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Maryhill Museum of Art

Financial Statements

Independent Auditor's Report

December 31, 2021



Maryhill Museum of Art
Board of Trustees and Administration Staff

Matthew Johnston, President	Dean Schlenker
Karel Moersfelder, Vice President	Robert Staver
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Nancy Leahy	Penny Guest
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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 Audit of the Financial Statements

Opinion

We have audited the financial statements of Maryhill Museum of Art, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Maryhill Museum of Art as of December 31, 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Petersen CPAs + Advisors, PLLC

May 21, 2022

Maryhill Museum of Art
Statement of Financial Position
December 31, 2021

Assets

Current Assets

Cash and cash equivalents	\$ 449,207
Inventory	58,951
Total current assets	<u>508,158</u>

Property and Equipment (net)

11,107,681

Other Assets

Investments	2,643,757
Total other assets	<u>2,643,757</u>

Total Assets

\$ 14,259,596

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 11,313
Payroll liabilities	33,305
Taxes payable	5
Accrued interest payable	2,036
Other liabilities	100
Current portion of notes payable	8,378
Forgivable Paycheck Protection Program loans	212,244
Deferred membership dues	5,292
Total current liabilities	<u>272,673</u>

Long-Term Liabilities

Notes payable, net of current maturities	<u>159,164</u>
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Net Assets

Net assets without donor restrictions	11,408,414
Net assets with donor restrictions	2,419,345
Total net assets	<u>13,827,759</u>

Total liabilities and net assets

\$ 14,259,596

Maryhill Museum of Art
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Admissions	\$ 241,496	\$ -	\$ 241,496
Memberships	38,023	-	38,023
Merchandise and food sales	106,628	-	106,628
Contributions, pledges, and bequests	97,831	551,077	648,908
Leases and rents	337,607	-	337,607
Memorials/planned giving	9,585	-	9,585
Corporate gift/sponsorships	15,900	7,000	22,900
Foundation gifts/grants	69,101	133,860	202,961
Investment income	28,937	-	28,937
Realized/unrealized gain on investments	213,520	-	213,520
Loss on disposal of assets	(2,052)	-	(2,052)
Special events revenue	13,645	-	13,645
Miscellaneous	5,127	-	5,127
Total revenue and support	<u>1,175,348</u>	<u>691,937</u>	<u>1,867,285</u>
Net assets released in satisfaction of restrictions	57,418	(57,418)	-
Total revenue and support	<u>1,232,766</u>	<u>634,519</u>	<u>1,867,285</u>
Expenses			
Program services	1,128,514	-	1,128,514
Support services	290,643	-	290,643
Total expenses	<u>1,419,157</u>	<u>-</u>	<u>1,419,157</u>
Change in Net Assets, Before Changes			
Related to Collection Items	(186,391)	634,519	448,128
Collection items purchased	(7,701)	-	(7,701)
Changes in Net Assets	(194,092)	634,519	440,427
Net Assets, Beginning of Year	<u>11,602,506</u>	<u>1,784,826</u>	<u>13,387,332</u>
Net Assets, End of Year	<u>\$ 11,408,414</u>	<u>\$ 2,419,345</u>	<u>\$ 13,827,759</u>

See accompanying notes to financial statements.

Maryhill Museum of Art
Statement of Functional Expenses
Year Ended December 31, 2021

	<u>Program Services</u>			
	<u>Education</u>	<u>Exhibits</u>	<u>Collections</u>	<u>Membership</u>
Salaries and benefits	\$ 71,202	\$ 114,125	\$ 44,863	\$ 9,513
Depreciation	-	-	-	-
Contracted services	2,657	12,470	8,604	416
Food, beverages, merchandise	719	222	79	-
Utilities	-	-	-	-
Supplies	7,686	4,160	742	1,180
Payroll taxes	7,461	11,539	4,144	-
Travel, meetings, training	606	650	246	-
Repairs and maintenance	270	55	-	48
Insurance	-	-	9,925	-
Printing and copying	212	152	112	1,625
Postage and shipping	166	404	521	946
Bank fees	187	-	5	363
Advertising	-	-	-	-
Business taxes	-	-	-	-
Memberships, dues, subscriptions	95	120	-	-
Licenses, permits, fees	-	-	-	-
Equipment rental	-	-	-	-
Security	-	1,680	1,680	-
Interest	-	-	-	-
Bad debt	-	-	-	-
	<u>\$ 91,261</u>	<u>\$ 145,577</u>	<u>\$ 70,921</u>	<u>\$ 14,091</u>

