

HIGH DESERT MUSEUM

FINANCIAL STATEMENTS

**For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)**

Jones & Roth
CPAs & Business Advisors

HIGH DESERT MUSEUM
FINANCIAL STATEMENTS
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 21

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
High Desert Museum
Bend, Oregon

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of High Desert Museum (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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.

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of High Desert Museum as of June 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of High Desert Museum and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about High Desert Museum's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of High Desert Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about High Desert Museum's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited High Desert Museum's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 21, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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
March 21, 2024

FINANCIAL STATEMENTS

HIGH DESERT MUSEUM
STATEMENT OF FINANCIAL POSITION
For the Year Ended June 30, 2023
(With Comparative Totals for June 30, 2022)

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 8,488,502	\$ 9,136,029
Certificates of deposit	2,624,478	258,038
Investments, short-term	260,034	-
Accounts receivable	41,735	40,039
Pledges receivable, current	1,992,528	512,180
Grants receivable, current	1,611,580	1,382,908
Inventory	447,227	444,957
Prepaid expenses and deposits	113,190	111,961
Total current assets	15,579,274	11,886,112
Other assets		
Pledges receivable, long-term	3,196,356	785,000
Grants receivable, long-term	1,200,000	2,400,000
Endowment investments	3,713,531	3,625,697
Beneficial interest in the assets of the OCF	424,267	417,046
Intangible assets, net accumulated amortization	163,290	180,639
Facilities and equipment, net accumulated depreciation	12,655,139	11,516,826
Total other assets	21,352,583	18,925,208
Total assets	\$ 36,931,857	\$ 30,811,320
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 291,662	\$ 195,494
Accrued payroll and taxes	202,218	289,270
Accrued compensated absences	117,140	117,140
Deposits and gift certificates	180,488	195,405
Total liabilities	791,508	797,309
Net assets		
Without donor restrictions:		
Board-designated endowment	760,278	745,188
Undesignated	12,107,692	12,611,712
Total without donor restrictions	12,867,970	13,356,900
With donor restrictions	23,272,379	16,657,111
Total net assets	36,140,349	30,014,011
Total liabilities and net assets	\$ 36,931,857	\$ 30,811,320

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, 2023

	2023			Total 2022
	Without Donor Restrictions	With Donor Restrictions	Total	
Operating support and revenue				
Memberships	\$ 551,431	\$ -	\$ 551,431	\$ 484,068
Admissions, net of discounts of \$46,874	1,711,466	-	1,711,466	1,670,090
Grants	38,156	1,564,722	1,602,878	1,974,197
Contributions of cash and financial assets	1,010,001	6,335,247	7,345,248	5,099,609
Contributions of nonfinancial assets	126,333	-	126,333	114,207
Educational and program fees	227,970	-	227,970	170,709
Merchandise and other sales, net of discounts of \$63,844	1,367,965	-	1,367,965	1,272,487
Cost of goods sold	(668,866)	-	(668,866)	(687,900)
Fundraising events, net of direct expenses of \$174,113	476,318	-	476,318	384,003
Facility rental	68,600	-	68,600	37,119
Paycheck protection program grant revenue	-	-	-	545,667
Other revenue	29,174	-	29,174	162,118
Investment income (loss), net of related expenses	343,065	79,966	423,031	(571,982)
Total operating support and revenue	<u>5,281,613</u>	<u>7,979,935</u>	<u>13,261,548</u>	<u>10,654,392</u>
Net assets released from restrictions	<u>1,364,667</u>	<u>(1,364,667)</u>	<u>-</u>	<u>-</u>
Operating expenses				
Program services:				
Exhibits	1,919,954	-	1,919,954	2,082,094
Educational and program fees	1,264,904	-	1,264,904	1,342,389
Visitor services	1,415,622	-	1,415,622	1,304,476
Communications	727,765	-	727,765	786,856
Total program services	<u>5,328,245</u>	<u>-</u>	<u>5,328,245</u>	<u>5,515,815</u>
Support services:				
Management and general	689,335	-	689,335	623,611
Fundraising	469,077	-	469,077	518,116
Total support services	<u>1,158,412</u>	<u>-</u>	<u>1,158,412</u>	<u>1,141,727</u>
Total operating expenses	<u>6,486,657</u>	<u>-</u>	<u>6,486,657</u>	<u>6,657,542</u>
Change in net assets before depreciation and amortization	159,623	6,615,268	6,774,891	3,996,850
Depreciation and amortization	<u>(648,553)</u>	<u>-</u>	<u>(648,553)</u>	<u>(656,962)</u>
Change in net assets after depreciation and amortization	(488,930)	6,615,268	6,126,338	3,339,888
Net assets, beginning of year	<u>13,356,900</u>	<u>16,657,111</u>	<u>30,014,011</u>	<u>26,674,123</u>
Net assets, end of year	<u>\$ 12,867,970</u>	<u>\$ 23,272,379</u>	<u>\$ 36,140,349</u>	<u>\$ 30,014,011</u>

