

HIGH DESERT MUSEUM

FINANCIAL STATEMENTS

**For the Year Ended June 30, 2024
(With Comparative Totals for the Year Ended June 30, 2023)**

Jones & Roth
CPAs & Business Advisors

HIGH DESERT MUSEUM
FINANCIAL STATEMENTS
For the Year Ended June 30, 2024
(With Comparative Totals for the Year Ended June 30, 2023)

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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, 2024, 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, 2024, 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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 21, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Jones & Roth, P.C.

Jones & Roth, P.C.
Bend, Oregon
December 4, 2024

FINANCIAL STATEMENTS

HIGH DESERT MUSEUM
STATEMENT OF FINANCIAL POSITION
June 30, 2024
(With Comparative Totals for June 30, 2023)

	2024	2023
Assets		
Current assets		
Cash and cash equivalents	\$ 3,004,258	\$ 8,488,502
Certificates of deposit	520,753	2,624,478
Investments, short-term	10,643,913	260,034
Other receivables	95,059	41,735
Pledges receivable, current	3,095,485	1,992,528
Grants receivable, current	2,084,312	1,611,580
Inventory	351,338	447,227
Prepaid expenses and deposits	91,257	113,190
Total current assets	19,886,375	15,579,274
Other assets		
Pledges receivable, long-term	2,655,369	3,196,356
Grants receivable, long-term	92,500	1,200,000
Endowment investments	3,991,491	3,713,531
Beneficial interest in the assets of the OCF	450,440	424,267
Intangible assets, net accumulated amortization	150,567	163,290
Facilities and equipment, net accumulated depreciation	14,255,547	12,655,139
Total other assets	21,595,914	21,352,583
Total assets	\$ 41,482,289	\$ 36,931,857
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 658,350	\$ 291,662
Accrued payroll and taxes	205,806	202,218
Accrued compensated absences	129,127	117,140
Deposits and gift certificates	154,977	180,488
Total liabilities	1,148,260	791,508
Net assets		
Without donor restrictions:		
Board-designated endowment	806,976	760,278
Undesignated	12,197,219	12,107,692
Total without donor restrictions	13,004,195	12,867,970
With donor restrictions	27,329,834	23,272,379
Total net assets	40,334,029	36,140,349
Total liabilities and net assets	\$ 41,482,289	\$ 36,931,857

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, 2024
(With Comparative Totals for June 30, 2023)

	2024			2023
	Without Donor	With Donor	Total	Total
	Restrictions	Restrictions		
Operating support and revenue				
Memberships	\$ 611,894	\$ -	\$ 611,894	\$ 551,431
Admissions, net of discounts of \$62,965	2,010,847	-	2,010,847	1,711,466
Grants	619,799	1,607,317	2,227,116	1,602,878
Contributions of cash and financial assets	1,163,499	3,383,313	4,546,812	7,345,248
Contributions of nonfinancial assets	166,676	-	166,676	126,333
Educational and program fees	268,172	-	268,172	227,970
Merchandise and other sales, net of discounts of \$62,878	1,399,333	-	1,399,333	1,367,965
Cost of goods sold	(651,851)	-	(651,851)	(668,866)
Fundraising events, net of direct expenses of \$212,585	425,434	-	425,434	476,318
Facility rental	73,855	-	73,855	68,600
Other revenue	30,495	-	30,495	29,174
Investment income, net of related expenses	740,294	207,458	947,752	423,031
Total operating support and revenue	<u>6,858,447</u>	<u>5,198,088</u>	<u>12,056,535</u>	<u>13,261,548</u>
Net assets released from restrictions	<u>1,140,633</u>	<u>(1,140,633)</u>	<u>-</u>	<u>-</u>
Operating expenses				
Program services:				
Exhibits	2,183,939	-	2,183,939	1,919,954
Educational and program fees	1,480,280	-	1,480,280	1,264,904
Visitor services	1,423,664	-	1,423,664	1,415,622
Communications	865,214	-	865,214	727,765
Total program services	<u>5,953,097</u>	<u>-</u>	<u>5,953,097</u>	<u>5,328,245</u>
Support services:				
Management and general	756,336	-	756,336	689,335
Fundraising	503,026	-	503,026	469,077
Total support services	<u>1,259,362</u>	<u>-</u>	<u>1,259,362</u>	<u>1,158,412</u>
Total operating expenses	<u>7,212,459</u>	<u>-</u>	<u>7,212,459</u>	<u>6,486,657</u>
Change in net assets before depreciation and amortization	786,621	4,057,455	4,844,076	6,774,891
Depreciation and amortization	<u>(650,396)</u>	<u>-</u>	<u>(650,396)</u>	<u>(648,553)</u>
Change in net assets after depreciation and amortization	136,225	4,057,455	4,193,680	6,126,338
Net assets, beginning of year	<u>12,867,970</u>	<u>23,272,379</u>	<u>36,140,349</u>	<u>30,014,011</u>
Net assets, end of year	<u>\$ 13,004,195</u>	<u>\$ 27,329,834</u>	<u>\$ 40,334,029</u>	<u>\$ 36,140,349</u>

