

MARYHILL MUSEUM OF ART
FINANCIAL REPORT

For the Years Ended
December 31, 2013 and 2012

MARYHILL MUSEUM OF ART

BOARD OF TRUSTEES

David Savinar, President	Matthew Johnston
Laura Cheney, Vice President	Edward Kice
Philip Swartz, Secretary	Maureen Krebs
Jim McCreight, Treasurer	Kim McGinnis
Anne Avery, Member-At-Large	Bob Moco
Lee Weinstein	Laura Muehleck
Gwen Bassetti	Michael Oros
Sandra Boyd	Dean Ozuna
Linda Frischmeyer, Member-At-Large	Juris Sarins
Ian Grabenhorst	Corday Trick
Byron Henry	Ken Weeks

ADMINISTRATION

Colleen Schafroth, Executive Director
35 Maryhill Museum Drive
Goldendale, WA 98620

MARYHILL MUSEUM OF ART

TABLE OF CONTENTS

	<u>PAGE</u>
Names of Board of Trustees and Administration Staff	Preceding
Independent Auditor's Report	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities – 2013	4
Statement of Activities – 2012	5
Statements of Cash Flows	6
Notes to Financial Statements	7-16

Onstott, Broehl & Cyphers, P. C.

Certified Public Accountants

KENNETH L. ONSTOTT, c.p.a.

JAMES T. BROEHL, c.p.a.

RICK M. CYPHERS, c.p.a.

WILLIAM S. ROOPER, c.p.a. retired

MEMBERS:

American Institute of c.p.a.'s

Oregon Society of c.p.a.'s

OFFICES:

100 EAST FOURTH STREET

THE DALLES, OREGON 97058

Telephone: (541) 296-9131

Fax: (541) 296-6151

1313 BELMONT STREET

HOOD RIVER, OREGON 97031

Telephone: (541) 386-6661

Fax: (541) 308-0178

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Maryhill Museum of Art

We have audited the accompanying financial statements of Maryhill Museum of Art (a non-profit organization), which comprise statement of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maryhill Museum of Art as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Onatott, Broehl & Cyphers, PC

The Dalles, Oregon

May 27, 2014

FINANCIAL STATEMENTS

MARYHILL MUSEUM OF ART
Statements of Financial Position
December 31, 2013 and 2012

	2013	2012
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 113,395	\$ 56,658
Inventory	22,851	32,394
Pledge & Other Receivables	310,234	190,702
Prepaid Insurance	13,531	14,947
Total Current Assets	460,011	294,701
Non-current Assets:		
Pledge & Other Receivables, less current portion	45,700	259,474
Investments	1,390,237	1,235,443
Collections (see note)		
Beneficial Interest in Irrevocable Trust		137,763
Property & Equipment (net)	12,033,288	12,412,360
Total Non-current Assets	13,469,225	14,045,040
Total Assets	<u>\$ 13,929,236</u>	<u>\$ 14,339,741</u>
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts Payable	\$ 54,077	\$ 25,501
Payroll Liabilities	16,232	14,688
Taxes Payable	1,746	1,827
Deposits	400	400
Total Current Liabilities	72,455	42,416
Total Liabilities	72,455	42,416
Net Assets:		
Unrestricted Net Assets:		
Undesignated	12,386,021	12,888,564
Board Designated	320,486	187,184
Temporarily Restricted, as restated	210,141	291,444
Permanently Restricted, as restated	940,133	930,133
Total Net Assets	13,856,781	14,297,325
Total Liabilities and Net Assets	<u>\$ 13,929,236</u>	<u>\$ 14,339,741</u>

The accompanying notes are an integral part of these financial statements.

