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Maryhill Museum of Art

Financial Statements

Independent Auditor's Report

December 31, 2020



Maryhill Museum of Art
Board of Trustees and Administration Staff

Matthew Johnston, President	Kathleen Marquart
Karel Moersfelder, Vice President	Dean Schlenker
Byron Henry, Secretary	Scott Sonniksen
Bob Moco, Treasurer	Michael Oros
Jamieson Grabenhorst	Dean Ozuna
Jim McCreight	Juris Sarins
Laura Cheney	David Savinar
Nancy Leahy	Laura Muehleck
Carolyn Huber	

Administration

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

Maryhill Museum of Art

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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 Copy of Maryhill Museum of Art (the Museum) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Copy of Maryhill Museum of Art as of December 31, 2020, 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.

Petersen CPAs & Advisors, PLLC

May 15, 2021

Maryhill Museum of Art
Statement of Financial Position
December 31, 2020

Assets

Current Assets

Cash and cash equivalents	\$ 322,585
Inventory	58,754
Pledges receivable, current portion	2,000
Other receivables	4,000
Total current assets	<u>387,339</u>

Property and Equipment (net)

11,437,905

Other Assets

Pledges receivable, less current portion	5,000
Investments	1,883,798
Total other assets	<u>1,888,798</u>

Total Assets

\$ 13,714,042

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 11,291
Payroll liabilities	19,431
Taxes payable	326
Current portion of notes payable	6,908
Deferred membership dues	3,458
Total current liabilities	<u>41,414</u>

Long-Term Liabilities

Notes payable, net of current maturities	<u>285,296</u>
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Net Assets

Net assets without donor restrictions	11,602,506
Net assets with donor restrictions	1,784,826
Total net assets	<u>13,387,332</u>

Total liabilities and net assets

\$ 13,714,042

Maryhill Museum of Art
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Admissions	\$ 22,953	\$ -	\$ 22,953
Memberships	32,258	-	32,258
Merchandise and food sales	17,591	-	17,591
Contributions, pledges, and bequests	64,293	379,268	443,561
Government grants	35,000	-	35,000
Leases and rents	333,250	-	333,250
Memorials/planned giving	5,379	-	5,379
Corporate gift/sponsorships	4,000	-	4,000
Foundation gifts/grants	115,475	-	115,475
Investment income	18,889	-	18,889
Realized/unrealized gain on investments	91,933	-	91,933
Gain on disposal of assets	24	-	24
Special events revenue	225	-	225
Miscellaneous	8,268	-	8,268
Total revenue and support	<u>749,538</u>	<u>379,268</u>	<u>1,128,806</u>
Net assets released in satisfaction of restrictions	42,509	(42,509)	-
Total revenue and support	<u>792,047</u>	<u>336,759</u>	<u>1,128,806</u>
Expenses			
Program services	1,039,488	-	1,039,488
Support services	211,364	-	211,364
Total expenses	<u>1,250,852</u>	<u>-</u>	<u>1,250,852</u>
Change in Net Assets, Before Changes			
Related to Collection Items	(458,805)	336,759	(122,046)
Collection items purchased	(330)	-	(330)
Changes in Net Assets	(459,135)	336,759	(122,376)
Net Assets, Beginning of Year	<u>12,061,641</u>	<u>1,448,067</u>	<u>13,509,708</u>
Net Assets, End of Year	<u>\$ 11,602,506</u>	<u>\$ 1,784,826</u>	<u>\$ 13,387,332</u>

See accompanying notes to financial statements.

Maryhill Museum of Art
Statement of Functional Expenses
Year Ended December 31, 2020

	<u>Program Services</u>			
	<u>Education</u>	<u>Exhibits</u>	<u>Collections</u>	<u>Membership</u>
Salaries and benefits	\$ 76,169	\$ 113,203	\$ 49,724	\$ 18,785
Depreciation	-	-	-	-
Contracted services	3,786	8,007	2,585	416
Food, beverages, merchandise	83	-	-	61
Utilities	-	-	-	-
Supplies	3,029	3,132	926	274
Payroll taxes	6,620	9,838	4,321	1,633
Travel, meetings, training	469	491	493	28
Repairs and maintenance	343	29	10	49
Insurance	-	2,234	4,830	-
Printing and copying	85	298	-	1,792
Postage and shipping	903	520	5	835
Bank fees	-	-	50	389
Advertising	-	125	125	-
Business taxes	-	-	-	-
Miscellaneous	-	-	-	-
Memberships, dues, subscriptions	150	-	135	175
Licenses, permits, fees	75	-	-	-
Equipment rental	-	-	-	-
Security	-	1,029	1,029	-
	<u>\$ 91,712</u>	<u>\$ 138,906</u>	<u>\$ 64,233</u>	<u>\$ 24,437</u>

See accompanying notes to financial statements.

