

**HIGH DESERT MUSEUM**

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2019  
(With Comparative Totals for the Year Ended June 30, 2018)**

*Jones & Roth*  
CPAs & Business Advisors

HIGH DESERT MUSEUM  
FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019  
(With Comparative Totals for the Year Ended June 30, 2018)

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
High Desert Museum  
Bend, Oregon

We have audited the accompanying financial statements of High Desert Museum (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of High Desert Museum as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited High Desert Museum's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Jones & Roth, P.C.*

Jones & Roth, P.C.  
Bend, Oregon  
December 17, 2019

## FINANCIAL STATEMENTS

HIGH DESERT MUSEUM  
STATEMENT OF FINANCIAL POSITION  
June 30, 2019  
(With Comparative Totals for June 30, 2018)

	2019	2018
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,494,701	\$ 1,571,929
Certificates of deposit	558,943	301,869
Accounts receivable	80,863	34,445
Pledges receivable	14,770	8,117
Grants receivable, current	137,574	161,683
Inventory	114,111	113,000
Prepaid expenses and deposits	95,087	94,045
Total current assets	2,496,049	2,285,088
<b>Grants receivable, noncurrent</b>	-	30,000
<b>Endowment investments</b>	3,457,695	2,992,144
<b>Beneficial interest in Oregon Community Foundation</b>	362,350	355,615
<b>Intangible assets, less accumulated amortization</b>	278,092	6,887
<b>Facilities and equipment, less accumulated depreciation</b>	12,201,152	12,888,712
<b>Total assets</b>	<b>\$ 18,795,338</b>	<b>\$ 18,558,446</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 157,263	\$ 227,392
Accrued payroll and taxes	115,621	139,841
Accrued compensated absences	99,350	81,537
Deposits and gift certificates	182,278	147,203
Total current liabilities	554,512	595,973
<b>Net assets</b>		
Without donor restrictions:		
Board-designated endowment	670,408	600,340
Undesignated	12,942,689	13,354,462
Total without donor restrictions	13,613,097	13,954,802
With donor restrictions	4,627,729	4,007,671
Total net assets	18,240,826	17,962,473
<b>Total liabilities and net assets</b>	<b>\$ 18,795,338</b>	<b>\$ 18,558,446</b>

The accompanying notes are an integral part of these statements.

HIGH DESERT MUSEUM  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
For the Year Ended June 30, 2019  
(With Comparative Totals for the Year Ended June 30, 2018)

	2019			Total 2018
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Operating support and revenue</b>				
Memberships	\$ 399,630	\$ -	\$ 399,630	\$ 354,681
Admissions, net of discounts of \$36,800	1,304,924	-	1,304,924	1,245,987
Contributions	778,113	596,768	1,374,881	818,243
Educational and program fees	226,299	-	226,299	218,579
Merchandise and other sales, net of discounts of \$23,653	991,781	-	991,781	933,656
Cost of goods sold	(405,672)	-	(405,672)	(376,542)
Grants	651,241	334,500	985,741	1,080,276
Fundraising events, net of direct expenses of \$142,920	393,803	3,000	396,803	352,547
Facility rental	75,160	-	75,160	53,009
Other revenue	15,391	-	15,391	16,241
Investment income (loss), net of related expenses	150,660	(10,803)	139,857	251,015
Gain on disposal of assets	900	-	900	-
Total operating support and revenue	<u>4,582,230</u>	<u>923,465</u>	<u>5,505,695</u>	<u>4,947,692</u>
Net assets released from restrictions	<u>303,407</u>	<u>(303,407)</u>	<u>-</u>	<u>-</u>
<b>Operating expenses</b>				
Program services:				
Exhibits	1,631,706	-	1,631,706	1,514,090
Educational and program fees	827,131	-	827,131	854,090
Visitor services	687,580	-	687,580	709,419
Communications	579,315	-	579,315	473,842
Total program services	<u>3,725,732</u>	<u>-</u>	<u>3,725,732</u>	<u>3,551,441</u>
Support services:				
Management and general	398,931	-	398,931	243,868
Fundraising	422,658	-	422,658	357,190
Total support services	<u>821,589</u>	<u>-</u>	<u>821,589</u>	<u>601,058</u>
Total operating expenses	<u>4,547,321</u>	<u>-</u>	<u>4,547,321</u>	<u>4,152,499</u>
<b>Change in net assets before depreciation and amortization</b>	338,316	620,058	958,374	795,193
Depreciation and amortization	<u>(680,021)</u>	<u>-</u>	<u>(680,021)</u>	<u>(651,390)</u>
<b>Change in net assets after depreciation and amortization</b>	(341,705)	620,058	278,353	143,803
Net assets, beginning of year	<u>13,954,802</u>	<u>4,007,671</u>	<u>17,962,473</u>	<u>17,818,670</u>
Net assets, end of year	<u>\$ 13,613,097</u>	<u>\$ 4,627,729</u>	<u>\$ 18,240,826</u>	<u>\$ 17,962,473</u>

