

**HPETERSEN**

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# Maryhill Museum of Art

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Financial Statements

Independent Auditor's Report

December 31, 2017 and 2016



# Maryhill Museum of Art

## Board of Trustees

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Maureen Krebs

### Administration

Colleen Schafroth, Executive Director

35 Maryhill Museum Drive

Goldendale, Washington 98620

# Maryhill Museum of Art

## Contents

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	<u>Page</u>
<i>Names of Board of Trustees and Administration Staff</i>	<i>Preceding</i>
<i>INDEPENDENT AUDITOR'S REPORT</i>	<i>1</i>
<i>FINANCIAL STATEMENTS:</i>	
<i>Statements of financial position</i>	<i>3</i>
<i>Statements of activities and changes in net assets</i>	<i>4</i>
<i>Statements of cash flows</i>	<i>6</i>
<i>Notes to financial statements</i>	<i>7</i>

MATHEW D. PETERSEN

ANGELA M. PRATT

RYAN D. SMITH



3702 KERN ROAD

YAKIMA, WA 98902

509 575 1040 P

509 457 2145 F

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Maryhill Museum of Art  
Goldendale, Washington

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Maryhill Museum of Art (the Museum) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 2017 financial statements referred to above present fairly, in all material respects, the financial position of Maryhill Museum of Art as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Trustees  
Maryhill Museum of Art

**Prior Period Financial Statements**

The financial statements of Maryhill Museum of Art as of December 31, 2016, were audited by other auditors whose report dated May 20, 2017, expressed an unmodified opinion on those statements.

*Petersen CPAs & Advisors, PLLC*

May 19, 2018

**Maryhill Museum of Art**  
**Statements of Financial Position**  
**December 31, 2017 and 2016**

	2017	2016
<b>Assets</b>		
<i>Current Assets:</i>		
Cash and cash equivalents	\$ 135,141	\$ 62,970
Inventory	46,690	19,922
Pledge and other receivables, current portion	13,929	19,500
Prepaid insurance	-	4,123
Total current assets	195,760	106,515
<i>Property and equipment (net)</i>	11,935,613	12,399,405
<i>Other Assets:</i>		
Pledge and other receivables, less current portion	13,700	39,990
Investments	1,389,341	1,438,703
Total other assets	1,403,041	1,478,693
Total assets	\$ 13,534,414	\$ 13,984,613
<b>Liabilities and Net Assets</b>		
<i>Current Liabilities:</i>		
Accounts payable	\$ 40,695	\$ 127,652
Payroll liabilities	14,762	16,734
Taxes payable	1,646	1,626
Note payable - equipment	-	2,132
Deposits	400	400
Total current liabilities	57,503	148,544
<i>Commitments and Contingencies</i>		
<i>Net Assets:</i>		
Unrestricted		
Undesignated	11,986,546	12,263,102
Board designated	91,532	286,681
Total unrestricted	12,078,078	12,549,783
Temporarily restricted	238,726	162,179
Permanently restricted	1,160,107	1,124,107
Total net assets	13,476,911	13,836,069
Total liabilities and net assets	\$ 13,534,414	\$ 13,984,613

See accompanying notes to financial statements.