The accompanying notes are an integral part of these statements.

HIGH DESERT MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2023

	2023				Total 2022
	Program Services	Support Services		Total	
		Management and General	Fundraising		
Personnel expenses					
Salaries and wages	\$ 2,785,223	\$ 355,400	\$ 301,624	\$ 3,442,247	\$ 3,168,610
Payroll taxes	224,514	27,967	23,533	276,014	251,699
Employee benefits	239,700	31,955	10,801	282,456	325,397
Retirement plan contributions	47,684	5,589	6,157	59,430	56,571
Total personnel expenses	<u>3,297,121</u>	<u>420,911</u>	<u>342,115</u>	<u>4,060,147</u>	<u>3,802,277</u>
Operating expenses					
Advertising and promotion	303,325	-	-	303,325	222,804
Computer systems	90,758	24,499	17,534	132,791	183,244
Contract services	466,148	312	312	466,772	828,137
Dues and fees	18,875	1,233	3,651	23,759	26,607
Fundraising and promotional	2,286	-	20,830	23,116	22,927
Insurance	293,573	1,564	5,716	300,853	265,630
Miscellaneous	547	58	30	635	408
Operating supplies	223,883	13,314	3,812	241,009	254,500
Photography and art	2,500	-	-	2,500	20,200
Postage and freight	28,559	8,343	13,513	50,415	49,043
Printing and reproduction	31,147	1,789	14,734	47,670	55,081
Professional fees	-	109,177	-	109,177	39,915
Rental expenses	30,298	-	-	30,298	12,948
Repairs and maintenance	151,918	8,172	8,172	168,262	406,866
Service charges	83,612	4,008	15,616	103,236	96,213
Training	29,281	55,472	505	85,258	83,805
Telephone	14,725	818	818	16,361	16,552
Travel	17,485	26,209	8,263	51,957	39,398
Utilities	242,204	13,456	13,456	269,116	230,987
Total operating expenses	<u>2,031,124</u>	<u>268,424</u>	<u>126,962</u>	<u>2,426,510</u>	<u>2,855,265</u>
Total expenses before depreciation and amortization	5,328,245	689,335	469,077	6,486,657	6,657,542
Depreciation and amortization	<u>632,858</u>	<u>3,372</u>	<u>12,323</u>	<u>648,553</u>	<u>656,962</u>
Total expenses after depreciation and amortization	<u>\$ 5,961,103</u>	<u>\$ 692,707</u>	<u>\$ 481,400</u>	<u>\$ 7,135,210</u>	<u>\$ 7,314,504</u>

The accompanying notes are an integral part of these statements.

