

HIGH DESERT MUSEUM

FINANCIAL STATEMENTS

**For the Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)**

Jones & Roth
CPAs & Business Advisors

HIGH DESERT MUSEUM
FINANCIAL STATEMENTS
For the Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

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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, 2021, 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 12, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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
February 14, 2022

FINANCIAL STATEMENTS

HIGH DESERT MUSEUM
STATEMENT OF FINANCIAL POSITION
June 30, 2021
(With Comparative Totals for June 30, 2020)

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 5,052,030	\$ 2,308,050
Certificates of deposit	257,264	255,841
Accounts receivable	20,791	8,685
Pledges receivable	12,500	22,000
Grants receivable, current	1,275,700	46,068
Inventory	95,784	115,567
Prepaid expenses and deposits	112,122	90,909
Total current assets	6,826,191	2,847,120
Grants receivable, long-term	3,600,000	-
Endowment investments	4,290,093	3,294,298
Beneficial interest in the assets of the OCF	457,398	345,924
Intangible assets, net accumulated amortization	197,988	236,318
Facilities and equipment, net accumulated depreciation	11,621,946	11,774,233
Total assets	\$ 26,993,616	\$ 18,497,893
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 158,357	\$ 77,992
Accrued payroll and taxes	140,316	114,646
Accrued compensated absences	97,901	107,806
Deposits and gift certificates	127,252	77,181
Total current liabilities	523,826	377,625
Paycheck protection program loan	545,667	545,668
Total liabilities	1,069,493	923,293
Net assets		
Without donor restrictions:		
Board-designated endowment	851,520	658,094
Undesignated	12,557,643	12,453,165
Total without donor restrictions	13,409,163	13,111,259
With donor restrictions	12,514,960	4,463,341
Total net assets	25,924,123	17,574,600
Total liabilities and net assets	\$ 26,993,616	\$ 18,497,893

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, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	2021			Total 2020
	Without Donor Restrictions	With Donor Restrictions	Total	
Operating support and revenue				
Memberships	\$ 350,661	\$ -	\$ 350,661	\$ 376,157
Admissions, net of discounts of \$28,062	1,141,834	-	1,141,834	1,028,243
Grants	2,189,728	6,441,122	8,630,850	771,633
Contributions	683,971	955,728	1,639,699	939,332
Educational and program fees	93,557	-	93,557	162,101
Merchandise and other sales, net of discounts of \$17,601	735,944	-	735,944	728,220
Cost of goods sold	(316,567)	-	(316,567)	(291,812)
Fundraising events, net of direct expenses of \$84,140	350,561	-	350,561	399,864
Facility rental	3,421	-	3,421	83,528
Other revenue	10,773	-	10,773	14,014
Investment income (loss), net of related expenses	340,702	895,677	1,236,379	(25,812)
Gain on disposal of assets	-	-	-	400
Total operating support and revenue	<u>5,584,585</u>	<u>8,292,527</u>	<u>13,877,112</u>	<u>4,185,868</u>
Net assets released from restrictions	<u>240,908</u>	<u>(240,908)</u>	<u>-</u>	<u>-</u>
Operating expenses				
Program services:				
Exhibits	1,608,881	-	1,608,881	1,367,730
Educational and program fees	994,222	-	994,222	782,070
Visitor services	756,817	-	756,817	672,669
Communications	516,967	-	516,967	536,009
Total program services	<u>3,876,887</u>	<u>-</u>	<u>3,876,887</u>	<u>3,358,478</u>
Support services:				
Management and general	499,950	-	499,950	434,243
Fundraising	470,037	-	470,037	376,194
Total support services	<u>969,987</u>	<u>-</u>	<u>969,987</u>	<u>810,437</u>
Total operating expenses	<u>4,846,874</u>	<u>-</u>	<u>4,846,874</u>	<u>4,168,915</u>
Change in net assets before depreciation and amortization	978,619	8,051,619	9,030,238	16,953
Depreciation and amortization	<u>(680,715)</u>	<u>-</u>	<u>(680,715)</u>	<u>(683,179)</u>
Change in net assets after depreciation and amortization	297,904	8,051,619	8,349,523	(666,226)
Net assets, beginning of year	<u>13,111,259</u>	<u>4,463,341</u>	<u>17,574,600</u>	<u>18,240,826</u>
Net assets, end of year	<u>\$ 13,409,163</u>	<u>\$ 12,514,960</u>	<u>\$ 25,924,123</u>	<u>\$ 17,574,600</u>

The accompanying notes are an integral part of these statements.