**Maryhill Museum of Art**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended December 31, 2017**

	Unrestricted	Temporarily Restricted	Premanently Restricted	Total
<i>Revenue and Support:</i>				
Admissions	\$ 252,322	\$ -	\$ -	\$ 252,322
Memberships	37,294	-	-	37,294
Merchandise and food sales	175,608	-	-	175,608
Contributions, pledges, and bequests	23,956	120,180	1,000	145,136
Government grants	250	-	-	250
Leases and rents	294,706	-	-	294,706
Memorials/planned giving	4,790	-	-	4,790
Corporate gifts/sponsorships	12,953	-	-	12,953
Foundation gifts/grants	140,170	-	35,000	175,170
Investment income	15,699	-	-	15,699
Realized/unrealized gains on investments	148,098	-	-	148,098
Special events revenue	70,680	-	-	70,680
Miscellaneous	27,141	-	-	27,141
Total revenue	<u>1,203,667</u>	<u>120,180</u>	<u>36,000</u>	<u>1,359,847</u>
Net assets released from restrictions	43,633	(43,633)	-	-
Total revenue and support	<u>1,247,300</u>	<u>76,547</u>	<u>36,000</u>	<u>1,359,847</u>
<i>Expenses</i>				
Management and general				
General and administrative	128,646	-	-	128,646
Development	43,982	-	-	43,982
Total management and general	<u>172,628</u>	<u>-</u>	<u>-</u>	<u>172,628</u>
Program services				
Education	129,380	-	-	129,380
Events	76,472	-	-	76,472
Exhibits	184,923	-	-	184,923
Collections	114,282	-	-	114,282
Membership	32,018	-	-	32,018
Buildings	521,781	-	-	521,781
Gardens and grounds	240,460	-	-	240,460
Visitor services	204,995	-	-	204,995
Total program services	<u>1,504,311</u>	<u>-</u>	<u>-</u>	<u>1,504,311</u>
Total expenses	<u>1,676,939</u>	<u>-</u>	<u>-</u>	<u>1,676,939</u>
<i>Changes in Net Assets Before Changes Related to Collection Items</i>				
Collection items purchased	(42,066)	-	-	(42,066)
Changes in Net Assets	<u>(471,705)</u>	<u>76,547</u>	<u>36,000</u>	<u>(359,158)</u>
<i>Net Assets, Beginning of the Year</i>	<u>12,549,783</u>	<u>162,179</u>	<u>1,124,107</u>	<u>13,836,069</u>
<i>Net Assets, End of the Year</i>	<u>\$ 12,078,078</u>	<u>\$ 238,726</u>	<u>\$ 1,160,107</u>	<u>\$ 13,476,911</u>

See accompanying notes to financial statements.

**Maryhill Museum of Art**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended December 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<i>Revenue and Support:</i>				
Admissions	\$ 273,372	\$ -	\$ -	\$ 273,372
Memberships	38,600	-	-	38,600
Merchandise and food sales	196,031	-	-	196,031
Contributions, pledges, and bequests	92,032	93,174	12,334	197,540
Government grants	10,000	970,000	-	980,000
Leases and rents	324,690	-	-	324,690
Memorials/planned giving	2,787	-	-	2,787
Corporate gifts/sponsorships	16,550	22,500	-	39,050
Foundation gifts/grants	21,785	133,500	92,000	247,285
Investment income	9,984	-	-	9,984
Net gain on disposal of property & equipment	430	-	-	430
Realized/unrealized gains on investments	36,124	-	-	36,124
Special events revenue	47,681	-	-	47,681
Miscellaneous	19,178	-	-	19,178
Total revenue	<u>1,089,244</u>	<u>1,219,174</u>	<u>104,334</u>	<u>2,412,752</u>
Net assets released from restrictions	1,347,809	(1,347,809)	-	-
Total revenue and support	<u>2,437,053</u>	<u>(128,635)</u>	<u>104,334</u>	<u>2,412,752</u>
<i>Expenses</i>				
Management and general				
General and administrative	118,325	-	-	118,325
Development	50,813	-	-	50,813
Total management and general	<u>169,138</u>	<u>-</u>	<u>-</u>	<u>169,138</u>
Program services				
Education	155,003	-	-	155,003
Events	38,945	-	-	38,945
Exhibits	216,730	-	-	216,730
Collections	79,773	-	-	79,773
Membership	31,690	-	-	31,690
Buildings	493,039	-	-	493,039
Gardens and grounds	226,714	-	-	226,714
Visitor services	212,959	-	-	212,959
Total program services	<u>1,454,853</u>	<u>-</u>	<u>-</u>	<u>1,454,853</u>
Total expenses	<u>1,623,991</u>	<u>-</u>	<u>-</u>	<u>1,623,991</u>
<i>Changes in Net Assets Before Changes</i>				
Related to Collection Items	813,062	(128,635)	104,334	788,761
Proceeds from sale of collection items	34,356	-	-	34,356
Collection items purchased	(23,054)	-	-	(23,054)
<i>Changes in Net Assets</i>	824,364	(128,635)	104,334	800,063
<i>Net Assets, Beginning of the Year</i>	11,725,419	290,814	1,019,773	13,036,006
<i>Net Assets, End of the Year</i>	<u>\$ 12,549,783</u>	<u>\$ 162,179</u>	<u>\$ 1,124,107</u>	<u>\$ 13,836,069</u>

See accompanying notes to financial statements.



