

HIGH DESERT MUSEUM

FINANCIAL STATEMENTS

**For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

Jones & Roth
CPAs & Business Advisors

HIGH DESERT MUSEUM
FINANCIAL STATEMENTS
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

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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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 17, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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
January 12, 2021

FINANCIAL STATEMENTS

HIGH DESERT MUSEUM
STATEMENT OF FINANCIAL POSITION
June 30, 2020
(With Comparative Totals for June 30, 2019)

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 2,308,050	\$ 1,494,701
Certificates of deposit	255,841	558,943
Accounts receivable	8,685	80,863
Pledges receivable	22,000	14,770
Grants receivable, current	46,068	137,574
Inventory	115,567	114,111
Prepaid expenses and deposits	90,909	95,087
Total current assets	2,847,120	2,496,049
Endowment investments	3,294,298	3,457,695
Beneficial interest in Oregon Community Foundation	345,924	362,350
Intangible assets, net accumulated amortization	236,318	278,092
Facilities and equipment, net accumulated depreciation	11,774,233	12,201,152
Total assets	\$ 18,497,893	\$ 18,795,338
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 77,992	\$ 157,263
Accrued payroll and taxes	114,646	115,621
Accrued compensated absences	107,806	99,350
Deposits and gift certificates	77,181	182,278
Total current liabilities	377,625	554,512
Paycheck protection loan payable	545,668	-
Total liabilities	923,293	554,512
Net assets		
Without donor restrictions:		
Board-designated endowment	658,094	670,408
Undesignated	12,453,165	12,942,689
Total without donor restrictions	13,111,259	13,613,097
With donor restrictions	4,463,341	4,627,729
Total net assets	17,574,600	18,240,826
Total liabilities and net assets	\$ 18,497,893	\$ 18,795,338

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, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	2020			Total 2019
	Without Donor	With Donor	Total	
	Restrictions	Restrictions		
Operating support and revenue				
Memberships	\$ 376,157	\$ -	\$ 376,157	\$ 399,630
Admissions, net of discounts of \$25,444	1,028,243	-	1,028,243	1,304,924
Grants	579,792	191,841	771,633	985,741
Contributions	826,230	113,102	939,332	1,374,881
Educational and program fees	162,101	-	162,101	226,299
Merchandise and other sales, net of discounts of \$17,557	728,220	-	728,220	991,781
Cost of goods sold	(291,812)	-	(291,812)	(405,672)
Fundraising events, net of direct expenses of \$149,072	399,864	-	399,864	396,803
Facility rental	83,528	-	83,528	75,160
Other revenue	14,014	-	14,014	15,391
Investment income (loss), net of related expenses	149,116	(174,928)	(25,812)	139,857
Gain on disposal of assets	400	-	400	900
Total operating support and revenue	<u>4,055,853</u>	<u>130,015</u>	<u>4,185,868</u>	<u>5,505,695</u>
Net assets released from restrictions	<u>294,403</u>	<u>(294,403)</u>	<u>-</u>	<u>-</u>
Operating expenses				
Program services:				
Exhibits	1,367,730	-	1,367,730	1,631,706
Educational and program fees	782,070	-	782,070	827,131
Visitor services	672,669	-	672,669	687,580
Communications	536,009	-	536,009	579,315
Total program services	<u>3,358,478</u>	<u>-</u>	<u>3,358,478</u>	<u>3,725,732</u>
Support services:				
Management and general	434,243	-	434,243	398,931
Fundraising	376,194	-	376,194	422,658
Total support services	<u>810,437</u>	<u>-</u>	<u>810,437</u>	<u>821,589</u>
Total operating expenses	<u>4,168,915</u>	<u>-</u>	<u>4,168,915</u>	<u>4,547,321</u>
Change in net assets before depreciation and amortization	181,341	(164,388)	16,953	958,374
Depreciation and amortization	<u>(683,179)</u>	<u>-</u>	<u>(683,179)</u>	<u>(680,021)</u>
Change in net assets after depreciation and amortization	(501,838)	(164,388)	(666,226)	278,353
Net assets, beginning of year	<u>13,613,097</u>	<u>4,627,729</u>	<u>18,240,826</u>	<u>17,962,473</u>
Net assets, end of year	<u>\$ 13,111,259</u>	<u>\$ 4,463,341</u>	<u>\$ 17,574,600</u>	<u>\$ 18,240,826</u>

The accompanying notes are an integral part of these statements.