MARYHILL MUSEUM OF ART
Statement of Activities
For the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE:				
Admissions	\$ 261,315			\$ 261,315
Memberships	44,289			44,289
Merchandise & Food Sales	185,855			185,855
Contributions, Pledges & Bequests	86,465	\$ 55,825	\$ 10,000	152,290
Government Grants	27,506			27,506
Leases & Rents	337,748			337,748
Memorials/Planned Giving	4,650			4,650
Corporate Gifts/Sponsorships	34,900			34,900
Foundation Gifts/Grants	26,300			26,300
Investment Income	29,635			29,635
Net Gains & Losses on Investments	45,019			45,019
Change in Value of Split-Interest Agreement	(5,635)			(5,635)
Special Event Revenue	40,336			40,336
Miscellaneous	38,869			38,869
Total Revenue	1,157,252	55,825	10,000	1,223,077
Net Assets Released from Restriction	137,128	(137,128)		0
	1,294,380	(81,303)	10,000	1,223,077
EXPENSES:				
Management & Administrative:				
General & Administrative	114,921			114,921
Development	81,442			81,442
Public Relations	89,259			89,259
Total Management & General	285,622			285,622
Program Services:				
Education	123,184			123,184
Events	57,255			57,255
Exhibits	211,761			211,761
Collections	69,859			69,859
Membership	25,658			25,658
Buildings	481,156			481,156
Gardens & Grounds	214,741			214,741
Café, Store & Admissions	194,173			194,173
Total Program Services	1,377,787			1,377,787
Total Expenses	1,663,409			1,663,409
Change in Net Assets Before Changes				
Related to Collection Items not Capitalized	(369,029)	(81,303)	10,000	(440,332)
Collection Items Purchased	(212)			(212)
Change in Net Assets	(369,241)	(81,303)	10,000	(440,544)
Net Assets at Beginning of Year	13,075,748	291,444	930,133	14,297,325
Net Assets at End of Year	\$ 12,706,507	\$ 210,141	\$ 940,133	\$ 13,856,781

The accompanying notes are an integral part of these financial statements.

MARYHILL MUSEUM OF ART
Statement of Activities
For the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE:				
Admissions	\$ 309,799			\$ 309,799
Memberships	41,255			41,255
Gallery Sales	1,422			1,422
Merchandise & Food Sales	194,907			194,907
Contributions, Pledges & Bequests	152,857	\$ 8,159	\$ 10,350	171,366
Government Grants	568,510			568,510
Leases & Rents	322,604			322,604
Memorials/Planned Giving	1,525			1,525
Corporate Gifts/Sponsorships	15,867			15,867
Foundation Gifts/Grants	411,550			411,550
Investment Income	32,930			32,930
Net Gains & Losses on Investments	26,667			26,667
Change in Value of Split-Interest Agreement		5,474		5,474
Special Event Revenue	60,882			60,882
Miscellaneous	8,176			8,176
Total Revenue	2,148,951	13,633	10,350	2,172,934
Net Assets Released from Restriction	25,586	(25,586)		0
	2,174,537	(11,953)	10,350	2,172,934
EXPENSES:				
Management & Administrative:				
General & Administrative	120,178			120,178
Development	75,991			75,991
Public Relations	90,528			90,528
Total Management & General	286,697			286,697
Program Services:				
Education	112,485			112,485
Events	81,471			81,471
Exhibits	193,993			193,993
Collections	70,018			70,018
Membership	24,535			24,535
Buildings	413,670			413,670
Gardens & Grounds	181,783			181,783
Café, Store & Admissions	180,341			180,341
Total Program Services	1,258,296			1,258,296
Total Expenses	1,544,993			1,544,993
Change in Net Assets Before Changes				
Related to Collection Items not Capitalized	629,544	(11,953)	10,350	627,941
Collection Items Purchased	(4,649)			(4,649)
Change in Net Assets	624,895	(11,953)	10,350	623,292
Net Assets at Beginning of Year, as restated	12,450,853	303,397	919,783	13,674,033
Net Assets at End of Year, as restated	\$ 13,075,748	\$ 291,444	\$ 930,133	\$ 14,297,325

The accompanying notes are an integral part of these financial statements.

MARYHILL MUSEUM OF ART
Statement of Cash Flows
Fro the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (440,544)	\$ 623,292
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	426,967	344,739
Net (Gain) Loss on Investments	(45,019)	(26,667)
Net (Gain) Loss on Split-Interest Agreement		(5,474)
Decrease, (Increase) In:		
Inventory	9,543	9,028
Receivables	232,005	134,197
Prepaid Insurance	1,416	(2,033)
Increase, (Decrease) In:		
Accounts Payable	28,576	(635,849)
Payroll Liabilities	1,544	(1,147)
Taxes Payable	(81)	301
Less Cash Contributions Restricted for Long-Term Purposes		(20,509)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>214,407</u>	<u>419,878</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(253,736)	(3,172,855)
Sales of Investments	143,961	5,682,767
Purchases of Fixed Assets	(47,895)	(2,961,990)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(157,670)</u>	<u>(452,078)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Contributions Restricted for Long-Term Purposes		20,509
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>0</u>	<u>20,509</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	56,737	(11,691)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>56,658</u>	<u>68,349</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 113,395</u></u>	<u><u>\$ 56,658</u></u>
<u>SUPPLEMENTAL DISCLOSURE:</u>		
CASH PAID FOR TAXES	<u><u>\$ 6,046</u></u>	<u><u>\$ 6,968</u></u>

The accompanying notes are an integral part of these financial statements.

