

# Financial Statements

Sun Valley Center for the Arts, Inc.  
dba Sun Valley Museum of Art  
(a nonprofit organization)  
Year ended May 31, 2020



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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Sun Valley Center for the Arts, Inc.  
d.b.a. Sun Valley Museum of Art  
Sun Valley, Idaho

We have audited the accompanying financial statements of Sun Valley Center for the Arts, Inc. d.b.a. Sun Valley Museum of Art (a nonprofit organization), which comprise the statement of financial position as of May 31, 2020, and the related statements of activities, 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 the statements of financial position 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 the 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 risk 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 estimated 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 Sun Valley Center for the Arts, Inc. d.b.a. Sun Valley Museum of Art as of May 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.

*Harris CPA*

Meridian, Idaho  
February 26, 2021



**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**STATEMENT OF FINANCIAL POSITION**  
**For The Year Ended May 31, 2020**

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**ASSETS**

**Current Assets**

|   |               |
|---|---------------|
| Cash and cash equivalent                  | \$ 585,066    |
| Investments                               | 2,645,301     |
| Accounts receivable                       | 12,101        |
| Prepaid expenses and other current assets | 79,190        |
| Pledges receivable, current portion       | <u>10,000</u> |

Total Current Assets 3,331,658

**Other Long-term Assets - Endowment**

|             |                  |
|-------------|------------------|
| Cash        | 11,477           |
| Investments | <u>1,011,493</u> |

Total Endowment 1,022,970

Pledges receivable, net of current portion 17,620

Property and Equipment, net 2,795,298

Total Assets \$ 7,167,546

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

|                               |                |
|-------------------------------|----------------|
| Accounts payable              | \$ 110,959     |
| Accrued liabilities           | 105,655        |
| Refundable advance – PPP Loan | 242,300        |
| Deferred revenue              | 11,836         |
| Line of credit                | <u>190,000</u> |

Total Liabilities 660,750

**Net Assets**

|                            |                |
|----------------------------|----------------|
| Without donor restrictions | 6,238,532      |
| With donor restrictions    | <u>268,264</u> |

Total Net Assets 6,506,796

Total Liabilities and Net Assets \$ 7,167,546

See notes to financial statements.

**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended May 31, 2020**

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|                                       | <b><u>Without donor<br/>restrictions</u></b> | <b><u>With donor<br/>restrictions</u></b> | <b><u>Total</u></b> |
|---------------------------------------|--|---|---------------------|
| <b>Revenues and Other Support</b>     |  |   |                     |
| Contributions and grants              | \$ 2,336,407                                 | \$ 268,264                                | \$ 2,604,671        |
| Special events, net                   | 1,130,143                                    |   | 1,130,143           |
| Visual arts                           | 58,623                                       |   | 58,623              |
| Performing arts                       | 821,834                                      |   | 821,834             |
| Memberships                           | 184,806                                      |   | 184,806             |
| Education fees                        | 57,938                                       |   | 57,938              |
| Investment income, net of fees        | 93,491                                       |   | 93,491              |
| Realized loss on sale of property     | (443,647)                                    |   | (443,647)           |
| Other                                 | 40,008                                       |   | 40,008              |
|                                       | <u>4,279,603</u>                             | <u>268,264</u>                            | <u>4,547,867</u>    |
| Net assets released from restrictions | <u>140,766</u>                               | <u>(140,766)</u>                          | <u>0</u>            |
| Total Revenue                         | 4,420,369                                    | 127,498                                   | 4,547,867           |
| <b>Expenses</b>                       |  |   |                     |
| Program services                      |  |   |                     |
| Performing Arts                       | 962,248                                      |   | 962,248             |
| Theatre                               | 894,963                                      |   | 894,963             |
| Education                             | 677,490                                      |   | 677,490             |
| Visual arts                           | <u>632,356</u>                               |   | <u>632,356</u>      |
| Total Program Services                | 3,167,057                                    | 0   | 3,167,057           |
| Supporting services                   |  |   |                     |
| Fundraising                           | 690,140                                      |   | 690,140             |
| Administrative                        | <u>483,573</u>                               |   | <u>483,573</u>      |
| Total Supporting Services             | 1,173,713                                    | 0   | 1,173,713           |
| Total Expenses                        | <u>4,340,770</u>                             | <u>0</u>                                  | <u>4,340,770</u>    |
| Change in Net Assets                  | 79,599                                       | 127,498                                   | 207,097             |
| <b>Net Assets</b>                     |  |   |                     |
| Beginning of Year                     | <u>6,158,933</u>                             | <u>140,766</u>                            | <u>6,299,699</u>    |
| End of Year                           | <u>\$ 6,238,532</u>                          | <u>\$ 268,264</u>                         | <u>\$ 6,506,796</u> |