HIGH DESERT MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	2020				Total 2019
	Program Services	Support Services		Total	
		Management and General	Fundraising		
Personnel expenses					
Salaries and wages	\$ 1,802,819	\$ 293,922	\$ 216,404	\$ 2,313,145	\$ 2,206,188
Payroll taxes	160,894	23,398	17,529	201,821	205,708
Employee benefits	205,097	28,548	9,534	243,179	243,702
Retirement plan contributions	44,916	4,799	4,755	54,470	49,910
Total personnel expenses	<u>2,213,726</u>	<u>350,667</u>	<u>248,222</u>	<u>2,812,615</u>	<u>2,705,508</u>
Operating expenses					
Advertising and promotion	243,829	-	23,342	267,171	351,152
Computer systems	63,458	12,989	13,441	89,888	111,617
Contract services	152,580	2,550	10,865	165,995	256,378
Dues and fees	15,874	1,810	608	18,292	20,484
Insurance	136,272	726	2,653	139,651	130,152
Miscellaneous	288	16	16	320	324
Operating supplies	94,420	5,252	852	100,524	171,223
Photography and art	10,134	-	-	10,134	156,298
Postage and freight	13,080	1,508	13,317	27,905	40,959
Printing and reproduction	16,287	8,430	12,472	37,189	40,987
Professional fees	-	21,423	-	21,423	20,882
Rental expenses	18,464	66	66	18,596	44,399
Repairs and maintenance	102,678	5,678	5,678	114,034	130,459
Service charges	42,436	3,072	8,267	53,775	67,929
Staff development	40,965	5,759	3,799	50,523	55,654
Telephone	12,151	2,795	1,856	16,802	16,628
Travel	20,473	2,537	21,775	44,785	33,639
Utilities	161,363	8,965	8,965	179,293	192,649
Total operating expenses	<u>1,144,752</u>	<u>83,576</u>	<u>127,972</u>	<u>1,356,300</u>	<u>1,841,813</u>
Total expenses before depreciation and amortization	3,358,478	434,243	376,194	4,168,915	4,547,321
Depreciation and amortization	<u>666,646</u>	<u>3,553</u>	<u>12,980</u>	<u>683,179</u>	<u>680,021</u>
Total expenses after depreciation and amortization	<u>\$ 4,025,124</u>	<u>\$ 437,796</u>	<u>\$ 389,174</u>	<u>\$ 4,852,094</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, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets after depreciation and amortization	\$ (666,226)	\$ 278,353
Adjustments to reconcile change in net assets after depreciation and amortization to net cash provided (used) by operating activities:		
Depreciation and amortization	683,179	680,021
Gain on disposal of assets	(400)	(900)
Realized and unrealized (gains) losses on investments	114,083	(29,002)
Endowment investment income	(114,881)	(65,894)
(Increase) decrease in:		
Accounts receivable	72,178	(46,418)
Pledges receivable	(7,230)	(6,653)
Grants receivable	91,506	54,109
Inventory	(1,456)	(1,111)
Prepaid expenses and deposits	4,178	(1,042)
Increase (decrease) in:		
Accounts payable	(79,271)	(70,129)
Other accrued expenses	(97,616)	28,668
Net cash provided (used) by operating activities	<u>(1,956)</u>	<u>820,002</u>
Cash flows from investing activities		
Purchase of certificates of deposit	(255,841)	(257,074)
Proceeds from certificates of deposit	558,943	-
Change in the value of OCF account	16,426	(6,735)
Contributions to investment accounts	(53)	(541,426)
Withdrawals from investment accounts	164,248	170,771
Proceeds from disposal of assets	400	900
Purchases of equipment and intangibles	<u>(214,486)</u>	<u>(263,666)</u>
Net cash provided (used) by investing activities	<u>269,637</u>	<u>(897,230)</u>
Cash flows from financing activities		
Proceeds from Paycheck Protection Program loan	<u>545,668</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	813,349	(77,228)
Cash and cash equivalents, beginning of year	<u>1,494,701</u>	<u>1,571,929</u>
Cash and cash equivalents, end of year	<u>\$ 2,308,050</u>	<u>\$ 1,494,701</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