MARYHILL MUSEUM OF ART
Notes to Financial Statements
December 31, 2013 and 2012

A. THE MUSEUM AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Museum

Maryhill Museum of Art is a not-for-profit corporation, incorporated in the State of Washington in 1923. The Museum's mission is as follows: "From the unique Columbia River Gorge, Maryhill Museum of Art collects, presents and preserves art and historical and natural resources to enrich and educate residents and visitors of the Pacific Northwest." This is accomplished through growth and stewardship of the Museum's unique collections, cultural and natural resources, and presentation of quality exhibitions and educational programs. The Museum's support comes primarily from admissions, dues, merchandise and food sales, investment income, rentals and donor contributions.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded when earned and expenses are reported when incurred.

The Museum's activities and net assets are classified into one of three classes – unrestricted, temporarily restricted and permanently restricted as follows:

- Unrestricted net assets represent net assets not subject to donor-imposed restrictions.
- Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of the Museum and/or the passage of time.
- Permanently restricted net assets represent net assets subject to donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Museum to use the income.

Cash Equivalents

The Museum considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Short-term investments and restricted cash and cash equivalents not available for current use, including money market funds and certificates of deposit, are not considered to be cash equivalents for purposes of the statement of cash flows.

Investments

Investments are stated at fair market value based on current quoted market prices in active markets (all Level 1 measurements) in the Statement of Financial Position. Realized and unrealized gains and losses are recorded on the statement of activities as unrestricted.

MARYHILL MUSEUM OF ART
Notes to Financial Statements
December 31, 2013 and 2012

A. THE MUSEUM AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
continued

Inventory

Inventory consists primarily of gifts, books and educational materials and other store supplies held for sale to the public and other institutions. Inventory is stated at the lower of cost or market. The Museum determines cost principally by specific identification.

Property and Equipment

Property and equipment are stated at cost. The Museum capitalizes the cost of property and equipment with an estimated useful life in excess of one year. Donated fixed assets are recorded at estimated fair market value on the date donated. Depreciation is recorded on fixed assets using the straight-line method over the estimated useful lives of the assets, from 5 to 48 years. 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 in operations. The cost of maintenance and repairs is charged to expense when incurred.

Collections

In conformity with the practice followed by many museums, art objects purchased or donated are not included in the accompanying statement of financial position. Such collections are made up of artwork, artifacts and books all with historical significance and are held for educational, exhibit, research, and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. Purchases of collection items reduce the proper net asset category in the period when purchased. Proceeds from sales or insurance recoveries are recorded as increases in the proper net asset category when received.

Contributions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Funds restricted by the donor for a particular purpose are recorded as temporarily or permanently restricted contributions, depending on the nature of restriction. When the Museum has complied with the specific restrictions, such funds are released from restriction and recorded as unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value as of the date of the donation.

Income Taxes

The Museum is a non-profit corporation and is generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Museum's exempt income tax return (form 990) for the years 2010, 2011, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

MARYHILL MUSEUM OF ART
Notes to Financial Statements
December 31, 2013 and 2012

A. THE MUSEUM AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

Functional Allocation of Expenses

The costs of providing the Museum's various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited based on management's estimates of costs associated with the various activities.

Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Museum's programs, principally by assisting with membership development and by operating Museum programs. The value of such contributed time is not reflected in the financial statements since they do not meet the criteria for recognition.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs

There are no significant advertising costs for the Museum, which expenses such costs as incurred.

B. FAIR VALUE OF FINANCIAL INSTRUMENTS

Maryhill Museum of Art follows generally accepted accounting principles for fair value measurements. Under these standards, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

These standards establish a hierarchy for inputs used in measuring fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Museum. Unobservable inputs are inputs that reflect the Museum's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs.