The accompanying notes are an integral part of these statements.

HIGH DESERT MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2024
(With Comparative Totals for June 30, 2023)

	2024			2023	
	Program Services	Support Services		Total	Total
		Management and General	Fundraising		
Personnel expenses					
Salaries and wages	\$ 2,938,359	\$ 360,714	\$ 299,618	\$ 3,598,691	\$ 3,442,247
Payroll taxes	250,756	31,394	25,318	307,468	276,014
Employee benefits	365,577	32,230	31,612	429,419	282,456
Retirement plan contributions	52,383	5,529	3,307	61,219	59,430
Total personnel expenses	<u>3,607,075</u>	<u>429,867</u>	<u>359,855</u>	<u>4,396,797</u>	<u>4,060,147</u>
Operating expenses					
Advertising and promotion	335,104	-	-	335,104	303,325
Computer systems	117,344	16,806	22,044	156,194	132,791
Contract services	489,231	-	-	489,231	466,772
Dues and fees	27,059	3,636	5,411	36,106	23,759
Events and promotional	3,849	-	20,354	24,203	23,116
Insurance	380,291	2,026	7,405	389,722	300,853
Miscellaneous	416	23	23	462	635
Operating supplies	281,012	16,585	970	298,567	243,542
Photography and art	7,100	-	-	7,100	2,500
Postage and freight	25,207	10,583	7,758	43,548	50,415
Printing and reproduction	33,095	1,758	25,911	60,764	47,670
Professional fees	-	181,928	-	181,928	109,177
Rental expenses	10,850	-	-	10,850	30,298
Repairs and maintenance	197,973	10,656	10,656	219,285	168,262
Service charges	93,313	4,474	17,428	115,215	103,236
Training	47,182	57,867	2,483	107,532	82,725
Telephone	19,540	1,086	1,086	21,712	16,361
Travel	36,166	5,636	8,237	50,039	51,957
Utilities	241,290	13,405	13,405	268,100	269,116
Total operating expenses	<u>2,346,022</u>	<u>326,469</u>	<u>143,171</u>	<u>2,815,662</u>	<u>2,426,510</u>
Total expenses before depreciation and amortization	5,953,097	756,336	503,026	7,212,459	6,486,657
Depreciation and amortization	<u>634,656</u>	<u>3,382</u>	<u>12,358</u>	<u>650,396</u>	<u>648,553</u>
Total expenses after depreciation and amortization	<u>\$ 6,587,753</u>	<u>\$ 759,718</u>	<u>\$ 515,384</u>	<u>\$ 7,862,855</u>	<u>\$ 7,135,210</u>

The accompanying notes are an integral part of these statements.

