental lease which is considered a Federal ROU asset and lease liability given availability of federal funds.

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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, 2025:

Fiscal year ending:

	Private	Federal	Total
2026	\$ 705	1,284	1,989
2027	4,274	1,308	5,582
2028	4,381	1,332	5,713
2029	4,491	1,358	5,849
2030	4,603	1,385	5,988
Thereafter	81,787	12,784	94,571
Undiscounted cash flows for leases	100,241	19,451	119,692
Less: discount	(38,661)	(4,590)	(43,251)
Operating lease liabilities	<u>61,580</u>	<u>14,861</u>	<u>76,441</u>

Rental expense was approximately \$8,097 and \$7,535 for the years ended September 30, 2025 and 2024, respectively.

(7) Property, Plant and Equipment, Net

As of September 30, 2025 and 2024, net property, plant and equipment consisted of the following:

	2025			2024		
	Private funds	Federal funds	Total	Private funds	Federal funds	Total
Buildings and improvements	\$ 187,876	520,391	708,267	187,132	419,186	606,318
Equipment and computer software	2,871	65,755	68,626	3,132	60,612	63,744
Construction-in-progress	5	993	998	85	24,508	24,593
Subtotal	190,752	587,139	777,891	190,349	504,306	694,655
Less accumulated depreciation and amortization	(150,997)	(169,296)	(320,293)	(147,842)	(153,478)	(301,320)
Total	<u>\$ 39,755</u>	<u>417,843</u>	<u>457,598</u>	<u>42,507</u>	<u>350,828</u>	<u>393,335</u>
Depreciation expense	<u>\$ 3,415</u>	<u>16,214</u>	<u>19,629</u>	<u>3,766</u>	<u>12,807</u>	<u>16,573</u>

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(8) Accounts Payable and Other Liabilities

As of September 30, 2025 and 2024, accounts payable and other liabilities consisted of the following:

	2025			2024		
	Private funds	Federal funds	Total	Private funds	Federal funds	Total
Accounts payable and accrued expenses	\$ 9,665	23,355	33,020	6,319	16,062	22,381
Accrued salaries and benefits	7,133	15,283	22,416	5,575	15,435	21,010
Other liabilities	6,441	—	6,441	6,996	379	7,375
Total	\$ <u>23,239</u>	<u>38,638</u>	<u>61,877</u>	<u>18,890</u>	<u>31,876</u>	<u>50,766</u>

(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:

	2025	2024
Beginning balance	\$ 35,595	30,755
Remediation accretion	1,610	1,551
Change in liability valuation	(4,582)	4,640
Remediation costs incurred	(41)	(1,351)
Total	\$ <u>32,582</u>	<u>35,595</u>

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(10) Net Assets

As of September 30, 2025 and 2024, net assets consisted of the following:

	2025		
	Without donor restrictions	With donor restrictions	Total
Donor restricted endowment funds	\$ —	834,120	834,120
Pledges receivable	—	4,930	4,930
Net donor restricted endowment funds	—	839,050	839,050
Perpetual trust held by a third party and charitable gift annuity	—	13,549	13,549
Permanent loan from U.S. Treasury	—	5,000	5,000
Board-designated endowment funds	92,538	—	92,538
Total net assets subject to spending rules	92,538	857,599	950,137
Net assets with donor restrictions available for:			
Gallery programs and operations	—	153,347	153,347
Federal repair and renovation	—	41,302	41,302
Net investment in property, plant and equipment and software asset	453,708	7,741	461,449
Future-funded federal liabilities	(45,049)	(9,408)	(54,457)
Other board-designated net assets:			
Operating reserves	150,000	—	150,000
Capital reserves	35,000	—	35,000
Undesignated	234,383	—	234,383
Total	\$ 920,580	1,050,581	1,971,161