MARYHILL MUSEUM OF ART
Notes to Financial Statements
December 31, 2013 and 2012

B. FAIR VALUE OF FINANCIAL INSTRUMENTS, continued

Level 1 inputs are based on quoted prices in active markets for identical assets or liabilities that the Museum has the ability to access. Level 2 inputs are based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Level 3 inputs are unobservable, based on one or more estimates using judgment or other valuation techniques where quoted market prices are not available.

The Museum's financial instruments include cash and cash equivalents and investments. The Museum estimates that the fair value of all financial instruments at December 31, 2013 and 2012 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Museum using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Museum could realize in a current market exchange.

Financial instruments which potentially subject the Museum to concentration of credit risk consist principally of cash equivalents and investments. Concentrations with respect to investments are limited due to their dispersion across various companies and investment types. As of December 31, 2013, the Museum was subject to credit risk of \$499,543 arising from cash investments in excess of SIPC insurance coverage. The estimated fair values of the Museum's financial instruments measured on a recurring basis at December 31, 2013 and 2012 are as follows:

	<u>Carrying Amount</u>	<u>Fair Value Level 1</u>	<u>Fair Value Level 3</u>
<u>December 31, 2013</u>			
Financial Assets:			
Cash and Cash Equivalents	\$ 113,395	\$ 113,395	
Investments	<u>\$ 1,390,237</u>	<u>\$ 1,390,237</u>	
Total	<u>\$ 1,503,632</u>	<u>\$ 1,503,632</u>	<u>\$0</u>
<u>December 31, 2012</u>			
Financial Assets:			
Cash and Cash Equivalents	\$ 56,658	\$ 56,658	
Investments	1,235,443	1,235,443	
Beneficial Interest in Irrevocable Trust	<u>137,763</u>		<u>\$ 137,763</u>
Total	<u>\$ 1,429,864</u>	<u>\$ 1,292,101</u>	<u>\$ 137,763</u>

MARYHILL MUSEUM OF ART
Notes to Financial Statements
December 31, 2013 and 2012

B. FAIR VALUE OF FINANCIAL INSTRUMENTS, continued

Fair value measurements for the level 3 beneficial interest in the irrevocable trust were derived from trust brokerage statements.

C. INVESTMENTS

Investments, exclusive of fixed assets, are recorded at fair market value. Market value information of investments at December 31, 2013 and 2012 is as follows:

	2013	2012
CD/Money Accounts	\$ 862,555	\$ 367,952
Equities	21,131	
Corporate Bonds	283,046	300,882
Mutual Funds	223,505	566,609
	<u>223,505</u>	<u>566,609</u>
 Total	 <u>\$ 1,390,237</u>	 <u>\$ 1,235,443</u>

Included in the above investment amounts are cash and cash equivalents restricted for the acquisition of property and/or restricted by donors. Restricted cash and cash equivalents included in the above investment amounts for 2013 and 2012 are \$862,555 and \$367,952 respectively. The above investments also include net assets that are unrestricted but board designated for expansion purposes and other future expenses of \$3 and \$187,184 at December 31, 2013 and 2012, respectively.

The Museum's investment policy for endowment funds is a conservative investment strategy. Investments shall be diversified to minimize the risk of large losses. The Museum's investment managers shall invest so that they preserve capital, control risk, and adhere to the investment styles of each manager. The investment strategy emphasizes total return; that is the aggregate return from capital appreciation, dividend income, and interest income. The Museum's goal is to exceed a 10% rate of return. Thereafter, spending will be targeted at 5% of the average three year portfolio value.

During 2011 the Board adopted an Endowment and Reserve Policy outlining the goals and processes for funding, accounting for, and use of endowments and reserve funds. The donors of the permanently restricted endowment fund have stipulated the principal must be maintained intact in perpetuity. The Museum's interpretation of donor restricted endowment contributions is that these contributions are required to be preserved to fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. During the current year the contributions have been invested in certificates of deposits and mutual funds. Any earnings from the investments, including realized and unrealized gains or losses, are unrestricted and may be used for any purpose designated by management.