The Museum adopted Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2018-08: *Not-for-Profit Entities* (Topic 958) which clarifies the accounting guidance about whether a transfer of assets is a contribution or exchange transaction. The standard effectively excludes contributions from the requirements of ASU No. 2014-09 *Revenue from Contracts with Customers*. The Museum adopted the standard effective July 1, 2019, using a modified prospective approach in these financial statements. No change to previously recognized revenue was required as a result of adopting ASU No. 2018-08. The Museum elected to delay implementation of ASU No. 2014-09 *Revenue from Contracts with Customers* (ASC Topic 606) pursuant to ASU No. 2020-05 which delayed the implementation date for the Museum to July 1, 2020.

Basis of Presentation

The 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 9).
- *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 \$447,949 and \$638,153, respectively, in volunteer labor was received during the years ended June 30, 2020 and 2019.

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, 2020, the Museum held investments in two certificates of deposit with original maturities exceeding three months. The certificates earned interest of .01 and .0109 percent. The certificates of deposit are reported at cost plus interest earned. The certificates mature on August 12, 2020 and January 24, 2021.

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 matured on November 20, 2019, November 22, 2019, and March 13, 2020.

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. Expenditures for repairs and maintenance which do not appreciably extend the useful life or increase the value of an asset are expensed as incurred. Assets with a cost greater than \$5,000 and a useful life beyond 1 year, are capitalized and depreciated on a straight-line basis over the estimated useful life of the assets. 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 \$267,171, and \$351,152, for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, the Museum's financial assets, reduced by amounts not available for general expenditures within one year, are comprised of the following:

	<u>2020</u>	<u>2019</u>
Cash	\$ 2,308,050	\$ 1,494,701
Certificates of deposit	255,841	558,943
Accounts receivable	8,685	80,863
Pledges receivable	22,000	14,770
Grants receivable	46,068	137,574
Endowment and OCF Investments	<u>3,640,222</u>	<u>3,820,045</u>
	6,280,866	6,106,896
Less net assets with donor restrictions	(4,463,341)	(4,627,729)
Less board designated net assets	<u>(658,094)</u>	<u>(670,408)</u>
Financial assets available for general expenditure	<u>\$ 1,159,431</u>	<u>\$ 808,759</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.

2. Cash and Cash Equivalents

The carrying amount of the Museum's cash balance was \$2,308,050, and \$1,494,701 and the bank balance was \$2,570,008, and \$1,341,135 at June 30, 2020 and 2019, respectively. Balances in bank accounts exceeded federal insurance coverage by \$784,716 and \$185,123 at June 30, 2020 and 2019, respectively.

3. Accounts Receivable

As of June 30, 2020 and 2019, \$8,685, and \$80,863, respectively, was due from various sources. The Museum determined no allowance for doubtful accounts was necessary as of June 30, 2020 and 2019. Provision for uncollectible amounts is determined based upon management's estimate of the likelihood of eventual collection.

4. Pledges Receivable

As of June 30, 2020 and 2019, \$22,000, and \$14,770, respectively, remained uncollected from donor pledges. The Museum determined no allowance for doubtful accounts was necessary as of June 30, 2020 and 2019. Provision for uncollectible amounts is determined based upon management's estimate of the likelihood of eventual collection.