Program Services			Support Services		
Buildings and Grounds	Visitor Services	Subtotal	General and Administrative	Fundraising and Development	Total
\$ 113,968	\$ 46,979	\$ 418,828	\$ 36,799	\$ 71,204	\$ 526,831
374,911	-	374,911	-	-	374,911
60,832	625	76,251	15,516	32,577	124,344
190	4,908	5,242	412	-	5,654
33,999	-	33,999	9,556	-	43,555
13,968	1,844	23,173	6,205	3,241	32,619
9,905	4,083	36,400	3,198	6,188	45,786
3,032	1,035	5,548	-	-	5,548
17,258	1,294	18,983	441	59	19,483
18,429	-	25,493	7,260	-	32,753
1,065	-	3,240	165	5,132	8,537
61	282	2,606	1,609	488	4,703
3	-	442	3,106	-	3,548
-	200	450	-	3,200	3,650
9,403	2	9,405	575	-	9,980
-	-	-	-	-	-
-	-	460	2,814	-	3,274
1,245	679	1,999	100	30	2,129
-	-	-	1,489	-	1,489
-	-	2,058	-	-	2,058
<u>\$ 658,269</u>	<u>\$ 61,931</u>	<u>\$ 1,039,488</u>	<u>\$ 89,245</u>	<u>\$ 122,119</u>	<u>\$ 1,250,852</u>

Maryhill Museum of Art
Statement of Cash Flows
Year Ended December 31, 2020

Reconciliation of Changes in Net Assets to Net Cash

Provided by Operating Activities

Changes in net assets	<u>\$ (122,376)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	374,911
Gain on sale of asset	(24)
Unrealized gain on investments	(91,933)
(Increase) decrease in assets:	
Inventory	(16,967)
Receivables	(600)
Increase (decrease) in liabilities:	
Accounts payable	(18,732)
Payroll liabilities	2,036
Taxes payable	(2,011)
Deferred membership dues	<u>(1,160)</u>
Total adjustments	<u>245,520</u>
Net cash provided by operating activities	<u>123,144</u>

Cash flows from Investing Activities

Purchase of investments	(5,233,086)
Sale of investments	5,059,930
Proceeds from sale of property and equipment	349
Purchase of property and equipment	<u>(31,418)</u>
Net cash used by investing activities	<u>(204,225)</u>

Cash flows from Financing Activities

Cash received from long-term borrowings	276,085
Principal payments on notes payable	<u>(6,908)</u>
Net cash provided by financing activities	<u>269,177</u>

Net Increase in Cash and Cash Equivalents

188,096

Cash and Cash Equivalents, Beginning of Year

134,489

Cash and Cash Equivalents, End of Year

\$ 322,585

Maryhill Museum of Art
Notes to Financial Statements
December 31, 2020

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 to collect, present, and preserve 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, membership dues, merchandise and food sales, investment income, rentals, and donor contributions.

Summary of Significant Accounting Policies:

Basis of Presentation – The Museum prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenditures are recognized when incurred.

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 statement of cash flows.

Investments – The Museum has adopted the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 958. Under ASC 958, investments in marketable securities with readily determinable values, and all instruments in debt securities are reported at their fair values in the statement 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 net realizable value. The Museum determines cost principally by specific identification.

Collections – Collections consist of artwork, artifacts, and books all with historical significance, and are held for educational, exhibit, research, and curatorial purposes. In conformity with industry practice, the Museum does not capitalize its collections in the accompanying statement of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired and as net assets with donor restrictions if the assets used to purchase the items are restricted by the donors. Proceeds from de-accessions or insurance recoveries are reflected as increases in the appropriate net asset category and are to be exclusively used for the acquisition and direct care of the permanent collection items. Direct care includes preventive care and conservation of the collections.

The Museum employs a full-time employee to manage stewardship of the artifacts and collection, under the direction of the Executive Director and Board of Trustees. Each piece is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously.

Maryhill Museum of Art
Notes to Financial Statements
December 31, 2020

Note 1 - Organization and Summary of Significant Accounting Policies (continued):

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.

Revenue and Revenue Recognition – The Museum recognizes revenue from ticket sales at the time of admission. Membership dues, which are nonrefundable, are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. The Museum recognizes the exchange portion of membership dues over the membership period, and the contribution portion immediately. The Museum records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

The Museum recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Revenues from auxiliary activities primarily include sales from the Museum’s store and café and are recognized on receipt.