**Maryhill Museum of Art**  
**Statements of Cash Flows**  
**Years Ended December 31, 2017 and 2016**

	2017	2016
<b><i>Increase (Decrease) in Cash and Cash Equivalents:</i></b>		
Changes in net assets	\$ (359,158)	\$ 800,063
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	474,164	436,694
Net gain on disposal of property and equipment		(430)
Donated stock	(10,179)	(21,558)
Contributions restricted for long-term purposes	(35,000)	(104,334)
Realized/unrealized gain on investments	(148,098)	(36,124)
Decrease (increase) in assets:		
Inventory	(26,768)	(415)
Receivables	31,861	(11,090)
Prepaid insurance	4,123	624
Increase (decrease) in liabilities:		
Accounts payable	(86,957)	(15,080)
Payroll liabilities	(1,972)	943
Taxes payable	20	(315)
Total adjustments	<u>201,194</u>	<u>248,915</u>
Net cash (used) provided by operating activities	<u>(157,964)</u>	<u>1,048,978</u>
<i>Cash Flows From Investing Activities:</i>		
Purchases of investments	(399,714)	(1,221,325)
Sale of investments	607,353	1,225,911
Proceeds from sale of property and equipment	-	2,000
Purchase of property and equipment	(10,372)	(1,252,645)
Net cash provided (used) by investing activities	<u>197,267</u>	<u>(1,246,059)</u>
<i>Cash Flows From Financing Activities:</i>		
Principal payments on notes payable	(2,132)	(6,529)
Contributions restricted for long-term purposes	35,000	104,334
Net cash provided by financing activities	<u>32,868</u>	<u>97,805</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	72,171	(99,276)
<i>Cash and Cash Equivalents, Beginning of the Year</i>	<u>62,970</u>	<u>162,246</u>
<i>Cash and Cash Equivalents, End of the Year</i>	<u>\$ 135,141</u>	<u>\$ 62,970</u>

See accompanying notes to financial statements.

# Maryhill Museum of Art

## Notes to Financial Statements

### December 31, 2017 and 2016

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#### ***Note 1 – Organization and Summary of Significant Accounting Policies***

##### ***Museum:***

Maryhill Museum of Art (the Museum) 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.

##### ***Summary of Significant Accounting Policies:***

*Basis of Accounting* – The financial statements of the Museum 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 as earned and expenses are recorded at the time liabilities are incurred.

*Financial Statement Presentation* – The Museum reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted – Unrestricted net assets are funds controlled and designated by the board which includes the operating and equipment accounts.

Temporarily Restricted – Temporarily restricted net assets are assets with donor-imposed restrictions that allow the use of the assets as specified either by the passage of time or by actions of the Museum.

Permanently Restricted – Permanently restricted net assets are controlled by law or donor-imposed restrictions stating the resources be maintained permanently.

*Cash and 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 purpose of the statements of cash flow.

*Investments* – The Museum has adopted the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 958. Under ASC 958, investment in marketable securities with readily determinable values, and all instruments in debt securities are reported at their fair values in the Statements of Activities and Changes in Net Assets.

*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.

**Maryhill Museum of Art**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

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***Note 1 – Organization and Summary of Significant Accounting Policies (continued)***

*Property and Equipment* – Property and equipment are stated at cost. The Museum capitalized 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 are cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously.

*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 the 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.

*Federal Income Tax* – The Museum is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Museum follows FASB ASC Section 740, which clarifies the uncertainty in income taxes. Management has evaluated the Museum's tax positions and has concluded that the Museum has taken no uncertain tax positions that require adjustments to the financial statements, or that call into question the Museum's tax status.

*Functional Expense Allocation* – 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, collections, exhibitions, membership, and marketing. The value of such contributed time is not reflected in the financial statements since they do not meet the criteria for recognition.