The accompanying notes are an integral part of these statements.

HIGH DESERT MUSEUM  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2019

	2019			Total
	Program Services	Support Services		
		Management and General	Fundraising	
<b>Personnel expenses</b>				
Salaries and wages	\$ 1,776,940	\$ 242,690	\$ 186,558	\$ 2,206,188
Payroll taxes	164,279	19,095	22,334	205,708
Employee benefits	198,861	28,719	16,122	243,702
Pension	36,764	6,752	6,394	49,910
Total personnel expenses	<u>2,176,844</u>	<u>297,256</u>	<u>231,408</u>	<u>2,705,508</u>
<b>Operating expenses</b>				
Advertising and promotion	265,851	-	85,301	351,152
Computer systems	81,704	11,607	18,306	111,617
Contract services	224,628	16,203	15,547	256,378
Dues and fees	16,267	3,923	294	20,484
Insurance	127,052	627	2,473	130,152
Miscellaneous	284	20	20	324
Operating supplies	161,348	5,846	4,029	171,223
Photography and art	156,298	-	-	156,298
Postage and freight	21,903	5,198	13,858	40,959
Printing and reproduction	24,409	6,097	10,481	40,987
Professional fees	787	20,095	-	20,882
Rental expenses	44,399	-	-	44,399
Repairs and maintenance	118,077	6,191	6,191	130,459
Service charges	56,136	3,055	8,738	67,929
Staff development	43,542	7,487	4,625	55,654
Telephone	13,080	1,525	2,023	16,628
Travel	19,738	4,169	9,732	33,639
Utilities	173,385	9,632	9,632	192,649
Total operating expenses	<u>1,548,888</u>	<u>101,675</u>	<u>191,250</u>	<u>1,841,813</u>
Total expenses before depreciation and amortization	3,725,732	398,931	422,658	4,547,321
Depreciation and amortization	<u>663,665</u>	<u>3,436</u>	<u>12,920</u>	<u>680,021</u>
Total expenses after depreciation and amortization	<u>\$ 4,389,397</u>	<u>\$ 402,367</u>	<u>\$ 435,578</u>	<u>\$ 5,227,342</u>

The accompanying notes are an integral part of these statements.