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	2024		
	Without donor restrictions	With donor restrictions	Total
Donor restricted endowment funds	\$ —	763,673	763,673
Pledges receivable	—	6,866	6,866
Net donor restricted endowment funds	—	770,539	770,539
Perpetual trust held by a third party and charitable gift annuity	—	12,433	12,433
Permanent loan from U.S. Treasury	—	5,000	5,000
Board-designated endowment funds	88,705	—	88,705
Total net assets subject to spending rules	88,705	787,972	876,677
Net assets with donor restrictions available for:			
Gallery programs and operations	—	141,012	141,012
Federal repair and renovation	—	25,372	25,372
Net investment in property, plant and equipment and software asset	384,719	11,797	396,516
Future-funded federal liabilities	(48,633)	—	(48,633)
Other board-designated net assets:			
Operating reserves	150,000	—	150,000
Capital reserves	35,000	—	35,000
Undesignated	182,715	—	182,715
Total	\$ 792,506	966,153	1,758,659

Donor restricted endowment funds include accumulated appreciation of \$513,987 and \$447,075 as of September 30, 2025 and 2024, 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, 2025 and 2024:

2025				
	Subject to spending policy	Spendable with purpose restrictions	Placement in service and time restrictions	Total
Acquisition of art	\$ 147,833	6,459	—	154,292
Collections	110,221	1,336	—	111,557
Special exhibitions	82,101	24,170	—	106,271
Education and public programs	277,795	114,191	—	391,986
Editorial and photography	9,393	268	—	9,661
Operations	230,256	5,312	—	235,568
Capital projects	—	1,612	—	1,612
Federal repair and renovation projects	—	31,894	7,740	39,634
Total	<u>\$ 857,599</u>	<u>185,242</u>	<u>7,740</u>	<u>1,050,581</u>

2024				
	Subject to spending policy	Spendable with purpose restrictions	Placement in service and time restrictions	Total
Acquisition of art	\$ 147,663	5,665	—	153,328
Collections	98,606	1,559	—	100,165
Special exhibitions	72,806	22,644	—	95,450
Education and public programs	250,290	102,647	—	352,937
Editorial and photography	8,231	309	—	8,540
Operations	210,376	5,910	—	216,286
Capital projects	—	2,278	—	2,278
Federal repair and renovation projects	—	25,372	11,797	37,169
Total	<u>\$ 787,972</u>	<u>166,384</u>	<u>11,797</u>	<u>966,153</u>

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(11) Endowment Funds

The National Gallery's endowment consists of 132 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, 2025 and 2024
(In thousands)

The following table summarizes the change in the National Gallery's endowment funds during the years ended September 30, 2025 and 2024:

	2025			2024		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Endowment funds, beginning of year \$	88,705	763,673	852,378	75,342	645,800	721,142
Contributions received	–	3,652	3,652	–	2,693	2,693
Investment return	11,878	107,730	119,608	16,261	139,410	155,671
Appropriation of endowment assets for expenditures	(8,045)	(40,935)	(48,980)	(2,898)	(24,230)	(27,128)
Endowment funds, end of year \$	<u>92,538</u>	<u>834,120</u>	<u>926,658</u>	<u>88,705</u>	<u>763,673</u>	<u>852,378</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.

There were no underwater endowment funds as of September 30, 2025 and 2024.

NATIONAL GALLERY OF ART

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(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, 2025 and 2024.

	2025			2024		
	Private	Federal	Total	Private	Federal	Total
Operating releases:						
Purpose-restricted gifts released for programs and operations	\$ 3,518	13,539	17,057	2,693	9,978	12,671
Appropriated endowment spend released:						
Without purpose restrictions	3,107	—	3,107	2,979	—	2,979
With purpose restrictions	21,900	—	21,900	20,134	—	20,134
Total operating releases	28,525	13,539	42,064	25,806	9,978	35,784
Non-operating releases:						
Purpose-restricted gifts released for:						
Acquisition of art	4,912	—	4,912	3,672	—	3,672
Capital projects	663	77,598	78,261	102	4,230	4,332
Appropriated endowment spend released:						
Acquisition of art	19,531	—	19,531	3,722	—	3,722
Capital projects	—	—	—	—	—	—
Total non-operating releases	25,106	77,598	102,704	7,496	4,230	11,726
Total releases	\$ 53,631	91,137	144,768	33,302	14,208	47,510

NATIONAL GALLERY OF ART

Notes to Financial Statements
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(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. Salaries and expenses appropriation for fiscal years 2025 and 2024 include \$3,875 for no-year special exhibitions funding.