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

**Maryhill Museum of Art**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

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***Note 1 – Organization and Summary of Significant Accounting Policies (continued)***

*Use of 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 certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

*Subsequent Events* – Subsequent events have been evaluated through May 19, 2018, which is the date the financial statements were available to be issued.

***Note 2 – Investments:***

The Museum's investment policy requires that the Museum's assets be invested in a manner that provides for future income while maintaining the investment principal. 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 manager 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 6% rate of return. Thereafter, spending will be targeted at 5% of the average three year portfolio value.

The Board originally adopted, in 2005, an Endowment and Reserve Policy (the Policy) outlining the goals and processes for funding, accounting for, and use of endowments and reserve funds. The Policy has been continuously updated, with the most recent revision in 2015. 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.

**Maryhill Museum of Art**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

**Note 3 – Fair Value Measurements:**

The Museum’s investments consisted of the following at December 31, 2017 and 2016:

Description	December 31, 2017			Fair Value % of Total Assets
	Cost	Accumulated Unrealized Gain (Loss)	Fair Value	
Money Accounts/CD's	\$ 817,746	\$ 10	\$ 817,756	6.0%
Equities	384,338	91,595	475,933	3.5%
Mutual Funds	62,943	32,709	95,652	0.7%
	<u>\$ 1,265,027</u>	<u>\$ 124,314</u>	<u>\$ 1,389,341</u>	<u>10.2%</u>

  

Description	December 31, 2016			Fair Value % of Total Assets
	Cost	Accumulated Unrealized Gain (Loss)	Fair Value	
Money Accounts/CD's	\$ 790,864	\$ -	\$ 790,864	5.7%
Equities	473,381	16,223	489,604	3.5%
Mutual Funds	103,506	54,729	158,235	1.1%
	<u>\$ 1,367,751</u>	<u>\$ 70,952</u>	<u>\$ 1,438,703</u>	<u>10.3%</u>

FASB ASC Section 820 establishes a 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 ASC Section 820 are described as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Museum has the ability to access.

*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 assets 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 the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**Maryhill Museum of Art**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

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**Note 3 – Fair Value Measurements (continued):**

Following is a description of the valuation methodologies used for assets stated at fair value. There were no changes to the methodologies used during the years ended December 31, 2017 and 2016.

*Level 1* – Certificates of deposit, money market funds, mutual funds, and equities are valued at the closing price reported in the active market in which the individual securities are traded. The fair value of the mutual funds is based on quoted net asset values of the shares held by the Museum at year end.

*Level 2* – The Museum had no investments that are classified as Level 2 at December 31, 2017 or 2016.

*Level 3* – The Museum had no investments that are classified as Level 3 at December 31, 2017 or 2016.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes the Museum’s valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair value measurements for investments reporting on a recurring basis at December 31, 2017 and 2016 were as follows:

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
CD/Money Accounts	\$ 817,926	\$ -	\$ -	\$ 817,926
Equities	475,932	-	-	475,932
Mutual Funds	95,483	-	-	95,483
Total Investments	\$ 1,389,341	\$ -	\$ -	\$ 1,389,341
	December 31, 2016			
	Level 1	Level 2	Level 3	Total
CD/Money Accounts	\$ 790,864	\$ -	\$ -	\$ 790,864
Equities	489,605	-	-	489,605
Mutual Funds	158,234	-	-	158,234
Total Investments	\$ 1,438,703	\$ -	\$ -	\$ 1,438,703

Included in the above investment amounts are cash and cash equivalents restricted by donors for the endowment and future project and program expenses. Restricted cash and cash equivalents included in the above investment amounts for 2017 and 2016 are \$817,926 and \$740,925, respectively. The above investments also include net assets that are unrestricted but board designated for future expenses of \$91,532 and \$286,681 at December 31, 2017 and 2016, respectively.

**Maryhill Museum of Art**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

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**Note 3 – Fair Value Measurements (continued):**

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 6% rate of return. Thereafter, spending will be targeted at 5% of the average three-year portfolio value.