HIGH DESERT MUSEUM  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2019  
(With Comparative Totals for the Year Ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>		
Change in net assets after depreciation and amortization	\$ 278,353	\$ 143,803
Adjustments to reconcile change in net assets after depreciation and amortization to net cash provided by operating activities:		
Depreciation and amortization	680,021	651,390
Gain on disposal of assets	(900)	-
Realized and unrealized gains on investments	(29,002)	(174,146)
Endowment investment income	(65,894)	(37,518)
(Increase) decrease in:		
Accounts receivable	(46,418)	(34,445)
Pledges receivable	(6,653)	24,903
Grants receivable	54,109	-
Inventory	(1,111)	(5,902)
Prepaid expenses and deposits	(1,042)	(11,998)
Increase (decrease) in:		
Accounts payable	(70,129)	43,884
Other accrued expenses	<u>28,668</u>	<u>101,869</u>
Net cash provided by operating activities	<u>820,002</u>	<u>701,840</u>
<b>Cash flows from investing activities</b>		
Purchase of certificates of deposit	(257,074)	(302,000)
Change in the value of OCF account	(6,735)	(16,182)
Contributions to investment accounts	(541,426)	(69,754)
Withdrawals from investment accounts	170,771	116,400
Proceeds from disposal of assets	900	-
Purchases of equipment and intangibles	<u>(263,666)</u>	<u>(350,098)</u>
Net cash used by investing activities	<u>(897,230)</u>	<u>(621,634)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(77,228)	80,206
Cash and cash equivalents, beginning of year	<u>1,571,929</u>	<u>1,491,723</u>
Cash and cash equivalents, end of year	<u>\$ 1,494,701</u>	<u>\$ 1,571,929</u>

The accompanying notes are an integral part of these statements.

HIGH DESERT MUSEUM  
NOTES TO FINANCIAL STATEMENTS

**1. Nature of Organization and Summary of Significant Accounting Policies**

**Nature of Organization**

High Desert Museum (the Museum) was incorporated as a nonprofit organization in the state of Oregon in October 1974. Tax-exempt status has been granted by the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code. The Museum is located in Bend, Oregon, and is dedicated to broadening the understanding of the High Desert's wildlife, culture, art, and natural resources for the purpose of promoting thoughtful decision-making that will sustain the region's natural and cultural heritage.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Recent Accounting Standard Adopted**

During the year ended June 30, 2019, the Museum adopted the provisions of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-14: *Presentation of Financial Statements of Not-for-Profit Entities*. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and related to functional allocation of expenses. The 2018 financial statements have been restated to conform to the presentation and disclosure requirements of ASU 2016-14. Such restatements had no effect on previously reported change in net assets or total net assets.

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not for Profit Entities*. Under ASC 958, the Museum is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Without donor restrictions* –
  - *Undesignated* – net assets that are not subject to donor-imposed stipulations and that are available in support of the Museum's operations.
  - *Board-designated net assets* – certain amounts have been designated by the Board of Directors to be expended at the discretion of the Board of Directors. A majority of the Board-designated net assets represents the balances held at the Oregon Community Foundation (see Note 6).
- *With donor restrictions* – net assets subject to donor-imposed stipulations that are either perpetual in nature, or may or will be met, either by actions of the Museum and/or the passage of time. Revenue is reported as an increase to net assets without donor restrictions if the restriction expires in the same reporting period in which the revenue is recognized.

HIGH DESERT MUSEUM  
NOTES TO FINANCIAL STATEMENTS

**1. Nature of Organization and Summary of Significant Accounting Policies**, continued

**Basis of Presentation**, continued

Certain net assets with donor restrictions have donor-imposed restrictions that are considered to be restricted in perpetuity. The Museum maintains these restrictions in accordance with the donors' original intent and these are included in the total net assets with donor restrictions reported on the statement of financial position.

**Public Support and Revenue**

Annual contributions are generally available for use without donor restrictions unless specifically restricted by the donor. Unconditional promises to give are recorded in the period they are received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received. The majority of the promises to give are related to the Museum's educational program support. Management's estimate of collectability is based, among other things, on the Museum's past collection experience and an estimate of the impact of current economic conditions. All unconditional promises to give are considered to be collectible and available for use without restrictions, unless specifically restricted by the donor.

Grants and other contributions of cash and other assets are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Restrictions on gifts of capital assets or cash for the purchase of capital assets expire over the useful life of the particular capital asset.