The composition of endowment net assets as of December 31, 2013 and 2012 are as follows:

MARYHILL MUSEUM OF ART
Notes to Financial Statements
December 31, 2013 and 2012

C. INVESTMENTS, continued

	<u>2013</u>	<u>2012</u>
Donor-restricted Endowment Funds:		
Permanently Restricted	<u>\$ 940,133</u>	<u>\$ 930,133</u>

Changes in endowment net assets as of December 31, 2013 and 2012 are as follows:

	<u>Permanently Restricted</u>	
	<u>2013</u>	<u>2012</u>
Endowment Net Assets - beginning of year	\$ 930,133	\$ 919,783
Contributions	10,000	10,350
Investment Income	-	-
Net Appreciation	-	-
Program Expenditures	<u>-</u>	<u>-</u>
Endowment Net Assets - end of year	<u>\$ 940,133</u>	<u>\$ 930,133</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Unrestricted:		
Investment income	\$ 29,635	\$ 32,930
Net gains (losses) on investments	<u>45,019</u>	<u>26,667</u>
Total Investment Return	<u>\$ 74,654</u>	<u>\$ 59,597</u>

D. PLEDGE & OTHER RECEIVABLES

The Museum has received various pledge amounts from various donors. These pledges are received for various Museum purposes including operating funds, building expansion, collection enhancement, long-term endowments, etc. Pledges are recognized as revenue in the period the pledge is received. These amounts are expected to be collected within one to five years. At this time no allowance for uncollectible amounts has been made. Management believes that any uncollectible amounts are immaterial to the financial statements. Also, pledges to be received after one year are not discounted because management believes this discount is immaterial to the financial statements. Pledge and other receivables at December 31, 2013 and 2012 are as follows:

MARYHILL MUSEUM OF ART
Notes to Financial Statements
December 31, 2013 and 2012

D. PLEDGE & OTHER RECEIVABLES, continued

	<u>2013</u>	<u>2012</u>
Unconditional Pledges	\$ 219,974	\$ 443,084
Trust bequest receivable	132,128	
Other receivables	<u>3,832</u>	<u>7,092</u>
Total Pledge & Other Receivables	<u>\$ 355,934</u>	<u>\$ 450,176</u>
Amounts due in:		
Less than one year	\$ 310,234	\$ 190,702
One to five years	<u>45,700</u>	<u>259,474</u>
Total Pledge & Other Receivables	<u>\$ 355,934</u>	<u>\$ 450,176</u>

E. PROPERTY, BUILDINGS AND EQUIPMENT

Property, buildings, and equipment consisted of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Depreciable Assets:		
Buildings	\$ 12,717,722	\$ 12,714,362
Furniture, fixtures & equipment	594,429	575,899
Water system	880,331	882,198
Roads & fences	316,117	316,117
Rental buildings & roads	121,777	121,777
Stonehenge	<u>34,221</u>	<u>34,221</u>
Total Depreciable Assets	<u>14,664,597</u>	<u>14,644,574</u>
Less: Accumulated depreciation	<u>(2,883,216)</u>	<u>(2,469,127)</u>
Net Depreciable Assets	<u>11,781,381</u>	<u>12,175,447</u>
Non-Depreciable Assets:		
Land	181,406	181,406
Construction in progress	<u>70,501</u>	<u>55,507</u>
Total Non-Depreciable Assets	<u>251,907</u>	<u>236,913</u>
Total Net Property and Equipment	<u>\$ 12,033,288</u>	<u>\$ 12,412,360</u>

Depreciation expense at December 31, 2013 and 2012 was \$426,967 and \$344,739, respectively.

MARYHILL MUSEUM OF ART
Notes to Financial Statements
December 31, 2013 and 2012

F. LEASES

The Museum is the lessor of certain real estate used primarily for agricultural purposes under various leases that are accounted for as operating leases. The cost of the land leased is listed above in the notes to property, buildings and equipment. During the current year the Museum also received income from wind power development on their property. The Museum's policy is to record contingent rental income for the period it is earned. Total operating and contingent rental income for 2013 and 2012 aggregated \$337,748 and \$322,604, respectively. Future minimum operating and contingent rental income for the five succeeding fiscal years are as follows:

<u>Year Ending</u>	<u>Minimum Future Rentals</u>
12/31/2014	\$111,427
12/31/2015	111,427
12/31/2016	99,427
12/31/2017	95,427
12/31/2018	<u>95,427</u>
Total	<u><u>\$513,135</u></u>

G. TAX DEFERRED ANNUITY PROGRAM

The Museum offers a tax deferred annuity program that is available to all salaried employees after a minimum employment period. Employees may contribute up to 20 percent of their qualified wages subject to a ceiling prescribed by law. The Museum contributes between 3 and 5 percent of the employees' gross annual salaries. During the years ended December 31, 2013 and 2012, the Museum contributed \$11,613 and \$12,253, respectively, to the program.