The Board originally adopted, in 2005, an Endowment and Reserve Policy (the Policy) outlining the goals and processes for funding, accounting for, and use of endowments and reserve funds. The Policy has been continuously updated, with the most recent revision in 2015. 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 deposit 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, 2017 and 2016 are as follows:

Donor-restricted endowment funds:	<u>2017</u>	<u>2016</u>
Permanently restricted	<u>\$ 1,160,107</u>	<u>\$ 1,124,107</u>

Changes in endowment net assets as of December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Endowment Net Assets - beginning of year	\$ 1,124,107	\$ 1,019,773
Contributions	36,000	104,334
Investment Income	-	-
Net Appreciation	-	-
Program Expenditures	-	-
Endowment Net Assets - end of year	<u>\$ 1,160,107</u>	<u>\$ 1,124,107</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Unrestricted:		
Investment Income	\$ 15,699	\$ 9,984
Net gains (loss) on investments	<u>148,098</u>	<u>36,124</u>
Total Investment Return	<u>\$ 163,797</u>	<u>\$ 46,108</u>

**Maryhill Museum of Art**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

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**Note 4 – Pledge and Other Receivables:**

The Museum receives 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, as management believes that any uncollectible amounts are not material to the financial statements. Also, pledges to be received after one year are not discounted because management believes this discount is not material to the financial statements. Pledge and other receivables at December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Pledges receivable	\$ 27,629	\$ 59,490
Other receivables	-	-
Total pledge and other receivables	<u>\$ 27,629</u>	<u>\$ 59,490</u>
Amount due in:		
Less than one year	\$ 13,929	\$ 19,500
One to five years	<u>13,700</u>	<u>39,990</u>
Total pledge and other receivables	<u>\$ 27,629</u>	<u>\$ 59,490</u>

**Note 5 –Property and Equipment:**

Property and equipment consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Depreciable assets:		
Buildings	\$ 14,021,074	\$ 14,020,343
Furniture, fixtures, & equipment	663,666	669,999
Water system	1,074,022	1,074,022
Roads and fences	450,106	450,106
Rental buildings and roads	120,538	120,538
Stonehenge	<u>34,221</u>	<u>34,221</u>
Total Depreciable assets	16,363,627	16,369,229
Less: Accumulated depreciation	<u>4,609,420</u>	<u>4,151,230</u>
	11,754,207	12,217,999
Land	<u>181,406</u>	<u>181,406</u>
Total Net Property and Equipment	<u>\$ 11,935,613</u>	<u>\$ 12,399,405</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$474,164 and \$436,694, respectively.



**Maryhill Museum of Art**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

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**Note 6 – 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. The Museum also receives income from wind power development of their property. The Museum’s policy is to record contingent rental income during the period it is earned. Total operating and contingent rental income for 2017 and 2016 aggregated \$294,706 and \$324,690, respectively. Future minimum operating and contingent rental income for the five succeeding fiscal years are as follows:

December 31,	Amount
2018	\$ 110,927
2019	110,927
2020	110,927
2021	106,927
2022	94,927
	\$ 534,635

**Note 7 – 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 ceiling prescribed by law. The Museum contributes between 3 and 5 percent of the employees’ gross annual salaries. During the years ended December 31, 2017 and 2016, the Museum contributed \$11,979 and \$11,742, respectively, to the program.

**Note 8 – Temporarily Restricted Net Assets:**

Temporarily restricted net assets at December 31, 2017 and 2016 were available for the following purposes:

	2017	2016
Educational programs, exhibits, and collections	\$ 213,526	\$ 158,179
Future building and grounds repairs	25,200	4,000
Temporarily restricted net assets	\$ 238,726	\$ 162,179

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, 2017 and 2016 were:

	2017	2016
Educational programs, exhibits, and collections	\$ 23,633	\$ 82,158
Building / land improvements and renovations	20,000	1,265,651
Temporarily restricted net assets released from restriction	\$ 43,633	\$ 1,347,809

**Maryhill Museum of Art**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

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***Note 9 – Commitments:***

In 2011 the Museum 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 Museum of Art real property for a period of 10 years from the date of the final payment of grant funds (June 20, 2013). 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.