HIGH DESERT MUSEUM
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2023
(With Comparative Totals for June 30, 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets after depreciation and amortization	\$ 6,126,338	\$ 3,339,888
Adjustments to reconcile change in net assets after depreciation and amortization to net cash provided by operating activities:		
Depreciation and amortization	648,553	656,962
Forgiveness of paycheck protection program loan	-	(545,667)
Realized and unrealized (gains) losses on investments	(220,972)	617,125
Endowment investment income	(55,230)	(64,417)
(Increase) decrease in:		
Accounts receivable	(1,696)	(19,248)
Pledges receivable	(3,891,704)	(534,680)
Grants receivable	971,328	1,092,792
Inventory	(2,270)	(349,173)
Prepaid expenses and deposits	(1,229)	161
Increase (decrease) in:		
Accounts payable	96,168	37,137
Other accrued expenses	(101,969)	236,346
	<u>3,567,317</u>	<u>4,467,226</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchase of certificates of deposit	(2,624,478)	(258,038)
Proceeds from certificates of deposit	258,037	257,264
Purchase of short-term investments	(260,034)	-
Change in the value of OCF account	(7,221)	40,352
Contributions to investment accounts	-	(60,000)
Withdrawals from investment accounts	188,369	171,688
Purchases of equipment and intangibles	(1,769,517)	(534,493)
	<u>(4,214,844)</u>	<u>(383,227)</u>
Net cash used by investing activities		
Net increase in cash and cash equivalents	(647,527)	4,083,999
Cash and cash equivalents, beginning of year	<u>9,136,029</u>	<u>5,052,030</u>
Cash and cash equivalents, end of year	<u>\$ 8,488,502</u>	<u>\$ 9,136,029</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 2023, the Museum adopted Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) Topic 842, Leases, using the modified retrospective approach, with July 1, 2022 as the date of initial application. The most significant change in the new leasing guidance is the requirement for lessees to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statement of financial position. The Museum elected to utilize all of the practical expedients available under the transition guidance within the new standard. Adoption of the new standard did not materially impact the statement of financial position as of June 30, 2023, or the related statement of activities and changes in net assets, for the year then ended as the Museum does not have any material leases.

Basis of Presentation

The financial statement presentation follows the recommendations of the 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.

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.

Change in Accounting Policy

During the year ended June 30, 2022, the Museum changed its accounting policy for recording revenues with donor restrictions that immediately satisfy the time or purpose restriction. Previously, these revenues were recorded as revenues without donor restrictions. Beginning July 1, 2021, these revenues are recorded as revenues with donor restriction, and reported in the statement of activities and changes in net assets as net assets released from restrictions. The ending balance of net assets with donor restriction as presented in the statement of financial position is the same under both accounting treatments.

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. 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.

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

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

In-Kind Donated Goods and Services

The Museum recognizes contribution revenue for donated goods and certain donated services. Contributions of donated noncash assets are recorded at the estimated market value in the period received. Donated Café inventory is recorded as in-kind contribution revenue and cost of goods sold. Donated inventory is monetized through Café sales and is valued based on the current market price of the items donated by the vendor. Unless noted, there are no donor-imposed restrictions on the contributed nonfinancial assets. Contributed collections follows the accounting policy described further below in Collections.

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. The Museum receives contributed advertising services that are reported using current rates for similar advertising services (see Note 15). Contributions of donated labor from Museum volunteers are not recorded in the financial statements. The Museum estimates \$557,841 and \$796,468, respectively, in volunteer labor was received during the years ended June 30, 2023 and 2022.

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.

Inventories

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

Investments

Investments are composed of U.S. Treasury bonds and 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, 2023, the Museum held investments in multiple certificates of deposit with original maturities exceeding three months. The certificates earned interest ranging from .20 percent to 2.50 percent. The certificates of deposit are reported at cost plus interest earned. The certificates mature from August 2023 through March 2024 and are all considered current assets.

As of June 30, 2022, the Museum held investments in two certificates of deposit with original maturities exceeding three months. The certificates earned interest of .25 percent and 0.35 percent. The certificates of deposit are reported at cost plus interest earned. The certificates matured on August 12, 2022 and January 24, 2023.

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

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

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.

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 \$292,653, and \$245,731, for the years ended June 30, 2023 and 2022, respectively.