HIGH DESERT MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	2021				Total 2020
	Program Services	Support Services		Total	
		Management and General	Fundraising		
Personnel expenses					
Salaries and wages	\$ 2,031,669	\$ 338,808	\$ 321,399	\$ 2,691,876	\$ 2,313,145
Payroll taxes	215,650	30,893	30,174	276,717	201,821
Employee benefits	177,221	30,933	6,600	214,754	243,179
Retirement plan contributions	48,502	2,451	7,901	58,854	54,470
Total personnel expenses	<u>2,473,042</u>	<u>403,085</u>	<u>366,074</u>	<u>3,242,201</u>	<u>2,812,615</u>
Operating expenses					
Advertising and promotion	170,703	-	9,799	180,502	267,171
Computer systems	121,772	25,257	19,436	166,465	89,888
Contract services	368,551	5,380	-	373,931	165,995
Dues and fees	19,044	4,651	859	24,554	18,292
Insurance	165,320	881	3,219	169,420	139,651
Miscellaneous	296	16	16	328	320
Operating supplies	132,803	2,835	2,991	138,629	100,524
Photography and art	8,946	-	-	8,946	10,134
Postage and freight	16,964	2,459	11,576	30,999	27,905
Printing and reproduction	17,638	7,458	16,681	41,777	37,189
Professional fees	-	23,682	-	23,682	21,423
Rental expenses	26,452	63	63	26,578	18,596
Repairs and maintenance	111,122	5,780	5,780	122,682	114,034
Service charges	50,148	2,404	9,366	61,918	53,775
Staff development	10,770	6,500	1,089	18,359	50,523
Telephone	14,581	810	810	16,201	16,802
Travel	15,876	197	13,786	29,859	44,785
Utilities	152,859	8,492	8,492	169,843	179,293
Total operating expenses	<u>1,403,845</u>	<u>96,865</u>	<u>103,963</u>	<u>1,604,673</u>	<u>1,356,300</u>
Total expenses before depreciation and amortization	3,876,887	499,950	470,037	4,846,874	4,168,915
Depreciation and amortization	<u>664,241</u>	<u>3,540</u>	<u>12,934</u>	<u>680,715</u>	<u>683,179</u>
Total expenses after depreciation and amortization	<u>\$ 4,541,128</u>	<u>\$ 503,490</u>	<u>\$ 482,971</u>	<u>\$ 5,527,589</u>	<u>\$ 4,852,094</u>

The accompanying notes are an integral part of these statements.

HIGH DESERT MUSEUM
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets after depreciation and amortization	\$ 8,349,523	\$ (666,226)
Adjustments to reconcile change in net assets after depreciation and amortization to net cash provided (used) by operating activities:		
Depreciation and amortization	680,715	683,179
Forgiveness of paycheck protection program loan	(545,668)	-
Gain on disposal of assets	-	(400)
Realized and unrealized (gains) losses on investments	(1,069,659)	114,083
Endowment investment income	(35,300)	(114,881)
(Increase) decrease in:		
Accounts receivable	(12,106)	72,178
Pledges receivable	9,500	(7,230)
Grants receivable	(4,829,632)	91,506
Inventory	19,783	(1,456)
Prepaid expenses and deposits	(21,213)	4,178
Increase (decrease) in:		
Accounts payable	80,365	(79,271)
Other accrued expenses	<u>65,836</u>	<u>(97,616)</u>
Net cash (provided) used by operating activities	<u>2,692,144</u>	<u>(1,956)</u>
Cash flows from investing activities		
Purchase of certificates of deposit	(257,264)	(255,841)
Proceeds from certificates of deposit	255,841	558,943
Change in the value of OCF account	(111,474)	16,426
Contributions to investment accounts	(50,000)	(53)
Withdrawals from investment accounts	159,164	164,248
Proceeds from disposal of assets	-	400
Purchases of equipment and intangibles	<u>(490,098)</u>	<u>(214,486)</u>
Net cash provided (used) by investing activities	<u>(493,831)</u>	<u>269,637</u>
Cash flows from financing activities		
Proceeds from Paycheck Protection Program loan	<u>545,667</u>	<u>545,668</u>
Net increase in cash and cash equivalents	2,743,980	813,349
Cash and cash equivalents, beginning of year	<u>2,308,050</u>	<u>1,494,701</u>
Cash and cash equivalents, end of year	<u>\$ 5,052,030</u>	<u>\$ 2,308,050</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 (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures related of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Museum adopted the new standard effective July 1, 2020, using the full retrospective approach in these financial statements. No changes were required to previously reported revenues as a result of the adoption, and the adoption did not result in the recognition of additional assets or liabilities.