See notes to financial statements.

**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended May 31, 2020**

|                         | <b>Program Services</b>    |                   |                   |                    |                          |                    |                       |                     |
|-------------------------|----------------------------|-------------------|-------------------|--------------------|--------------------------|--------------------|-----------------------|---------------------|
|                         | <b>Performing<br/>Arts</b> | <b>Theatre</b>    | <b>Education</b>  | <b>Visual Arts</b> | <b>Total<br/>Program</b> | <b>Fundraising</b> | <b>Administrative</b> | <b>Total</b>        |
| Salaries and wages      | \$ 185,252                 | \$ 486,076        | \$ 350,243        | \$ 199,998         | \$ 1,221,569             | \$ 378,177         | \$ 164,699            | \$ 1,764,445        |
| Production expenses     | 585,151                    | 162,666           | 193,577           | 212,275            | 1,153,669                | 142,640            | 11,170                | 1,307,479           |
| Professional services   | 58,572                     | 87,199            | 19,434            | 12,573             | 177,778                  | 28,682             | 111,436               | 317,896             |
| Marketing               | 46,397                     | 53,659            | 45,625            | 38,378             | 184,059                  | 28,898             | 63,350                | 276,307             |
| Catering and décor      | 26,227                     | 26,257            | 26,061            | 78,481             | 157,026                  | 45,946             | 1,329                 | 204,301             |
| Office expenses         | 16,899                     | 21,350            | 13,076            | 56,670             | 107,995                  | 13,675             | 11,574                | 133,244             |
| Depreciation            |                            |                   |                   |                    | 0                        |                    | 87,512                | 87,512              |
| Utilities               | 12,491                     | 15,199            | 1,698             | 1,698              | 31,086                   | 8,887              | 8,887                 | 48,860              |
| Office equipment        | 7,096                      | 11,921            | 7,096             | 7,856              | 33,969                   | 7,060              | 7,191                 | 48,220              |
| Repairs and maintenance | 5,887                      | 13,796            | 5,887             | 6,470              | 32,040                   | 3,909              | 3,909                 | 39,858              |
| Travel                  | 8,966                      | 6,713             | 5,950             | 7,116              | 28,745                   | 7,192              | 3,804                 | 39,741              |
| Insurance               | 5,496                      | 5,054             | 5,054             | 7,082              | 22,686                   | 5,054              | 5,054                 | 32,794              |
| Human resources         | 1,707                      | 4,391             | 2,066             | 1,724              | 9,888                    | 2,697              | 1,436                 | 14,021              |
| Other expenses          | 2,107                      | 682               | 1,723             | 2,035              | 6,547                    | 17,323             | 2,222                 | 26,092              |
| Total Expenses          | <u>\$ 962,248</u>          | <u>\$ 894,963</u> | <u>\$ 677,490</u> | <u>\$ 632,356</u>  | <u>\$ 3,167,057</u>      | <u>\$ 690,140</u>  | <u>\$ 483,573</u>     | <u>\$ 4,340,770</u> |

See notes to financial statements.