Endowment contributions and investments are restricted by the donor in perpetuity and reported as net assets with donor restrictions. Investment earnings are recorded as revenue without donor restrictions or with donor restrictions, based on the absence or existence of restrictions on earnings of the various funds.

Contributions of donated noncash assets are recorded at the estimated market value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by those persons possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their estimated market values in the period received. Contributions of donated labor from Museum volunteers are not recorded in the financial statements. The Museum estimates \$638,153 and \$673,398, respectively, in volunteer labor was received during the years ended June 30, 2019 and 2018.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of funds in checking accounts, on hand, in interest-bearing money market accounts, and certificates of deposit which have original maturities of three months or less. Such cash equivalents are stated at cost. The amounts reported in the statement of financial position approximate fair value, due to their current nature.

HIGH DESERT MUSEUM  
NOTES TO FINANCIAL STATEMENTS

**1. Nature of Organization and Summary of Significant Accounting Policies, continued**

**Inventories**

Inventories are stated at the lower of cost or market. Cost is determined principally by specific identification.

**Investments**

Investments are composed of mutual funds investing in debt and equity securities and are carried at fair value. Investment income is recorded as earned. Unrealized gains and losses are included as changes in net assets in the accompanying statement of activities and changes in net assets.

**Certificates of Deposit**

As of June 30, 2019, the Museum held investments in three certificates of deposit with original maturities exceeding three months. The certificates earned interest of .02 percent. The certificates of deposit are reported at cost plus interest earned. The certificates mature on November 20, 2019, November 22, 2019, and March 13, 2020.

As of June 30, 2018, the Museum held investments in two certificates of deposit with original maturities exceeding three months. The certificates earned interest of .02 percent. The certificates of deposit are reported at cost plus interest earned. The certificates matured on October 29, 2018 and October 30, 2018; however, both were renewed for another six-month period.

**Collections**

The Museum has elected not to recognize contributions or capitalize items donated to their collections, which are held for public exhibition and education. Such collections represent artwork, artifacts, and other items which are considered to have continuing values and perpetual lives. The Museum maintains strict controls over collections which provide security and long-term preservation of such collections. The Museum records costs of collection items purchased as a decrease in the appropriate class of net assets and records proceeds from the sale of collection items as an increase in the appropriate class of net assets in the financial statements.

**Memberships**

Revenues from memberships with a one-year term are recognized upon receipt.

**Facilities and Equipment**

Facilities and equipment are stated at cost or, if donated, at approximate fair value at date of donation. When items are retired, sold, or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized. The Museum depreciates its facilities and equipment using the straight-line method over estimated useful lives of the related assets ranging from 3 to 50 years.

HIGH DESERT MUSEUM  
NOTES TO FINANCIAL STATEMENTS

**1. Nature of Organization and Summary of Significant Accounting Policies**, continued

**Intangibles**

Intangible assets of the Museum consist of self-created intangible assets and software. Intangible assets are capitalized at cost and amortized over their useful lives ranging from 5 to 15 years.

**Advertising Expenses**

The Museum advertises through outdoor and broadcast media (radio and television), as well as in various print publications. Advertising costs are expensed as incurred. Total advertising costs were \$351,152, and \$254,269, for the years ended June 30, 2019 and 2018, respectively.

**Liquidity and Reserves**

The High Desert Museum has a policy to manage its liquidity and reserves in order to meet its needs to fund operating expenditures. At June 30, 2019 and 2018, the Museum's financial assets, reduced by amounts not available for general expenditures within one year, are comprised of the following:

	<u>2019</u>	<u>2018</u>
Cash	\$ 1,494,701	\$ 1,571,929
Certificates of deposit	558,943	301,869
Accounts receivable	80,863	34,445
Grants receivable	137,574	161,683
Pledges receivable	14,770	8,117
Endowment and OCF Investments	<u>3,820,045</u>	<u>3,347,759</u>
	6,106,896	5,425,802
Less net assets with donor restrictions	(4,627,729)	(4,007,671)
Less board designated net assets	<u>(670,408)</u>	<u>(600,340)</u>
Financial assets available for general expenditure	<u>\$ 808,759</u>	<u>\$ 817,791</u>

Board designated funds are available for general expenditures upon approval by the board of trustees. The Museum also maintains a line of credit in the amount of \$500,000 to be used if necessary upon approval of the board of trustees.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Museum to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The amounts estimated could differ from actual results.