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 awarded. 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. As of June 30, 2021, \$4,800,000 of grants receivable is due from one donor and is restricted to use for campus improvements and expansion. The majority of the remaining balances of 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 \$218,374 and \$447,949, respectively, in volunteer labor was received during the years ended June 30, 2021 and 2020.

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, 2021, the Museum held investments in two certificates of deposit with original maturities exceeding three months. The certificates earned interest of .25 and .35 percent. The certificates of deposit are reported at cost plus interest earned. The certificates mature on August 12, 2021 and January 24, 2022.

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 0.0109 percent. The certificates of deposit are reported at cost plus interest earned. The certificates matured on August 12, 2020 and January 24, 2021.

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.

Admissions and Merchandise and Other Sales

Admissions are daily visit fees to the Museum which are collected and recognized upon admission. Admission to the museum is considered satisfaction of the performance obligation. Merchandise and other sales are collected and recognized upon the execution of the sale transaction which is considered satisfaction of the performance obligation. These revenues are recognized at a point in time and there are no ongoing performance obligations.

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 \$180,502, and \$267,171, for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, the Museum's financial assets, reduced by amounts not available for general expenditures within one year, are comprised of the following:

	<u>2021</u>	<u>2020</u>
Cash	\$ 5,052,030	\$ 2,308,050
Certificates of deposit	257,264	255,841
Accounts receivable	20,791	8,685
Pledges receivable	12,500	22,000
Grants receivable	4,875,700	46,068
Endowment and OCF Investments	<u>4,747,491</u>	<u>3,640,222</u>
	14,965,776	6,280,866
Less net assets with donor restrictions	(12,514,960)	(4,463,341)
Less board designated net assets	<u>(851,520)</u>	<u>(658,094)</u>
Financial assets available for general expenditure	<u>\$ 1,599,296</u>	<u>\$ 1,159,431</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 \$5,052,030 and \$2,308,050 and the bank balance was \$5,028,898, and \$2,570,008 at June 30, 2021 and 2020, respectively. Balances in bank accounts exceeded federal insurance coverage by \$3,235,088 and \$784,716 at June 30, 2021 and 2020, respectively.

3. Accounts Receivable

As of June 30, 2021 and 2020, \$20,791, and \$8,685, respectively, was due from various sources. The Museum determined no allowance for doubtful accounts was necessary as of June 30, 2021 and 2020. Provision for uncollectible amounts is determined based upon management's estimate of the likelihood of eventual collection.

4. Pledges Receivable

As of June 30, 2021 and 2020, \$12,500, and \$22,000, respectively, remained uncollected from donor pledges. The Museum determined no allowance for doubtful accounts was necessary as of June 30, 2021 and 2020. 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, 2021 and 2020, were \$4,875,700, and \$46,068, respectively. As of June 30, 2021, \$4,800,000 of grants receivable is due from one donor and is payable at \$1,200,000 per year over four years. 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:

	2021	2020
Museum Shop	\$ 90,080	\$ 109,388
Café	4,450	4,820
Event beverages	1,254	1,359
Total inventory	\$ 95,784	\$ 115,567

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, 2021			
	Level 1	Level 2	Level 3	Total
U.S. stocks	\$ 1,971,200	\$ -	\$ -	\$ 1,971,200
International stocks	1,000,460	-	-	1,000,460
Real estate investment trusts	388,525	-	-	388,525
Bonds	896,223	-	-	896,223
Cash and money market funds held in endowments	33,685	-	-	33,685
Beneficial interest in the Foundation	<u>-</u>	<u>-</u>	<u>457,398</u>	<u>457,398</u>
 Total assets at fair value	 <u>\$ 4,290,093</u>	 <u>\$ -</u>	 <u>\$ 457,398</u>	 <u>\$ 4,747,491</u>

	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	<u>-</u>	<u>-</u>	<u>345,924</u>	<u>345,924</u>
 Total assets at fair value	 <u>\$ 3,294,298</u>	 <u>\$ -</u>	 <u>\$ 345,924</u>	 <u>\$ 3,640,222</u>

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:

	<u>2021</u>	<u>2020</u>
Endowment investments, beginning of year	\$ 3,294,298	\$ 3,457,695
Contributions	50,000	53
Realized and unrealized gains (losses)	1,069,659	(114,083)
Investment income	66,734	114,881
Investment fees	(31,434)	(16,855)
Distributions	<u>(159,164)</u>	<u>(147,393)</u>
 Endowment investments, end of year	 <u>\$ 4,290,093</u>	 <u>\$ 3,294,298</u>

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

8. Investments continued

At June 30, the investments are as follows:

	<u>2021</u>	<u>2020</u>
U.S. stocks	\$ 1,971,200	\$ 1,517,700
International stocks	1,000,460	753,626
Real estate investment trusts	388,525	298,100
Bonds	896,223	697,564
Cash and money market funds held in endowments	<u>33,685</u>	<u>27,308</u>
Total investments	<u>\$ 4,290,093</u>	<u>\$ 3,294,298</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>2021</u>	<u>2020</u>
Endowment assets, beginning of year	<u>\$ 345,924</u>	<u>\$ 362,350</u>
Investment return:		
Investment income	2,008	2,462
Realized gains	18,913	1,366
Unrealized gains (losses)	<u>109,490</u>	<u>(1,962)</u>
Total investment return	<u>130,411</u>	<u>1,866</u>
Distributions	<u>(15,248)</u>	<u>(15,044)</u>
Investment fees	<u>(3,689)</u>	<u>(3,248)</u>
Endowment assets, end of year	<u>\$ 457,398</u>	<u>\$ 345,924</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, 2021 and 2020, distributions of \$15,248, and \$15,044, 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

Interpretation of Relevant Law, 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, 2020	<u>\$ 312,223</u>	<u>\$ 904,312</u>	<u>\$ 2,077,763</u>	<u>\$ 3,294,298</u>
Investment return:				
Investment income	7,653	59,081	-	66,734
Net realized and unrealized gains	<u>97,290</u>	<u>972,369</u>	<u>-</u>	<u>1,069,659</u>
Total investment return	<u>104,943</u>	<u>1,031,450</u>	<u>-</u>	<u>1,136,393</u>
Contributions	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Investment fees and distributions	<u>(22,991)</u>	<u>(167,607)</u>	<u>-</u>	<u>(190,598)</u>
Balance at June 30, 2021	<u>\$ 394,175</u>	<u>\$ 1,768,155</u>	<u>\$ 2,127,763</u>	<u>\$ 4,290,093</u>

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

10. Endowment, continued

Interpretation of Relevant Law, continued

	Total
Balance at July 1, 2020	\$ 3,294,298
Net change in investments	995,795
Balance at June 30, 2021	\$ 4,290,093

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:

	2021	2020
Non-depreciable:		
Land	\$ 195,000	\$ 195,000
Construction in progress	451,895	27,304
Depreciable:		
Buildings	18,255,280	18,228,801
Exhibits	6,904,778	6,904,778
Furniture and equipment	1,578,605	1,539,576
Land improvements	770,159	770,159
	28,155,717	27,665,618
Accumulated depreciation	(16,533,771)	(15,891,385)
Facilities and equipment, net accumulated depreciation	\$ 11,621,946	\$ 11,774,233

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

12. Intangible Assets

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

	<u>2021</u>	<u>2020</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>(118,400)</u>	<u>(80,070)</u>
Intangible assets, net accumulated amortization	<u>\$ 197,988</u>	<u>\$ 236,318</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, 2021 and 2020. The maximum borrowing capacity on the line of credit is \$500,000 and the interest rate at June 30, 2021 and 2020, was 4.25 percent and 4.75 percent, respectively. This line of credit expires February 10, 2022.

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>2021</u>	<u>2020</u>
Net assets with donor restrictions – perpetual in nature:		
Endowments, principal contributions	<u>\$ 2,127,763</u>	<u>\$ 2,077,763</u>
Total net assets with donor restrictions – perpetual in nature	<u>2,127,763</u>	<u>2,077,763</u>
Net assets with donor restrictions – not perpetual in nature:		
Endowments, accumulated earnings with use restrictions	1,768,155	904,312
Grants and contributions with use and time restrictions	<u>8,619,042</u>	<u>1,481,266</u>
Total net assets with donor restrictions – not perpetual in nature	<u>10,387,197</u>	<u>2,385,578</u>
Total net assets with donor restrictions	<u>\$ 12,514,960</u>	<u>\$ 4,463,341</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.

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

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 (PPP) 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). This loan plus all accrued interest was forgiven on January 22, 2021 and is included in grant revenue for the year ended June 30, 2021.

In January 2021, a second PPP loan was received from First Interstate Bank, administered through the United States Small Business Administration, in the amount of \$545,667. Allowable uses for the loan proceeds include payroll, rent, and other operating expenses in accordance with the CARES Act. This loan is classified as a long-term liability on the statement of financial position as of June 30, 2021. If certain conditions are met, the loan is forgivable by First Interstate bank. This loan plus all accrued interest was forgiven on November 12, 2021.

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, 2021 and 2020, the Museum contributed \$58,854 and \$54,470, 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, 2021 and 2020.

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.

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

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, 2020, from which the summarized information is derived.

20. 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. However, the related financial impact and duration cannot be reasonably estimated at this time.

21. 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.