The National Gallery's federal appropriations received in the fiscal years ending 2025 and 2024 are reconciled to federal appropriation revenue recognized as follows:

	2025			2024		
	Salaries & expenses	Repairs, restoration & renovation	Total	Salaries & expenses	Repairs, restoration & renovation	Total
Federal appropriations received	\$ 174,760	34,480	209,240	174,760	34,480	209,240
Interagency appropriation transfer	—	—	—	—	(24,735)	(24,735)
Unexpended appropriations	(30,345)	—	(30,345)	(31,646)	—	(31,646)
Amounts expended from prior years' appropriations	31,409	—	31,409	38,328	—	38,328
Federal appropriation revenue recognized	<u>\$ 175,824</u>	<u>34,480</u>	<u>210,304</u>	<u>181,442</u>	<u>9,745</u>	<u>191,187</u>
Operating	\$ 165,426	10,153	175,579	165,374	6,534	171,908
Non-operating	10,398	24,327	34,725	16,068	27,946	44,014
Non-operating interagency appropriation transfer	—	—	—	—	(24,735)	(24,735)
Federal appropriation revenue recognized	<u>\$ 175,824</u>	<u>34,480</u>	<u>210,304</u>	<u>181,442</u>	<u>9,745</u>	<u>191,187</u>

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, 2025 and 2024
(In thousands)

(14) Functional Classification of Expenses

Expenses by functional and natural classification for the fiscal years ended September 30, 2025 and 2024 are shown below:

2025							
	Collections	Special exhibitions	Education and public programs	Editorial and photography	General and administrative	Development	Total
Compensation	\$ 44,625	14,005	37,160	6,481	31,435	5,526	139,232
Contractual services	15,377	7,141	12,131	1,113	14,070	1,980	51,812
Occupancy	4,675	1,721	1,767	144	6,154	144	14,605
Office expenses	1,874	975	1,596	307	1,079	238	6,069
Other	1,000	1,276	7,645	54	367	85	10,427
Total operating expenses	67,551	25,118	60,299	8,099	53,105	7,973	222,145
Art acquisitions	25,003						25,003
Depreciation expense	10,603	2,074	3,594	254	2,880	224	19,629
Environmental liability accretion	918	177	290	16	193	16	1,610
Other expenses	—	—	—	—	15	1,366	1,381
Total expenses	\$ 104,075	27,369	64,183	8,369	56,193	9,579	269,768

2024							
	Collections	Special exhibitions	Education and public programs	Editorial and photography	General and administrative	Development	Total
Compensation	\$ 42,643	14,261	33,435	5,983	29,984	5,105	131,411
Contractual services	14,145	5,069	10,794	1,590	14,243	1,645	47,486
Occupancy	4,484	1,481	1,703	142	5,702	142	13,654
Office expenses	1,661	2,530	2,468	309	1,159	220	8,347
Other	1,467	1,649	2,672	178	890	187	7,043
Total operating expenses	64,400	24,990	51,072	8,202	51,978	7,299	207,941
Art acquisitions	7,957	—	—	—	—	—	7,957
Depreciation expense	8,935	1,792	3,029	215	2,414	188	16,573
Environmental liability accretion	884	170	279	16	186	16	1,551
Other expenses	—	—	—	—	50	—	50
Total expenses	\$ 82,176	26,952	54,380	8,433	54,628	7,503	234,072

NATIONAL GALLERY OF ART

Notes to Financial Statements
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(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 \$16,017 and \$15,330 for the years ended September 30, 2025 and 2024, respectively. These amounts do not include pension expense financed by OPM and imputed to the National Gallery of \$6,406 and \$4,946, 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, 2025 and 2024 were \$4,295 and \$4,063, 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 2025 and 2024, the National Gallery contributed \$7,772 and \$7,127, 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 \$8,375 and \$6,514 during fiscal years 2025 and 2024, 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 2025 and 2024 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, 2025 and 2024
(In thousands)

(17) Subsequent Events

The National Gallery has performed an evaluation of subsequent events through November 13, 2025, which is the date the financial statements were available to be issued, noting no events which affect the financial statements as of September 30, 2025.



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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, 2025, 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 14, 2025.

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 14, 2025