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

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

Liquidity and Reserves

The Museum has a policy to manage its liquidity and reserves in order to meet its needs to fund operating expenditures. At June 30, 2023 and 2022, the Museum's financial assets, reduced by amounts not available for general expenditures within one year, are comprised of the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 8,488,502	\$ 9,136,029
Certificates of deposit	2,624,478	258,038
Investments, short-term	260,034	-
Accounts receivable	41,735	40,039
Pledges receivable	5,188,884	1,297,180
Grants receivable	2,811,580	3,782,908
Endowment and OCF Investments	<u>4,137,798</u>	<u>4,042,743</u>
	23,553,011	18,556,937
Less net assets with donor restrictions, net of restricted facilities and equipment	(20,701,635)	(15,845,485)
Less board designated net assets	<u>(760,278)</u>	<u>(745,188)</u>
Financial assets available for general expenditure	<u>\$ 2,091,098</u>	<u>\$ 1,966,264</u>

Board designated funds are available for general expenditures upon approval by 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.

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.

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

2. Cash and Cash Equivalents

The carrying amount of the Museum's cash balance was \$8,488,502 and \$9,136,029 and the bank balance was \$8,468,678, and \$9,200,494 at June 30, 2023 and 2022, respectively. Balances in bank accounts exceeded federal insurance coverage by \$7,968,678 and \$3,424,225 at June 30, 2023 and 2022, respectively.

3. Accounts Receivable

As of June 30, 2023 and 2022, \$41,735 and \$40,039, respectively, was due from various sources. The Museum determined no allowance for doubtful accounts was necessary as of June 30, 2023 and 2022. Provision for uncollectible amounts is determined based upon management's estimate of the likelihood of eventual collection.

4. Pledges Receivable

As of June 30, 2023 and 2022, \$5,188,884, and \$1,297,180, respectively, remained uncollected from donor pledges and are due over the next five years. The Museum determined no allowance for doubtful accounts was necessary as of June 30, 2023 and 2022. Provision for uncollectible amounts is determined based upon management's estimate of the likelihood of eventual collection.

As of June 30, 2023, \$2,809,886 of the pledges receivables are due from three individuals, which represents 54 percent of the total pledged receivables. As of June 30, 2022, \$802,544 of the pledges receivables are due from two individuals, which represents 62 percent of the total pledged receivables. As of June 30, 2023 and 2022 a total of \$1,018,945 and \$1,267,180 of pledged receivables are due from board members and restricted for campus improvements and expansion.

5. Grants Receivable

Grants receivable at June 30, 2023 and 2022, were \$2,811,580, and \$3,782,908, respectively. As of June 30, 2023, \$2,450,000 of grants receivable is due from one donor and \$2,350,000 of the receivable is restricted for campus improvements and expansion. The grant is payable at \$1,250,000 and \$1,200,000 due in 2024 and 2025, 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.

6. Inventory

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

	<u>2023</u>	<u>2022</u>
Museum Shop	\$ 429,695	\$ 438,377
Café	11,714	5,180
Event beverages	<u>5,818</u>	<u>1,400</u>
Total inventory	<u>\$ 447,227</u>	<u>\$ 444,957</u>

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

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 those 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.

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.

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

7. Fair Value Measurements, *continued*

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, 2023			
	Level 1	Level 2	Level 3	Total
U.S. stock mutual funds	\$ 1,637,030	\$ -	\$ -	\$ 1,637,030
International stock mutual funds	814,303	-	-	814,303
REIT mutual funds	342,231	-	-	342,231
Bond mutual funds	840,974	-	-	840,974
U.S. Treasury securities	260,034	-	-	260,034
Cash and money market funds held in endowments	78,993	-	-	78,993
Beneficial interest in the Foundation	-	-	424,267	424,267
	<u>-\$ 3,973,565</u>	<u>\$ -</u>	<u>\$ 424,267</u>	<u>\$ 4,397,832</u>
Total assets at fair value	<u>\$ 3,973,565</u>	<u>\$ -</u>	<u>\$ 424,267</u>	<u>\$ 4,397,832</u>