HIGH DESERT MUSEUM
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2024
(With Comparative Totals for June 30, 2023)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets after depreciation and amortization	\$ 4,193,680	\$ 6,126,338
Adjustments to reconcile change in net assets after depreciation and amortization to net cash provided by operating activities:		
Depreciation and amortization	650,396	648,553
Realized and unrealized gains on investments	(347,806)	(220,972)
Endowment investment income	(71,458)	(55,230)
(Increase) decrease in:		
Other receivables	(53,324)	(1,696)
Pledges receivable	(561,970)	(3,891,704)
Grants receivable	634,768	971,328
Inventory	95,889	(2,270)
Prepaid expenses and deposits	21,933	(1,229)
Increase (decrease) in:		
Accounts payable	366,688	96,168
Other accrued expenses	(9,936)	(101,969)
	<u>4,918,860</u>	<u>3,567,317</u>
Cash flows from investing activities		
Purchase of certificates of deposit	(318,064)	(2,624,478)
Proceeds from certificates of deposit	2,421,790	258,037
Purchase of investments	(10,550,000)	(260,034)
Proceeds from investments	307,424	188,369
Change in the value of OCF account	(26,173)	(7,221)
Purchases of facilities, equipment and intangibles	(2,238,081)	(1,769,517)
	<u>(10,403,104)</u>	<u>(4,214,844)</u>
Net decrease in cash and cash equivalents	(5,484,244)	(647,527)
Cash and cash equivalents, beginning of year	<u>8,488,502</u>	<u>9,136,029</u>
Cash and cash equivalents, end of year	<u>\$ 3,004,258</u>	<u>\$ 8,488,502</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 2024, the Museum adopted Accounting Standards Update 2016-13 Financial Instruments – Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments, and all related amendments* (ASC 326), which replaced the incurred loss methodology for recognizing credit losses with an expected loss methodology that is referred to as the current expected credit loss methodology. The impact of adoption was not considered material to the financial statements, as the Museum does not have any assets applicable to the new standard.

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 Trustees to be expended at the discretion of the Board of Trustees. 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.

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.

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

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

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 pledges and grants receivable 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.

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 16). Contributions of donated labor from Museum volunteers are not recorded in the financial statements. The Museum estimates \$610,354 and \$557,841, respectively, in volunteer labor was received during the years ended June 30, 2024 and 2023.

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 U.S. Treasury bonds, mutual funds, and exchange traded funds (ETFs) 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, 2024, the Museum held investments in multiple certificates of deposit with original maturities exceeding three months. The certificates earned interest ranging from 4.75 percent to 5.70 percent. The certificates of deposit are reported at cost plus interest earned. The certificates mature from October 2024 through March 2025 and are all considered current assets.

As of June 30, 2023, the Museum held investments in multiple certificates of deposit with original maturities exceeding three months. The certificates earned interest of .20 percent to 2.50 percent. The certificates of deposit are reported at cost plus interest earned. The certificates matured from August 2023 through March 2024.

Collections

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

Memberships, Admissions, Merchandise and Other Sales

Memberships are enrollments to the Museum for a one year period, which are collected and recognized upon enrollment. The Museum considers there to be no ongoing performance obligations to members during the membership period as the Museum is regularly open and available to the public and members. Membership enrollment is considered satisfaction of the performance obligation and revenue is recognized at a point in time.

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.

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

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

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 \$335,104 and \$303,325 for the years ended June 30, 2024 and 2023, respectively.

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.

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.

Liquidity and Reserves

The Museum has a policy to manage its liquidity and reserves in order to meet its needs to fund operating expenditures.

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

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

Liquidity and Reserves, continued

At June 30, 2024 and 2023, the Museum's financial assets, reduced by amounts not available for general expenditures within one year, are comprised of the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 3,004,258	\$ 8,488,502
Certificates of deposit	520,753	2,624,478
Investments, short-term	10,643,913	260,034
Other receivables	95,059	41,735
Pledges receivable	5,750,854	5,188,884
Grants receivable	2,176,812	2,811,580
Endowment and OCF Investments	<u>4,441,931</u>	<u>4,137,798</u>
	26,633,580	23,553,011
Less net assets with donor restrictions, net of restricted facilities and equipment	(22,578,387)	(20,701,635)
Less board designated net assets	<u>(806,976)</u>	<u>(760,278)</u>
Financial assets available for general expenditure	<u>\$ 3,248,217</u>	<u>\$ 2,091,098</u>

Board designated funds are available for general expenditures upon approval by the board of trustees.

2. Cash and Cash Equivalents

The carrying amount of the Museum's cash balance was \$3,004,258 and \$8,488,502 and the bank balance was \$2,932,406 and \$8,468,678 at June 30, 2024 and 2023, respectively. Balances in bank accounts exceeded federal insurance coverage by \$2,348,840 and \$7,968,678 at June 30, 2024 and 2023, respectively, which represents a credit risk to the Museum.