HIGH DESERT MUSEUM  
NOTES TO FINANCIAL STATEMENTS

**1. Nature of Organization and Summary of Significant Accounting Policies**, continued

**Functional Allocation of Expenses**

The costs of providing the Museum's various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Museum uses a simplified cost allocation method whereby specifically identifiable costs are charged directly to the program or supporting services and indirect costs are allocated using an allocation base. The Museum uses occupancy usage and salaries and wages as the allocation base. The financial statements are presented on a summarized comparative basis, therefore, the presentation of functional expenses for the year ended June 30, 2018 has been omitted.

**2. Cash and Cash Equivalents**

The carrying amount of the Museum's cash balance was \$1,494,701, and \$1,571,929 and the bank balance was \$1,341,135, and \$1,182,249 at June 30, 2019 and 2018, respectively. Balances in bank accounts exceeded federal insurance coverage by \$185,123 and \$30,514 at June 30, 2019 and 2018, respectively.

**3. Inventory**

As of June 30, inventory is comprised of the following:

	<u>2019</u>	<u>2018</u>
Museum Shop	\$ 106,066	\$ 106,014
Café	6,722	5,970
Event liquor	<u>1,323</u>	<u>1,016</u>
Total inventory	<u>\$ 114,111</u>	<u>\$ 113,000</u>

**4. Fair Value Measurements**

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under professional standards are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

HIGH DESERT MUSEUM  
NOTES TO FINANCIAL STATEMENTS

**4. Fair Value Measurements, continued**

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to its fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Oregon Community Foundation's (the Foundation) management represents that investments held at the Foundation consist of Level 1, Level 2, and Level 3 investments. The Foundation does not provide the Museum with information regarding what investments make up the Museum's assets held at the Foundation. As such, the Museum considers all investments held at the Foundation to be Level 3 investments. Gains and losses in such investments are disclosed in Note 6. All other investments are derived from the Level 1 pricing inputs.

The principal input used in determining the fair value of the beneficial interest in the Foundation is the value of the fund as reported by the Foundation, which is provided in their annual statement.

As of June 30, the following tables set forth by level, within the fair value hierarchy, the Museum's assets at fair value:

	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
U.S. stocks	\$ 1,506,393	\$ -	\$ -	\$ 1,506,393
International stocks	728,354	-	-	728,354
Real estate investment trusts	342,045	-	-	342,045
Bonds	854,252	-	-	854,252
Cash and money market funds held in endowments	26,651	-	-	26,651
Beneficial interest in the Foundation	-	-	362,350	362,350
 Total assets at fair value	 \$ 3,457,695	 \$ -	 \$ 362,350	 \$ 3,820,045

HIGH DESERT MUSEUM  
NOTES TO FINANCIAL STATEMENTS

**4. Fair Value Measurements, continued**

	Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
U.S. stocks	\$ 1,337,176	\$ -	\$ -	\$ 1,337,176
International stocks	646,421	-	-	646,421
Real estate investment trusts	288,292	-	-	288,292
Bonds	652,732	-	-	652,732
Cash and money market funds held in endowments	67,523	-	-	67,523
Beneficial interest in the Foundation	-	-	355,615	355,615
	<u>\$ 2,992,144</u>	<u>\$ -</u>	<u>\$ 355,615</u>	<u>\$ 3,347,759</u>
Total assets at fair value	<u>\$ 2,992,144</u>	<u>\$ -</u>	<u>\$ 355,615</u>	<u>\$ 3,347,759</u>

**5. Investments**

Market risk could occur and is dependent on the future changes in market prices of the various investments held.