5. Grants Receivable

Grants receivable at June 30, 2020 and 2019, were \$46,068, and \$137,574, respectively. 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.

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

6. Inventory

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

	2020	2019
Museum Shop	\$ 109,388	\$ 106,066
Café	4,820	6,722
Event beverages	1,359	1,323
Total inventory	\$ 115,567	\$ 114,111

7. 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.

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 8. All other investments are derived from the Level 1 pricing inputs.

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

7. Fair Value Measurements, continued

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, 2020			
	Level 1	Level 2	Level 3	Total
U.S. stocks	\$ 1,517,700	\$ -	\$ -	\$ 1,517,700
International stocks	753,626	-	-	753,626
Real estate investment trusts	298,100	-	-	298,100
Bonds	697,564	-	-	697,564
Cash and money market funds held in endowments	27,308	-	-	27,308
Beneficial interest in the Foundation	-	-	345,924	345,924
Total assets at fair value	\$ 3,294,298	\$ -	\$ 345,924	\$ 3,640,222

	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

8. 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:

	2020	2019
Endowment investments, beginning of year	\$ 3,457,695	\$ 2,992,144
Contributions	53	541,426
Realized and unrealized gains (losses)	(114,083)	29,002
Investment income	114,881	88,407
Investment fees	(16,855)	(22,513)
Distributions	(147,393)	(170,771)
Endowment investments, end of year	\$ 3,294,298	\$ 3,457,695

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

8. Investments, continued

At June 30, the investments are as follows:

	<u>2020</u>	<u>2019</u>
U.S. stocks	\$ 1,517,700	\$ 1,506,393
International stocks	753,626	728,354
Real estate investment trusts	298,100	342,045
Bonds	697,564	854,252
Cash and money market funds held in endowments	<u>27,308</u>	<u>26,651</u>
Total investments	<u>\$ 3,294,298</u>	<u>\$ 3,457,695</u>

9. 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:

	<u>Without donor restrictions</u>	
	<u>2020</u>	<u>2019</u>
Endowment assets, beginning of year	<u>\$ 362,350</u>	<u>\$ 355,615</u>
Investment return:		
Investment income	2,462	2,625
Realized gains	1,366	1,925
Unrealized gains (losses)	<u>(1,962)</u>	<u>19,998</u>
Total investment return	<u>1,866</u>	<u>24,548</u>
Distributions	<u>(15,044)</u>	<u>(14,761)</u>
Investment fees	<u>(3,248)</u>	<u>(3,052)</u>
Endowment assets, end of year	<u>\$ 345,924</u>	<u>\$ 362,350</u>

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

9. Contributions to the Oregon Community Foundation Endowment Fund, continued

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.

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, 2020 and 2019, distributions of \$15,044, and \$14,761, 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.

10. 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.

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

10. 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, 2019	<u>\$ 304,577</u>	<u>\$ 1,075,355</u>	<u>\$ 2,077,763</u>	<u>\$ 3,457,695</u>
Investment return:				
Investment income	37,933	76,948	-	114,881
Net realized and unrealized gains (losses)	<u>11,986</u>	<u>(126,069)</u>	<u>-</u>	<u>(114,083)</u>
Total investment return	<u>49,919</u>	<u>(49,121)</u>	<u>-</u>	<u>798</u>
Contributions	<u>53</u>	<u>-</u>	<u>-</u>	<u>53</u>
Investment fees and distributions	<u>(42,326)</u>	<u>(121,922)</u>	<u>-</u>	<u>(164,248)</u>
Balance at June 30, 2020	<u>\$ 312,223</u>	<u>\$ 904,312</u>	<u>\$ 2,077,763</u>	<u>\$ 3,294,298</u>

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

10. Endowment, continued

	<u>Total</u>
Balance at July 1, 2019	\$ 3,457,695
Net change in investments	<u>(163,397)</u>
Balance at June 30, 2020	<u>\$ 3,294,298</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.