3. Other Receivables

As of June 30, 2024 and 2023, \$95,059 and \$41,735, respectively, was due from various sources. The Museum determined no allowance for credit losses was necessary as of June 30, 2024 and 2023. Provision for uncollectible amounts is determined based upon management's estimate of the likelihood of eventual collection.

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

4. Pledges Receivable

As of June 30, 2024 and 2023, \$5,750,854 and \$5,188,884, respectively, remained uncollected from donor pledges and are due over the next five years. The Museum determined no allowance for credit losses was necessary as of June 30, 2024 and 2023. Provision for uncollectible amounts is determined based upon management's estimate of the likelihood of eventual collection.

As of June 30, 2024, \$4,107,288 of the pledges receivables are due from five individuals, which represents 71 percent of the total pledged receivables. 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, 2024 and 2023 a total of \$1,607,174 and \$1,018,945 of pledged receivables are due from board members and restricted for campus improvements and expansion.

5. Grants Receivable

Grants receivable at June 30, 2024 and 2023 were \$2,176,812 and \$2,811,580, respectively. As of June 30, 2024, \$1,250,000 of grants receivable is due from one donor and \$1,250,000 of the receivable is restricted for campus improvements and expansion. The grant is payable at \$1,250,000 due in 2025. Management considers all grants receivable to be fully collectible and, accordingly, an allowance for credit losses 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:

	2024	2023
Museum Shop	\$ 333,712	\$ 429,695
Café	14,840	11,714
Event beverages	2,786	5,818
Total inventory	\$ 351,338	\$ 447,227

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.

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

7. Fair Value Measurements, continued

Level 2: Inputs to the valuation methodology include:

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

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

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

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

The Oregon Community Foundation's (the Foundation) management represents that 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 9. All other investments are derived from the Level 1 pricing inputs.

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

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

	Assets at Fair Value as of June 30, 2024			
	Level 1	Level 2	Level 3	Total
U.S. stock mutual funds and ETFs	\$ 1,759,052	\$ -	\$ -	\$ 1,759,052
International stock mutual funds	878,532	-	-	878,532
REIT mutual funds	346,429	-	-	346,429
Bond mutual funds	930,227	-	-	930,227
U.S. Treasury securities	10,643,913	-	-	10,643,913
Cash and money market funds held in endowments	77,251	-	-	77,251
Beneficial interest in the Foundation	-	-	450,440	450,440
 Total assets at fair value	 \$ 14,635,404	 \$ -	 \$ 450,440	 \$ 15,085,844

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

7. Fair Value Measurements, continued

	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>

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:

	2024	2023
Endowment investments, beginning of year	\$ 3,713,531	\$ 3,625,697
Contributions	50,000	-
Realized and unrealized gains	347,806	220,972
Investment income	98,106	80,094
Investment fees	(26,648)	(24,863)
Distributions	(191,304)	(188,369)
	<u>\$ 3,991,491</u>	<u>\$ 3,713,531</u>
Endowment investments, end of year	<u>\$ 3,991,491</u>	<u>\$ 3,713,531</u>

At June 30, investments are as follows:

	2024	2023
U.S. stock mutual funds and ETFs	\$ 1,759,052	\$ 1,637,030
International stock mutual funds	878,532	814,303
REIT mutual funds	346,429	342,231
U.S Treasury securities	10,643,913	260,034
Bond mutual funds	930,227	840,974
Cash and money market funds held in endowments	77,251	78,993
	<u>\$ 14,635,404</u>	<u>\$ 3,973,565</u>
Total investments	<u>\$ 14,635,404</u>	<u>\$ 3,973,565</u>

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

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 Trustees 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>2024</u>	<u>2023</u>
Endowment assets, beginning of year	\$ 424,267	\$ 417,046
Investment return (loss):		
Investment income	3,447	2,726
Realized gains (losses)	2,846	(1,490)
Unrealized gains	<u>41,300</u>	<u>26,551</u>
Total investment return	<u>47,593</u>	<u>27,787</u>
Distributions	<u>(17,402)</u>	<u>(16,635)</u>
Investment fees	<u>(4,018)</u>	<u>(3,931)</u>
Endowment assets, end of year	<u>\$ 450,440</u>	<u>\$ 424,267</u>

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.