For the years ended June 30, investment activity consisted of the following:

	2019	2018
Endowment investments, beginning of year	\$ 2,992,144	\$ 2,826,995
Contributions	541,426	69,754
Realized and unrealized gains	29,002	174,277
Investment income	88,407	58,128
Investment fees	(22,513)	(20,610)
Distributions	(170,771)	(116,400)
	<u>\$ 3,457,695</u>	<u>\$ 2,992,144</u>
Endowment investments, end of year	<u>\$ 3,457,695</u>	<u>\$ 2,992,144</u>

At June 30, the investments are as follows:

	2019	2018
U.S. stocks	\$ 1,506,393	\$ 1,337,176
International stocks	728,354	646,421
Real estate investment trusts	342,045	288,292
Bonds	854,252	652,732
Cash and money market funds held in endowments	26,651	67,523
	<u>\$ 3,457,695</u>	<u>\$ 2,992,144</u>
Total investments	<u>\$ 3,457,695</u>	<u>\$ 2,992,144</u>



HIGH DESERT MUSEUM  
NOTES TO FINANCIAL STATEMENTS

**6. Contributions to the Oregon Community Foundation Endowment Fund**

The Museum follows FASB ASC 958, *Not for Profit Entities*, for amounts contributed to the Foundation by either the Museum or other donors on behalf of the Museum. FASB ASC 958 specifically requires that if a nonprofit Museum establishes a fund with a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as endowment partner funds.

The Foundation maintains variance power and legal ownership of all funds, including endowment partner funds, and, as such, continues to report the funds as assets of the Foundation.

The Museum's fund at the Foundation was established to account for quasi-endowment donor contributions and to support the general purposes of the Museum by attracting and growing planned gifts that generate income beyond annual operating contributions. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

For the year ended June 30, changes in endowment net assets are as follows:

	Without donor restrictions	
	2019	2018
Endowment assets, beginning of year	\$ 355,615	\$ 339,433
Investment return:		
Investment income	2,625	2,838
Realized gains	1,925	6,513
Unrealized gains	19,998	24,566
Total investment return	24,548	33,917
Distributions	(14,761)	(14,577)
Investment fees	(3,052)	(3,158)
Endowment assets, end of year	\$ 362,350	\$ 355,615

The Foundation does not provide the Museum information on the purchases and sales of investments held at the Foundation. As such, the Museum reports as the change in value of the endowment funds the net amount for investment income, disbursements, and investment fees realized in the endowment funds.

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**6. Contributions to the Oregon Community Foundation Endowment Fund, continued**

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

The Foundation distributes, not less than annually, an appropriate percentage of the fair market value of the principal and income of the fund to the Museum upon request. The Foundation may make distributions from the fund to the Museum in addition to the annual distribution upon a majority vote of the Museum's Board of Trustees. Additional distributions will be made only if the Foundation Board determines the requested distribution is consistent with the objectives and purposes of the Museum and with the charitable, educational, and scientific needs of the state of Oregon. For the years ended June 30, 2019 and 2018, distributions of \$14,761, and \$14,577, respectively, were received from the Foundation. It is the Museum's belief that the Foundation invests conservatively and, therefore, the endowment funds may earn a rate slightly below average.

**7. Endowment**

The Museum's endowment consists of six funds established for different purposes. Investment earnings from the six nonexpendable funds are to be used for the following:

Undesignated Fund – allocated at the discretion of the Board of Directors.

Education Fund – allocated to education programs and events.

Exhibits Fund – allocated to maintenance and development of new and existing exhibits.

Facilities Fund – allocated to facilities maintenance.

Oliver & Bonnie Steele Education Fund – allocated to employment of the Curator of Education position.

Collections Fund – allocated to the maintenance and preservation of collection items.