**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**STATEMENT OF CASH FLOWS**  
**For The Year Ended May 31, 2020**

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**Cash Flows From Operating Activities**

|   |                |
|---|----------------|
| Change in net assets  | \$ 207,097     |
| Adjustments to reconcile change in net assets to<br>net cash provided (used) by operating activities: |                |
| Depreciation  | 87,513         |
| Loss on sale of investments   | 19,151         |
| Loss on sale of land  | 443,647        |
| Unrealized gain on investments  | (54,053)       |
| Changes in operating assets and liabilities:  |                |
| Accounts receivable   | (3,037)        |
| Pledges receivable  | 4,802          |
| Prepaid expenses and other current assets   | 177,669        |
| Accounts payable  | 53,112         |
| Accrued payroll   | 48,041         |
| Deferred revenue  | (727,129)      |
| Refundable advance  | <u>242,300</u> |
| Net Cash Provided (Used) By Operating Activities  | 499,113        |

**Cash Flows From Investing Activities**

|  |                |
|--|----------------|
| Purchase of equipment                            | (50,365)       |
| Purchase of investments                          | (2,997,856)    |
| Proceeds from sale of land                       | 1,750,000      |
| Proceeds from sales of investments               | <u>344,671</u> |
| Net Cash Provided (Used) By Investing Activities | (953,550)      |

**Cash Flows From Financing Activities**

|   |                |
|---|----------------|
| Net change in line of credit            | <u>190,000</u> |
| Net Change in Cash and Cash Equivalents | (264,437)      |

**Cash and Restricted Cash**

|                   |                          |
|-------------------|--------------------------|
| Beginning of Year | <u>860,980</u>           |
| End of Year       | <u><u>\$ 596,543</u></u> |

**Reconciliation of Cash and Restricted Cash Balances:**

|  |                          |
|--|--------------------------|
| Cash                                   | \$ 585,066               |
| Endowment – Restricted Cash            | <u>11,477</u>            |
| Total Cash and Restricted Cash Balance | <u><u>\$ 596,543</u></u> |

See notes to financial statements.



**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**NOTES TO FINACIAL STATEMENTS**

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**Note A – Summary of Significant Account Policies**

*Nature of Organization*

Sun Valley Center for the Arts, Inc. d.b.a. Sun Valley Museum of Art, (the Museum) is a not-for-profit museum dedicated to enrich the community through transformative arts and educational experiences. The Museum provides educational and cultural programming for the citizens of Blaine County, Idaho.

*Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

*Basis of Presentation*

The Museum reports net assets and revenues, expenses, gains and losses are classified according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Net asset with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

*Accounting Pronouncements Adopted*

For the year ended May 31, 2020, the Museum adopted the provisions of Accounting Standards Update 2016-18 *Statement of Cash Flows (Topic 230) – Restricted Cash*. Under this new accounting policy, the Museum has retrospectively included restricted cash held by the entity in the beginning and ending cash on the statements of cash flows. The effects of the retrospective application of the accounting change have no effect on the statement of financial position or the previously reported changes in net assets.

For the year ended May 31, 2020, the Museum adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). Provisions of this guidance require expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Museum adopted the new standard effective June 1, 2019, the first day of the Museum's fiscal year, using the modified retrospective method, which requires that the cumulative effect of initially applying the provisions related to the ASU be recognized at the date of initial application.

**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note A – Summary of Significant Account Policies (Continued)**

*Accounting Pronouncements Adopted (Continued)*

The Museum determined that there was no significant impact as a result of the adoption of the new standards and no cumulative adjustment was recorded as a result of the adoption. There was no adjustment or impact to net assets or changes in net assets.

*Use of Estimates*

The Museum uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from estimates.

*Cash and Cash Equivalents*

The Museum considers all unrestricted, short-term, highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

*Concentrations of Credit Risk*

Financial instruments that potentially subject the Museum to significant concentrations of credit risk consist principally of cash and investments. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation for up to \$250,000 and the Securities Investor Protection Corporation for up to \$500,000. At May 31, 2020, the Museum's uninsured cash and investment balances totaled \$3,273,128.

*Receivables*

Unconditional promises to give are recognized as revenues in the period received as assets, decreases of liabilities, or expenses, depending on the form of the benefit received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Receivables are not collateralized and, as a result, management continually monitors the financial condition and payment history of its income sources to reduce the risk of loss. As of May 31, 2020, the Museum believes all receivables will be fully collectible.

Receivables are stated at the amount management expects to collect from outstanding balances. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end.