11. Facilities and Equipment

At June 30, facilities and equipment are as follows:

	<u>2020</u>	<u>2019</u>
Non-depreciable:		
Land	\$ 195,000	\$ 195,000
Construction in progress	27,304	208,532
Depreciable:		
Buildings	18,228,801	17,959,647
Exhibits	6,904,778	6,890,007
Furniture and equipment	1,539,576	1,518,040
Land improvements	<u>770,159</u>	<u>684,108</u>
	27,665,618	27,455,334
Accumulated depreciation	<u>(15,891,385)</u>	<u>(15,254,182)</u>
Facilities and equipment, net accumulated depreciation	<u>\$ 11,774,233</u>	<u>\$ 12,201,152</u>

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

12. Intangible Assets

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

	<u>2020</u>	<u>2019</u>
Museum master plan document	\$ 237,391	\$ 237,391
Software	<u>78,997</u>	<u>78,997</u>
	316,388	316,388
Accumulated amortization	<u>(80,070)</u>	<u>(38,296)</u>
Intangible assets, net accumulated amortization	<u>\$ 236,318</u>	<u>\$ 278,092</u>

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, 2020 and 2019. The maximum borrowing capacity on the line of credit is \$500,000 and the interest rate at June 30, 2020 and 2019, was 4.75 percent and 6.5 percent, respectively. This line of credit expires February 10, 2021.

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:

	<u>2020</u>	<u>2019</u>
Net assets with donor restrictions – perpetual in nature:		
Endowments, principal contributions	\$ 2,077,763	\$ 2,077,763
Cash and cash equivalents	<u>-</u>	<u>-</u>
Total net assets with donor restrictions – perpetual in nature	<u>2,077,763</u>	<u>2,077,763</u>
Net assets with donor restrictions – not perpetual in nature:		
Endowments, accumulated earnings with use restrictions	904,312	1,075,355
Grants and contributions with use and time restrictions	<u>1,481,266</u>	<u>1,471,611</u>
Total net assets with donor restrictions – not perpetual in nature	<u>2,385,578</u>	<u>2,546,966</u>
Total net assets with donor restrictions	<u>\$ 4,463,341</u>	<u>\$ 4,624,729</u>

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 10 for more information regarding the management and ongoing nature of each endowment and the related earnings on those endowments.

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15. Paycheck Protection Program Loan

In April 2020, to mitigate the effect of the COVID-19 outbreak, the Museum requested and was granted a loan under the Paycheck Protection Program by First Interstate Bank, administered through the United States Small Business Administration, in the amount of \$545,668. Allowable uses for the loan proceeds include payroll, rent, and other operating expenses in accordance with the provisions of the Coronavirus Aid, Relief and Economic Security Act (the CARES Act). The loan is classified as a long-term liability on the statement of financial position. If certain conditions are met, the loan is forgivable by First Interstate Bank. As of the date of the independent auditor's report, management is not certain how much of the loan amount may be forgiven. For any amount not forgiven, the remaining balance will be required to be paid back in monthly installments at an interest rate of 1 percent over a five year period.

16. 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, 2020 and 2019, the Museum contributed \$54,470 and \$49,910, respectively, to the program.

17. 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, 2020 and 2019.

18. 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.

19. 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.

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

20. 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, 2019, from which the summarized information is derived.

21. COVID-19 Pandemic

As a result of the spread of COVID-19 coronavirus, economic uncertainties have arisen which could negatively impact the Museum's financial condition and operating results. Deschutes County has experienced a decline in tourist activity which results in a reduction to potential visitors of the Museum. The Museum was also closed for approximately three months Starting March 2020 to June 2020 due to the COVID-19 pandemic. Other financial impacts could occur, though such potential impact and duration cannot be reasonably estimated at this time.

22. 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.