Program Services			Support Services		
Buildings and Grounds	Visitor Services	Subtotal	General and Administrative	Fundraising and Development	Total
\$ 104,511	\$ 86,977	\$ 431,191	\$ 40,584	\$ 68,777	\$ 540,552
374,175	-	374,175	-	-	374,175
62,024	3,193	89,364	30,760	54,206	174,330
283	32,180	33,483	501	303	34,287
46,371	-	46,371	10,356	-	56,727
13,159	6,454	33,381	5,021	1,454	39,856
9,655	8,035	40,834	3,749	5,352	49,935
4,077	182	5,761	150	-	5,911
18,370	5	18,748	1,016	62	19,826
25,264	-	35,189	9,925	-	45,114
-	-	2,101	171	11,641	13,913
1	675	2,713	69	881	3,663
-	26	581	16,796	358	17,735
-	200	200	300	7,686	8,186
9,901	11	9,912	650	-	10,562
-	-	215	5,004	250	5,469
635	300	935	100	96	1,131
-	-	-	1,495	-	1,495
-	-	3,360	-	-	3,360
-	-	-	5,930	-	5,930
-	-	-	7,000	-	7,000
<u>\$ 668,426</u>	<u>\$ 138,238</u>	<u>\$ 1,128,514</u>	<u>\$ 139,577</u>	<u>\$ 151,066</u>	<u>\$ 1,419,157</u>

Maryhill Museum of Art
Statement of Cash Flows
Year Ended December 31, 2021

Reconciliation of Changes in Net Assets to Net Cash

Provided by Operating Activities

Changes in net assets	<u>\$ 440,427</u>
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	374,175
Donated stock	505,450
Loss on sale of asset	2,052
Unrealized gain on investments	(213,520)
(Increase) decrease in assets:	
Inventory	(197)
Receivables	11,000
Increase (decrease) in liabilities:	
Accounts payable	22
Payroll liabilities	13,874
Taxes payable	(321)
Accrued interest payable	2,036
Other liabilities	100
Forgivable Paycheck Protection Program loans	212,244
Deferred membership dues	<u>1,834</u>
Total adjustments	<u>908,749</u>
Net cash provided by operating activities	<u>1,349,176</u>

Cash flows from Investing Activities

Purchase of investments	(1,837,560)
Sale of investments	785,671
Purchase of property and equipment	<u>(46,003)</u>
Net cash used by investing activities	<u>(1,097,892)</u>

Cash flows from Financing Activities

Cash received from long-term borrowings	(117,754)
Principal payments on notes payable	<u>(6,908)</u>
Net cash provided by financing activities	<u>(124,662)</u>

Net Increase in Cash and Cash Equivalents

126,622

Cash and Cash Equivalents, Beginning of Year

322,585

Cash and Cash Equivalents, End of Year

\$ 449,207

See accompanying notes to financial statements.

Maryhill Museum of Art
Notes to Financial Statements
December 31, 2021

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. Maryhill Museum of Art ignites a journey of educational enrichment in the Columbia River Gorge by preserving and interpreting art and historic collections. 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, 2021

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, 2021 was \$8,186.

Maryhill Museum of Art
Notes to Financial Statements
December 31, 2021

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.

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 21, 2022, which is the date the financial statements were available to be issued.

Note 2 – Investments and Fair Value Measurements:

The Museum’s investments consisted of the following at December 31, 2021:

Description	Cost	Accumulated Unrealized Gain (Loss)	Fair Value	Fair Value % of Total Assets
Money Accounts/CD's	\$ 1,161,768	\$ 2,525	\$ 1,164,293	8.2%
Equities	700,508	155,393	855,901	6.0%
Mutual Funds	344,590	278,973	623,563	4.4%
Total	<u>\$ 2,206,866</u>	<u>\$ 436,891</u>	<u>\$ 2,643,757</u>	<u>18.5%</u>

Maryhill Museum of Art
Notes to Financial Statements
December 31, 2021

Note 2 – Investments and Fair Value Measurements (continued):

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.

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, 2021.

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, 2021.

Level 3 – The Museum had no investments that are classified as Level 3 at December 31, 2021.

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.

Maryhill Museum of Art
Notes to Financial Statements
December 31, 2021

Note 2 – Investments and Fair Value Measurements (continued):

Fair value measurements for investments reporting on a recurring basis at December 31, 2021 were as follows:

	Level 1	Level 2	Level 3	Total
Money Accounts/CD's	\$ 1,164,293	\$ -	\$ -	\$ 1,164,293
Equities	855,901	-	-	855,901
Mutual Funds	623,563	-	-	623,563
Total	<u>\$ 2,643,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,643,757</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 2021.

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.

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.