**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note A – Summary of Significant Account Policies (Continued)**

*Investments*

Investments with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

*Property and Equipment*

Property and equipment is stated at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from five to forty years. The Museum capitalizes all property and equipment with a cost in excess of \$1,000 and a useful life longer than one year.

*Accrued Vacation*

Includes amounts for vacation days, which are earned ratably during the year based upon length of employment.

*Deferred Revenue*

Ticket sales pertaining to future events are deferred until the performance occurs. At May 31, 2020, deferred ticket revenue totaled \$11,836.

*Fair Value*

The Museum uses fair value for reporting financial assets and liabilities. A hierarchy for reporting the reliability of input measurements is used to assess fair value for all assets and liabilities. Fair value is defined as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. The hierarchy established prioritizes fair value measurements based on the types of inputs used in the valuation technique. Certain financial instruments are carried at cost on the statement of financial position, which approximates fair value due to their short term, highly liquid nature.

**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**NOTES TO FINACIAL STATEMENTS**

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**Note A – Summary of Significant Account Policies (Continued)**

*Revenue Recognition*

Performing arts income is earned when the production occurs. Performance obligations are generally providing the live performance at a point in time. Ticket sale proceeds received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. The Museum reports gifts of property and equipment as unrestricted support unless explicit donor restrictions are placed on the donated assets. Membership income is recognized when received as contributions with donor restrictions. Special event ticket sales and sponsorships are recorded in the period in which the event occurs.

*Contributions and Donor Imposed Restrictions*

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as contributions with donor restrictions that increases that net asset class. When donor restrictions expire, that is, when a time restriction ends and/or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

*Special Events and Fundraising*

Special events are shown net of costs that are direct benefits related to the wine auction, a special event held annually. Direct benefits expense totaled \$247,937 for the year ended May 31, 2020. The remaining costs shown in fundraising in the statement of functional expenses are for donor development and general fundraising.

*Donated Services*

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributed services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note A - Summary of Significant Account Policies (Continued)**

*Donated Services (Continued)*

The Museum also has many individuals who volunteer their time and perform a variety of tasks that assist the organization with its fund-raising and program services. No amounts have been reflected in the financial statements for these donated services.

*Functional Allocation of Expenses*

The costs of providing the program have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. Salaries and wages, benefits and payroll taxes are allocated based on the time spent by each employee on each respective program or supporting function. Depreciation is allocated based on square foot usage of space. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

*Advertising*

The Museum uses advertising to promote its programs among the audience it serves. The production costs of advertising are expensed as incurred. The Museum incurred \$71,079 in advertising expenses for the year ended May 31, 2020.

*Income Tax Status*

The Museum is classified as a Section 501(c)(3) organization that is exempt from income taxes under the Federal Internal Revenue Code. Accordingly, no provision for income taxes is made in the financial statements. In addition, the Museum has been classified as an organization that is not a private foundation under Section 509(a)(2).

*Uncertain Tax Positions*

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Museum may recognize tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2020.

**SUN VALLEY CENTER FOR THE ARTS, INC.  
D.B.A. SUN VALLEY MUSEUM OF ART  
NOTES TO FINACIAL STATEMENTS**

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**Note A - Summary of Significant Account Policies (Continued)**

*Uncertain Tax Positions (Continued)*

The Museum files Form 990 in the U.S. federal jurisdiction. The Museum is generally no longer subject to examination by the Internal Revenue Service for years before 2016.

*Subsequent Events*

Subsequent events have been evaluated through February 26, 2021 which is the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact operations, including temporary suspension of performances, events and the closure of the art museum; however the related financial impact and duration cannot be reasonably estimated at this time. Further details of this uncertainty are discussed in Note L to these financial statements.