	Assets at Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
U.S. stock mutual funds	\$ 1,544,169	\$ -	\$ -	\$ 1,544,169
International stock mutual funds	783,607	-	-	783,607
REIT mutual funds	356,784	-	-	356,784
Bond mutual funds	889,781	-	-	889,781
Cash and money market funds held in endowments	51,356	-	-	51,356
Beneficial interest in the Foundation	-	-	417,046	417,046
	<u>\$ 3,625,697</u>	<u>\$ -</u>	<u>\$ 417,046</u>	<u>\$ 4,042,743</u>
Total assets at fair value	<u>\$ 3,625,697</u>	<u>\$ -</u>	<u>\$ 417,046</u>	<u>\$ 4,042,743</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, endowment investment activity consisted of the following:

	2023	2022
Endowment investments, beginning of year	\$ 3,625,697	\$ 4,290,093
Contributions	-	60,000
Realized and unrealized gains (losses)	220,972	(617,125)
Investment income	80,094	94,160
Investment fees	(24,863)	(29,743)
Distributions	(188,369)	(171,688)
	<u>\$ 3,713,531</u>	<u>\$ 3,625,697</u>
Endowment investments, end of year	<u>\$ 3,713,531</u>	<u>\$ 3,625,697</u>

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

8. Investments, continued

At June 30, investments are as follows:

	<u>2023</u>	<u>2022</u>
U.S. stock mutual funds	\$ 1,637,030	\$ 1,544,169
International stock mutual funds	814,303	783,607
REIT mutual funds	342,231	356,784
U.S Treasury securities	260,034	-
Bond mutual funds	840,974	889,781
Cash and money market funds held in endowments	<u>78,993</u>	<u>51,356</u>
Total investments	<u>\$ 3,973,565</u>	<u>\$ 3,625,697</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 years ended June 30, changes in endowment net assets are as follows:

	<u>Without donor restrictions</u>	
	<u>2023</u>	<u>2022</u>
Endowment assets, beginning of year	<u>\$ 417,046</u>	<u>\$ 457,398</u>
Investment return (loss):		
Investment income	2,726	2,845
Realized gains (losses)	(1,490)	9,046
Unrealized gains (losses)	<u>26,551</u>	<u>(32,773)</u>
Total investment return (loss)	<u>27,787</u>	<u>(20,882)</u>
Distributions	<u>(16,635)</u>	<u>(15,738)</u>
Investment fees	<u>(3,931)</u>	<u>(3,732)</u>
Endowment assets, end of year	<u>\$ 424,267</u>	<u>\$ 417,046</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, 2023 and 2022, distributions of \$16,635 and \$15,738, 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 seven funds established for different purposes. Investment earnings from the seven 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.

Donald M. Kerr Memorial Fund – allocated to the employment of the Curator of Natural History position.

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, 2022	\$ 328,166	\$ 1,109,768	\$ 2,187,763	\$ 3,625,697
Investment return:				
Investment income	7,227	72,867	-	80,094
Net realized and unrealized gains	<u>20,360</u>	<u>200,612</u>	<u>-</u>	<u>220,972</u>
Total investment return	<u>27,587</u>	<u>273,479</u>	<u>-</u>	<u>301,066</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investment fees and distributions	<u>(19,718)</u>	<u>(193,514)</u>	<u>-</u>	<u>(213,232)</u>
Balance at June 30, 2023	<u>\$ 336,035</u>	<u>\$ 1,189,733</u>	<u>\$ 2,187,763</u>	<u>\$ 3,713,531</u>
				<u>Total</u>
Balance at July 1, 2022				\$ 3,625,697
Net change in investments				<u>87,834</u>
Balance at June 30, 2023				<u>\$ 3,713,531</u>