Classification of Net Assets – The Museum reports 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.

Net Assets Without Donor Restrictions – Net assets that are not subject to or no longer subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of donor restrictions on the net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

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.

Advertising Costs – The Museum charges advertising costs to expenses as incurred. Advertising expense for the year ended December 31, 2020 was \$3,650.

Maryhill Museum of Art
Notes to Financial Statements
December 31, 2020

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

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 functional expenses. 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 it does not meet the criteria for recognition.

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.

Recent Accounting Pronouncements – During the year ended December 31, 2020, the Museum adopted the requirements of the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The new standard is effective for reporting periods beginning after December 15, 2019 and early adoption is permitted. This ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in generally accepted accounting principles. The update addresses the complexity of revenue recognition and provides sufficient information to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The cumulative effect recorded to net assets without donor restrictions was (\$4,618) upon adoption of the standard.

During the year ended December 31, 2020, the Museum also adopted the requirements of the FASB issued ASU No. 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*. The Update is effective for annual periods beginning after December 15, 2019 and early adoption is permitted. The Update addresses the use of proceeds from deaccessioned collection items and requires disclosure of the organizational policy for the use of such proceeds, including whether those proceeds could be used for acquisitions of new collection items, the direct care of existing collections, or both. If the collection-holding entity allows proceeds from deaccessioned collection items to be used for direct care, the entity shall disclose its definition of direct care.

Subsequent Events – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Museum recognizes in the financial statements, the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Museum’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements were available to be issued.

The Museum has evaluated subsequent events through May 15, 2021, which is the date the financial statements were available to be issued.

Maryhill Museum of Art
Notes to Financial Statements
December 31, 2020

Note 2 – Investments and Fair Value Measurements:

The Museum’s investments consisted of the following at December 31, 2020:

Description	Cost	Accumulated Unrealized Gain (Loss)	Fair Value	Fair Value % of Total Assets
Money Accounts/CD's	\$ 1,243,811	\$ 10,221	\$ 1,254,032	9.1%
Equities	364,089	199,365	563,454	4.1%
Mutual Funds	50,737	15,575	66,312	0.5%
Total	<u>\$ 1,658,637</u>	<u>\$ 225,161</u>	<u>\$ 1,883,798</u>	<u>13.7%</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, 2020

Note 2 – Investments and 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 year ended December 31, 2020.

Level 1 – Certificates of deposit, money market funds, mutual funds, government securities, 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, 2020.

Level 3 – The Museum had no investments that are classified as Level 3 at December 31, 2020.

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, 2020 were as follows:

	Level 1	Level 2	Level 3	Total
Money Accounts/CD's	\$ 1,254,032	\$ -	\$ -	\$ 1,254,032
Equities	563,454	-	-	563,454
Mutual Funds	66,312	-	-	66,312
Total	<u>\$ 1,883,798</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,883,798</u>

Note 3 – Endowment Funds:

The endowment consists of funds established to support specific purposes. The Museum classifies and reports net assets associated with endowment funds based on the existence or absence of donor-imposed restrictions. The donors of the permanently restricted endowment fund have stipulated the principal must be maintained intact in perpetuity.

The Board of Trustees 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 Board of Trustees of the Museum has interpreted the Washington State Prudent Management of Institutional Funds Act (PMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as permanently restricted net assets (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.

Maryhill Museum of Art
Notes to Financial Statements
December 31, 2020

Note 3 – Endowment Funds (continued):

Any earnings from the investments, including realized and unrealized gains or losses, are unrestricted and may be used for any purpose designated by management.

In accordance with PMIFA, 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 funds, (2) the purposes of 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 investment, (6) other resources of the Museum, and (7) the Museum’s investment policies.