Maryhill Museum of Art
Notes to Financial Statements
December 31, 2021

Note 3 – Endowment Funds (continued):

The composition of endowment net assets as of December 31, 2021 is as follows:

Donor-restricted endowment funds:	
Permanently restricted	\$ 2,082,387

Changes in endowment net assets as of December 31, 2021 are as follows:

Endowment Net Assets - beginning of year	\$ 1,551,937
Contributions	530,450
Investment income	-
Net appreciation	-
Program expenditures	-
Endowment Net Assets - end of year	<u>\$ 2,082,387</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2021:

Without donor restrictions:	
Investment income	\$ 28,937
Net gain on investments	213,520
Total investment return	<u>\$ 242,457</u>

Maryhill Museum of Art
Notes to Financial Statements
December 31, 2021

Note 4 –Property and Equipment:

Property and equipment consisted of the following at December 31, 2021:

Depreciable assets:	
Buildings	\$ 14,008,630
Furniture, fixtures, & equipment	673,826
Water system	1,082,964
Roads and fences	485,527
Rental buildings and roads	125,038
Stonehenge	38,537
Total depreciable assets	16,414,522
Less: accumulated depreciation	5,488,247
	10,926,275
Land	181,406
Total net property and equipment	\$ 11,107,681

Depreciation expense for the year ended December 31, 2021 was \$374,175.

Note 5 – 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 2021 aggregated \$337,607. Future minimum operating and contingent rental income for succeeding fiscal years are as follows:

<u>December 31,</u>	<u>Amount</u>
2022	99,427
2023	90,750
	\$ 190,177

Note 6 – 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, 2021, the Museum contributed \$12,260 to the program.

Maryhill Museum of Art
Notes to Financial Statements
December 31, 2021

Note 7 – Revenue from Contracts with Customers:

The following table provides information about significant changes in the contract liabilities for the year ended December 31, 2021:

Deferred membership dues, beginning of year	\$ 3,458
Revenue recognized that was included in deferred membership dues at the beginning of year	(3,458)
Increase in deferred revenue due to cash received during the period	5,292
Deferred membership dues, end of year	<u><u>\$ 5,292</u></u>

Note 8 – Notes Payable:

Notes payable consisted of the following:

Note payable to Kubota, non-interest bearing, with monthly principal payments of \$575, maturing April, 2023	\$ 9,211
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
	<u>159,211</u>
Less current maturities	(8,378)
	<u><u>\$ 150,833</u></u>

Future maturities of long-term debt are as follows:

Years Ending December 31,	
2022	\$ 8,378
2023	5,956
2024	3,755
2024	3,860
2025	3,967
Thereafter	133,295
	<u><u>\$ 159,211</u></u>

Maryhill Museum of Art
Notes to Financial Statements
December 31, 2021

Note 9 – Paycheck Protection Program Loans:

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. 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. Subsequent to the year ended December 31, 2021, the Museum received partial forgiveness of this loan in the amount of \$118,583 (principal and interest). The amount of principal that was forgiven, \$117,754, has been included in current liabilities in the accompanying statement of financial position. The remaining amount of the loan that was not forgiven has been included in long-term notes payable in the accompanying statement of financial position.

On February 10, 2021, the Museum received a loan from Bank of America in the amount of \$94,490 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated February 10, 2021 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. 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. Subsequent to December 31, 2021, the Museum received full forgiveness of this loan. Therefore, the loan is included in current liabilities in the accompanying statement of financial position.

Note 10 – Net Assets Without Donor Restrictions:

From net assets without donor restrictions of \$11,408,414, the Board of Trustees has designated a quasi-endowment of \$82,490 as of December 31, 2021.

Board-designated quasi-endowment	\$ 82,490
Undesignated	<u>11,325,924</u>
Total net assets without donor restriction	<u><u>\$ 11,408,414</u></u>

Maryhill Museum of Art
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Note 11 – Net Assets With Donor Restrictions:

Net assets with donor restrictions are restricted for the following purposes at December 31, 2021:

Subject to expenditure for specified purpose:	
Educational programs, exhibits, and collections	\$ 171,956
Future buildings and grounds repairs	<u>165,002</u>
Subtotal	336,958
Investment in perpetuity	<u>2,082,387</u>
Total net assets with donor restrictions	<u><u>\$ 2,419,345</u></u>

Note 12 – 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. A modification of the deed of trust was made on August 9, 2016, due to the receipt of additional grant funds for a capital project.

Note 13 - Liquidity:

The following table reflects the Museum’s financial assets as of December 31, 2021, 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	\$ 449,207
Inventory	<u>58,951</u>
Financial assets at year end	<u>508,158</u>
Financial assets available to meet cash needs for general expenditures within one year	
	<u><u>\$ 508,158</u></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 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.

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Note 14- Subsequent Event:

Subsequent to the year ended December 31, 2021, the Museum received notification of eligibility for a total of \$228,498 in employee retention credits, applicable to the 2021 and 2020 calendar years.