Wildlife Fund – allocated to the care and maintenance of wildlife and enclosures.

These funds are donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

**Interpretation of Relevant Law**

Absent explicit donor stipulations to the contrary, the Board of Directors of the Museum has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds.

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**7. Endowment, continued**

As a result of this interpretation, the Museum classifies net assets with donor restrictions perpetual in nature as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions perpetual in nature is classified as net assets with donor restrictions not perpetual in nature until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the various funds;
- (2) The purpose of the Museum and the donor-restricted endowment funds;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Museum; and
- (7) The Museum's investment policies.

For the years ended June 30, the following is a summary of endowment funds subject to UPMIFA by type and changes in endowment net assets:

	<u>Without donor Restrictions</u>	<u>With Donor Restrictions – not perpetual in nature</u>	<u>With Donor Restrictions – perpetual in nature</u>	<u>Total</u>
Balance at July 1, 2018	<u>\$ 244,725</u>	<u>\$ 1,146,307</u>	<u>\$ 1,601,112</u>	<u>\$ 2,992,144</u>
Investment return:				
Investment income	3,195	85,212	-	88,407
Net realized and unrealized gains	<u>3,707</u>	<u>25,295</u>	<u>-</u>	<u>29,002</u>
Total investment return	6,902	110,507	-	117,409
Contributions	64,775	-	476,651	541,426
Investment fees and distributions	<u>(11,825)</u>	<u>(181,459)</u>	<u>-</u>	<u>(193,284)</u>
Balance at June 30, 2019	<u>\$ 304,577</u>	<u>\$ 1,075,355</u>	<u>\$ 2,077,763</u>	<u>\$ 3,457,695</u>

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NOTES TO FINANCIAL STATEMENTS

**7. Endowment, continued**

	<u>Total</u>
Balance at July 1, 2018	\$ 2,992,144
Net change in investments	<u>465,551</u>
Balance at June 30, 2019	<u>\$ 3,457,695</u>

**Return Objectives and Risk Parameters**

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-specified funds that the Museum must hold in perpetuity or for a donor-specified period(s).

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

**Spending Policy**

Funds appropriated for expenditure are determined, reviewed, and approved by the Board. In determining appropriations for expenditure, the Board considers the purchasing power of the endowment assets and ensures that funds that are required to be held in perpetuity or for a donor-specified period(s) are not expended.

**8. Accounts Receivable**

As of June 30, 2019 and 2018, \$80,863, and \$34,445, respectively, was due from various sources. The Museum determined no allowance for doubtful accounts was necessary as of June 30, 2019 and 2018. Provision for uncollectible amounts is determined based upon management's estimate of the likelihood of eventual collection.

**9. Pledges Receivable**

As of June 30, 2019 and 2018, \$14,770, and \$8,117, respectively, remained uncollected from donor pledges. The Museum determined no allowance for doubtful accounts was necessary as of June 30, 2019 and 2018. Provision for uncollectible amounts is determined based upon management's estimate of the likelihood of eventual collection.

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**10. Grants Receivable**

Grants receivable at June 30, 2019 and 2018, were \$137,574, and \$191,683, respectively. Grants receivable was comprised of amounts due within one year from various grantors of \$137,574, and \$161,683, at June 30, 2019 and 2018, respectively. At June 30, 2018, \$30,000 of grants receivable from one grantor was due beyond one year. Management considers all grants receivable to be fully collectible and, accordingly, an allowance for uncollectible grants receivable has not been recorded for either year presented. Provision for uncollectible amounts is determined based upon management's estimate of the likelihood of eventual collection.