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

10. 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, 2024 and 2023, distributions of \$17,402 and \$16,635, 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.

11. 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 Trustees.

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 Trustees 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.

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.

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

11. Endowment, continued

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, 2023	\$ 336,035	\$ 1,189,733	\$ 2,187,763	\$ 3,713,531
Investment return:				
Investment income	8,740	89,366	-	98,106
Net realized and unrealized gains	<u>31,729</u>	<u>316,077</u>	<u>-</u>	<u>347,806</u>
Total investment return	<u>40,469</u>	<u>405,443</u>	<u>-</u>	<u>445,912</u>
Contributions	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Investment fees and distributions	<u>(19,968)</u>	<u>(197,984)</u>	<u>-</u>	<u>(217,952)</u>
Balance at June 30, 2024	<u>\$ 356,536</u>	<u>\$ 1,397,192</u>	<u>\$ 2,237,763</u>	<u>\$ 3,991,491</u>
				<u>Total</u>
Balance at July 1, 2023				\$ 3,713,531
Net change in investments				<u>277,960</u>
Balance at June 30, 2024				<u>\$ 3,991,491</u>

Return Objectives and Risk Parameters

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

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

11. Endowment, continued

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.

12. Facilities and Equipment

At June 30, facilities and equipment are as follows:

	<u>2024</u>	<u>2023</u>
Non-depreciable:		
Land	\$ 195,000	\$ 195,000
Construction in progress	4,751,447	2,570,744
Depreciable:		
Buildings	18,351,929	18,327,699
Exhibits	6,910,323	6,904,778
Furniture and equipment	1,634,669	1,623,679
Land improvements	<u>844,440</u>	<u>837,828</u>
	32,687,808	30,459,728
Accumulated depreciation	<u>(18,432,261)</u>	<u>(17,804,589)</u>
Facilities and equipment, net accumulated depreciation	<u>\$ 14,255,547</u>	<u>\$ 12,655,139</u>

13. Intangible Assets

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

	<u>2024</u>	<u>2023</u>
Museum master plan document	\$ 237,391	\$ 237,391
Software	<u>88,997</u>	<u>78,997</u>
	326,388	316,388
Accumulated amortization	<u>(175,821)</u>	<u>(153,098)</u>
Intangible assets, net accumulated amortization	<u>\$ 150,567</u>	<u>\$ 163,290</u>

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

14. 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, 2024 and 2023. The maximum borrowing capacity on the line of credit was \$500,000 and the interest rate was 4.75 percent. This line of credit expired May 10, 2023 and was not renewed.

15. 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:

	2024	2023
Net assets with donor restrictions – perpetual in nature:		
Endowments, principal contributions	\$ 2,237,763	\$ 2,187,763
Endowments receivable	150,000	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	1,397,191	1,189,733
Grants and contributions with use and time restrictions	23,544,880	19,694,883
Total net assets with donor restrictions – not perpetual in nature	24,942,071	20,884,616
Total net assets with donor restrictions	\$ 27,329,834	\$ 23,272,379

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

16. In-Kind Donations

In-kind donations for the fiscal years ended June 30, 2024 and 2023, stated at estimated fair values, were comprised as follows:

	2024	2023
Advertising	\$ 151,757	\$ 116,668
Inventory	3,704	1,680
Program resources	4,500	7,094
Other	6,715	891
Total in-kind donations	\$ 166,676	\$ 126,333

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

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, 2024 and 2023, the Museum contributed \$61,219 and \$59,430, 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, 2024 and 2023.

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. Through June 30, 2024, 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.

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.

HIGH DESERT MUSEUM
NOTES TO FINANCIAL STATEMENTS

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, 2023, from which the summarized information is derived.

22. Reclassifications of Prior Year Presentation

Certain amounts within the financial statements have been reclassified in the prior year summarized information to conform with current year presentation. The reclassifications had no effect on the reported change in net assets for either period presented.

23. 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.