H. RESTATED NET ASSETS

Net assets have been restated to reflect the change in accounting for a contribution that was erroneously thought to be permanently restricted, but after further clarification was determined to be unrestricted. The effect of this change follows.

MARYHILL MUSEUM OF ART
Notes to Financial Statements
December 31, 2013 and 2012

H. RESTATED NET ASSETS, continued

Permanently Restricted Net Assets at 12-31-11 - as previously reported	\$ 926,823
Reclassification of prior year contribution	<u>(7,040)</u>
Permanently Restricted Net Assets at 12-31-11 - restated	<u>\$ 919,783</u>
Permanently Restricted Net Assets at 12-31-12 - as previously reported	\$ 939,173
Reclassification of prior year contribution	<u>(9,040)</u>
Permanently Restricted Net Assets at 12-31-12 - restated	<u>\$ 930,133</u>
Unrestricted Net Assets at 12-31-11 - as previously reported	\$12,443,813
Reclassification of prior year contribution	<u>7,040</u>
Unrestricted Net Assets at 12-31-11 - restated	<u>\$12,450,853</u>
Unrestricted Net Assets at 12-31-12 - as previously reported	\$13,066,708
Reclassification of prior year contribution	<u>9,040</u>
Unrestricted Net Assets at 12-31-12 - restated	<u>\$13,075,748</u>

I. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2013 and 2012 were available for the following purposes:

	<u>2013</u>	<u>2012</u>
Educational Programs, Exhibits, & Collections	\$ 210,141	\$ 153,681
Beneficial Interest in Irrevocable Trust for future periods	<u> </u>	<u>137,763</u>
Temporarily Restricted Net Assets	<u>\$ 210,141</u>	<u>\$ 291,444</u>

Temporarily restricted assets were released from restriction by incurring expenses satisfying the restricted purposes and from expiration of donor time restrictions. Purpose restrictions accomplished and donor expiration of time restrictions during the years ended December 31, 2013 and 2012 were:

MARYHILL MUSEUM OF ART
Notes to Financial Statements
December 31, 2013 and 2012

I. TEMPORARILY RESTRICTED NET ASSETS, continued

	<u>2013</u>	<u>2012</u>
Educational Programs, Exhibits, & Collections	\$ 8,101	\$ 25,586
Beneficial interest in irrevocable trust	<u>129,027</u>	
Temporarily Restricted Assets Released from Restriction	<u>\$ 137,128</u>	<u>\$ 25,586</u>

J. BENEFICIAL INTEREST IN IRREVOCABLE TRUST

The Museum was named the beneficiary of an irrevocable trust which was established in 1928. The income from this trust was payable to a certain beneficiary for his lifetime. The beneficiary passed away in 2013 and thus the proceeds of the trust were payable to the Museum. At December 31, 2013 the balance in the trust was \$132,128 which has been reported as an accounts receivable at that date. A noncurrent asset for the beneficial interest in the irrevocable trust has been recorded as of December 31, 2012 for \$137,763. Changes in the value of the trust have been reported in the statement of activities as increases in temporarily restricted net assets. Following is a reconciliation of the changes in the level 3 fair value measurement for the trust:

	<u>2013</u>	<u>2012</u>
Balance January 1	\$ 137,763	\$ 132,289
Realized and unrealized gains	\$ (5,635)	\$ 5,474
Beneficial interest releases	<u>(132,128)</u>	
Balance December 31	<u>\$0</u>	<u>\$ 137,763</u>

K. SUBSEQUENT EVENTS

For the financial statements, the Organization evaluated subsequent events through May 27, 2014, the date which the financial statements were issued.

L. COMMITMENTS

In 2011 the Organization entered into an agreement with the Washington Department of Commerce wherein it conveyed a deed of trust to Commerce as a condition of receiving certain grant funds. Under this agreement Commerce holds a deed of trust on Maryhill real property for a period of 10 years from the date of final payment of grant funds (June 20, 2012). Upon satisfaction of the ten-year term requirement and all other grant terms and conditions, Commerce will take appropriate action to reconvey the deed of trust.