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

10. Endowment, continued

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>2023</u>	<u>2022</u>
Non-depreciable:		
Land	\$ 195,000	\$ 195,000
Construction in progress	2,570,744	811,626
Depreciable:		
Buildings	18,327,699	18,327,699
Exhibits	6,904,778	6,904,778
Furniture and equipment	1,617,777	1,613,279
Land improvements	<u>837,828</u>	<u>837,828</u>
	30,453,826	28,690,210
Accumulated depreciation	<u>(17,798,687)</u>	<u>(17,173,384)</u>
Facilities and equipment, net accumulated depreciation	<u>\$ 12,655,139</u>	<u>\$ 11,516,826</u>

12. Intangible Assets

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

	<u>2023</u>	<u>2022</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>(153,098)</u>	<u>(135,749)</u>
Intangible assets, net accumulated amortization	<u>\$ 163,290</u>	<u>\$ 180,639</u>

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

13. Revolving Line of Credit

The Museum had an annually renewable revolving line of credit with First Interstate Bank. There were no outstanding borrowings on this line of credit at June 30, 2023 and 2022. The maximum borrowing capacity on the line of credit was \$500,000 and the interest rate at June 30, 2022 was 4.75 percent. This line of credit expired May 10, 2023 and was not renewed.

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:

	2023	2022
Net assets with donor restrictions – perpetual in nature:		
Endowments, principal contributions	\$ 2,187,763	\$ 2,187,763
Endowments receivable	200,000	200,000
Total net assets with donor restrictions – perpetual in nature	2,387,763	2,387,763
Net assets with donor restrictions – not perpetual in nature:		
Endowments, accumulated earnings with use restrictions	1,189,733	1,109,768
Grants and contributions with use and time restrictions	19,694,883	13,159,580
Total net assets with donor restrictions – not perpetual in nature	20,884,616	14,269,348
Total net assets with donor restrictions	\$ 23,272,379	\$ 16,657,111

Net assets with donor restrictions consist of principal contributions to endowment investments, earnings on endowment investments and various grants and contributions received and receivable with donor restrictions. See Note 10 for more information regarding the management and ongoing nature of each endowment and the related earnings on those endowments.

15. In-Kind Donations

In-kind donations for the fiscal years ended June 30, 2023 and 2022, stated at estimated fair values, were comprised as follows:

	2023	2022
Advertising	\$ 116,668	\$ 72,654
Inventory	1,680	8,853
Program resources	7,094	20,200
Other	891	12,500
Total in-kind donations	\$ 126,333	\$ 114,207

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

16. Paycheck Protection Program Loan

In 2022, the Museum received forgiveness for a loan under the Paycheck Protection Program (PPP) to mitigate the effect of the COVID-19 outbreak by 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 provisions of the Coronavirus Aid, Relief and Economic Security Act (the CARES Act). This loan plus all accrued interest was forgiven on November 12, 2021 and is recognized as grant revenue for the year ended June 30, 2022.

17. 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, 2023 and 2022, the Museum contributed \$59,430 and \$56,572, respectively, to the program.

18. 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, 2023 and 2022.

19. Employee Retention Credit

The Museum has assessed it qualified for the Employee Retention Credit (ERC) under the CARES Act. The ERC is a refundable tax credit against certain employment taxes equal to 50 percent of the qualified wages an eligible employer pays to employees. On June 30, 2023, the Organization filed amended payroll tax returns which included credits totaling \$265,750 covering the first three quarters of 2021. Subsequent to year end, additional credits totaling \$276,860 were filed on amended payroll tax returns for the period of second, third, and fourth quarters of 2020.

In its accounting for ERC, management applied ASC Subtopic 958-605, *Not-for-Profit Entities — Revenue Recognition*, which provides guidance on determining whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome to be entitled to funds and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

19. Employee Retention Credit, continued

The Organization considers the ongoing review and approval by Internal Revenue Service (IRS) as a barrier to eligibility. The amounts claimed are subject to repayment if the IRS audit determined the Organization has not met the eligibility criteria. As of date of the independent auditor's report, none of the total ERC has been received.

20. 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.

21. 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, 2022, from which the summarized information is derived.

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.