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 composition of endowment net assets as of December 31, 2020 is as follows:

Donor-restricted endowment funds:	
Permanently restricted	<u><u>\$ 1,551,937</u></u>

Changes in endowment net assets as of December 31, 2020 are as follows:

Endowment Net Assets - beginning of year	\$ 1,269,107
Contributions	282,830
Investment income	-
Net appreciation	-
Program expenditures	-
Endowment Net Assets - end of year	<u><u>\$ 1,551,937</u></u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2020:

Without donor restrictions:	
Investment income	\$ 18,889
Net gain on investments	<u>91,933</u>
Total investment return	<u><u>\$ 110,822</u></u>

Maryhill Museum of Art
Notes to Financial Statements
December 31, 2020

Note 4 – Pledges Receivable:

The Museum receives various pledges from 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 as the pledges are unconditional. 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. Pledges receivable at December 31, 2020 are as follows:

Pledges receivable		\$	7,000
Total pledges receivable			\$ 7,000
Amount due in:			
Less than one year		\$	2,000
One to five years			5,000
Total pledges receivable			\$ 7,000

Note 5 –Property and Equipment:

Property and equipment consisted of the following at December 31, 2020:

Depreciable assets:			
Buildings		\$	14,026,381
Furniture, fixtures, & equipment			706,653
Water system			1,074,022
Roads and fences			486,746
Rental buildings and roads			125,038
Stonehenge			43,263
Total depreciable assets			16,462,103
Less: accumulated depreciation			5,205,604
			11,256,499
Land			181,406
Total net property and equipment			\$ 11,437,905

Depreciation expense for the year ended December 31, 2020 was \$374,911.

Maryhill Museum of Art
Notes to Financial Statements
December 31, 2020

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 2020 aggregated \$333,250. Future minimum operating and contingent rental income for succeeding fiscal years are as follows:

<u>December 31,</u>	<u>Amount</u>
2021	111,427
2022	99,427
2023	90,750
	<u>\$ 301,604</u>

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 year ended December 31, 2020, the Museum contributed \$13,934 to the program.

Note 8 – Revenue from Contracts with Customers:

The following table provides information about significant changes in the contract liabilities for the year ended December 31, 2020:

Deferred membership dues, beginning of year	\$	4,618
Revenue recognized that was included in deferred membership dues at the beginning of year		(4,618)
Increase in deferred revenue due to cash received during the period		3,458
Deferred membership dues, end of year	<u>\$</u>	<u>3,458</u>

Maryhill Museum of Art
Notes to Financial Statements
December 31, 2020

Note 9 – Notes Payable:

Notes payable consisted of the following:

Note payable to Kubota, non-interest bearing, with monthly principal payments of \$575, maturing April, 2023	\$ 16,119
Note payable to U.S. Small Business Administration, bearing interest at 2.75%, with monthly principal and interest payments of \$641, beginning July, 2021, maturing June, 2051	150,000
	166,119
Less current maturities	(6,908)
	\$ 159,211

Future maturities of long-term debt are as follows:

Years Ending December 31,	
2021	\$ 6,908
2022	8,139
2023	5,791
2024	3,586
2025	3,685
Thereafter	138,010
	\$ 166,119

Note 10 – Paycheck Protection Loan:

On May 2, 2020, the Museum received a loan from Bank of America in the amount of \$126,085 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated May 2, 2020 and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. No determination has been made as to whether the Museum will be eligible for forgiveness, in whole or in part. The loan bears interest at a rate of 1%, and monthly principal and interest installments are deferred until the loan is determined to be forgiven, either in whole or in part. Management expects that the entire amount will be forgiven during 2021. The entire amount of the loan has been classified as a long-term note payable in the accompanying statement of financial position.

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Note 11 – Net Assets Without Donor Restrictions:

From net assets without donor restrictions of \$12,066,259, the Board of Trustees has designated a quasi-endowment of \$151,454 as of December 31, 2018.

Board-designated quasi-endowment	\$	82,490
Undesignated		11,520,016
Total net assets without donor restriction	\$	11,602,506

Note 12 – Net Assets With Donor Restrictions:

Net assets with donor restrictions are restricted for the following purposes at December 31, 2020:

Subject to expenditure for specified purpose:		
Educational programs, exhibits, and collections	\$	158,239
Future buildings and grounds repairs		74,650
Subtotal		232,889
Investment in perpetuity		1,551,937
Total net assets with donor restrictions	\$	1,784,826

Note 13 – 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.

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Note 14 - Liquidity:

The following table reflects the Museum's financial assets as of December 31, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or because the governing board has set aside the funds for a specific contingency reserve or a long-term investment as board-designated assets. The designations could be drawn upon if the Board approves that action.

Financial assets:		
Cash and cash equivalents	\$	322,585
Inventory		58,754
Pledges receivable due within one year		2,000
Other receivables		4,000
Financial assets at year end		<u>387,339</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>387,339</u>

The Museum's goal is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The balance of the board-designated quasi-endowment fund is intended by the Board of Trustees to be used for future operational needs. However, the Board of Trustees may release a portion of the fund if there is a liquidity need.

Note 15 – COVID-19 Uncertainty:

Beginning in 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of this pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.