**11. Facilities and Equipment**

At June 30, facilities and equipment are as follows:

	2019	2018
Non-depreciable:		
Land	\$ 195,000	\$ 195,000
Construction in progress	208,532	383,153
Depreciable:		
Buildings	17,959,647	17,889,417
Exhibits	6,890,007	6,883,707
Furniture and equipment	1,518,040	1,476,144
Land improvements	684,108	672,007
	27,455,334	27,499,428
Accumulated depreciation	(15,254,182)	(14,610,716)
Facilities and equipment, less accumulated depreciation	\$ 12,201,152	\$ 12,888,712

**12. Intangible Assets**

At June 30, intangible assets and accumulated amortization are as follows:

	2019	2018
Museum master plan document	\$ 237,391	\$ -
Software	78,997	10,331
	316,388	10,331
Accumulated amortization	(38,296)	(3,444)
Intangible assets, less accumulated amortization	\$ 278,092	\$ 6,887

**13. Revolving Line of Credit**

The Museum has an annually renewable revolving line of credit with First Interstate Bank. There were no outstanding borrowings on this line of credit at June 30, 2019 and 2018. The maximum borrowing capacity on the line of credit is \$500,000 and the interest rate at June 30, 2019 and 2018, was 6.5 percent and 5.5 percent, respectively. This line of credit expires February 10, 2020.

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**14. Net Assets with Donor Restrictions**

Not-for-profit organizations are required to report information regarding their financial position and activities according to two classes of net assets: net asset without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions as of June 30, consisted of the following:

	2019	2018
Net assets with donor restrictions – perpetual in nature:		
Endowments, principal contributions	\$ 2,077,763	\$ 1,601,122
Cash and cash equivalents	-	2,830
Total net assets with donor restrictions – perpetual in nature	2,077,763	1,603,942
Net assets with donor restrictions – not perpetual in nature:		
Endowments, principal and earnings with use restrictions	1,075,355	1,146,307
Grants and contributions with use and time restrictions	1,471,611	1,257,422
Total net assets with donor restrictions – not perpetual in nature	2,546,966	2,403,729
Total net assets with donor restrictions	\$ 4,624,729	\$ 4,007,671

Net assets with donor restrictions consist of principal contributions to endowment investments, earnings on endowment investments and various grants and contributions received with donor restrictions for specific projects at the Museum. See note 7 for more information regarding the management and ongoing nature of each endowment and the related earnings on those endowments.

**15. Employee Retirement Program**

The Museum offers an employee retirement program under Internal Revenue Code Section 403(b) which is available to all eligible employees. Employees may contribute up to 100 percent of their qualified wages subject to a ceiling prescribed by law. The Museum matches the employee's contribution at 50 percent of the amount contributed up to 5 percent of the employee's gross annual salary. During the years ended June 30, 2019 and 2018, the Museum contributed \$49,910 and \$35,798, respectively, to the program.

**16. Income Taxes**

The Museum is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As a result, no provision for federal or state income taxes has been made.

The Museum is required to evaluate tax positions taken and to recognize a tax liability if an uncertain tax position has been taken that more likely than not would not be sustained upon examination by taxing authorities. Areas that taxing authorities consider when examining tax returns for tax exempt entities include, but are not limited to, tax-exempt status and the existence of unrelated business income. The Museum does not believe that it has any uncertain tax positions with respect to these or other matters and has not recorded any unrecognized tax benefits or liabilities for the years ended June 30, 2019 and 2018.

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**17. Intentions to Give**

The Museum has been named as a beneficiary in various wills and other trust and estate agreements. Assets from these agreements are not included in the statement of financial position of the Museum because the agreements are revocable at the discretion of the donor.

**18. Reclassification of Prior Year Presentation**

Certain amounts within the statement of functional expenses were reclassified in the prior year summarized information. The purpose of the reclassifications is to give consistent representation of the Museum's records. The reclassifications had no effect on the reported change in net assets for either period presented.

**19. Prior Year Summarized Comparative Information**

The financial statements include certain prior year, summarized, comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Museum's audited financial statements for the year ended June 30, 2018, from which the summarized information is derived.

**20. Subsequent Events**

Management evaluates events and transactions that occur after the statement of financial position date as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report.