**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note B – Liquidity and Availability of Resources**

The Museum's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

|  |               |
|--|---------------|
| Cash and restricted cash                         | \$ 596,543    |
| Investments and restricted investments           | 3,656,794     |
| Receivables                                      | <u>22,101</u> |
| Total financial assets available within one year | 4,275,438     |

Less amounts unavailable for general expenditures within one year, due to:

|  |                    |
|--|--------------------|
| Restricted by donors with purpose restrictions                     | (268,264)          |
| Board designation – capital projects                               | (2,792,032)        |
| Board designation – endowment funds                                | <u>(1,022,970)</u> |
| Total amounts unavailable for general expenditures within one year | <u>(4,083,266)</u> |

|  |                   |
|--|-------------------|
| Total financial assets available within one year after restriction | <u>\$ 192,172</u> |
|--|-------------------|

As part of the Museum's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. At May 31, 2020, all net assets without donor restrictions are available for payment of (any major expenditures incurred), except for contributions receivable which are available when the receivable is collected which is expected within the next year and the expenditure is incurred. If necessary, board designated endowment funds may be used to assist with liquidity needs.

**Note C - Investments**

Investments as of May 31, 2020 are summarized as follows:

|                 |                     |
|-----------------|---------------------|
| Cost            | \$ 3,566,839        |
| Unrealized gain | <u>89,955</u>       |
| Fair value      | <u>\$ 3,656,794</u> |

Investment income (loss) consists of the following for the year ended May 31, 2020:

|                           |                  |
|---------------------------|------------------|
| Interest and dividends    | \$ 67,554        |
| Unrealized gain (loss)    | 54,053           |
| Realized gain (loss)      | (19,151)         |
| Portfolio management fees | <u>(8,965)</u>   |
|                           | <u>\$ 93,491</u> |

**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note D – Fair Value of Assets and Liabilities**

The fair value hierarchy 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 are described below:

|         |  |
|---------|--|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.  |
| Level 2 | Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value instrument.   |

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Museum holds actively traded mutual funds measured using Level 1 inputs and bonds using Level 2 inputs.

The following table sets forth by level, within the fair value hierarchy, the Museum's investments at fair value as of May 31, 2020.

|                     | <u>Fair Value</u>   | <u>Fair Value Measurements Using</u> |                   |                |
|---------------------|---------------------|--------------------------------------|-------------------|----------------|
|                     |                     | <u>Level 1</u>                       | <u>Level 2</u>    | <u>Level 3</u> |
| Bond funds          | \$ 459,191          | \$                                   | \$ 459,191        | \$ 0           |
| Mutual funds - ETFS | <u>3,197,603</u>    | <u>3,197,603</u>                     |                   |                |
| Total               | <u>\$ 3,656,794</u> | <u>\$ 3,197,603</u>                  | <u>\$ 459,191</u> | <u>\$ 0</u>    |



**SUN VALLEY CENTER FOR THE ARTS, INC.**  
**D.B.A. SUN VALLEY MUSEUM OF ART**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note E – Pledges Receivable**

Pledges receivable consisted of the following at May 31, 2020:

|  |                  |
|--|------------------|
| Pledges receivable in less than one year | \$ 10,000        |
| Pledges receivable in more than one year | <u>20,000</u>    |
| Total pledges receivable                 | 30,000           |
| Less discounts to net present value      | <u>(2,380)</u>   |
| Pledges receivable, net                  | <u>\$ 27,620</u> |

The discount rate used on long term pledges was 4.25%. For the year ended May 31, 2020, management considers all pledges collectable.

**Note F – Property and Equipment**

At May 31, 2020, property and equipment consists of the following:

|                                   |                     |
|-----------------------------------|---------------------|
| Buildings and land                | \$ 2,925,460        |
| Improvements                      | 537,299             |
| Furniture, fixtures and equipment | 677,023             |
| Autos and Trucks                  | <u>26,601</u>       |
|                                   | 4,166,383           |
| Less accumulated depreciation     | <u>1,371,085</u>    |
|                                   | <u>\$ 2,795,298</u> |

Depreciation expense for the year ended May 31, 2020 was \$87,513.

**Note G – Line of Credit**

During 2020, the Museum had a \$300,000 revolving line of credit with a bank with a maturity date of March 2021. The line of credit bears interest at a rate 5.49%. During 2020, the Museum paid \$2,700 in interest on the line. At May 31, 2020, the Museum had an outstanding balance of \$190,000.

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**Note H – Refundable Advance**

On April 15, 2020, the Museum received loan proceeds in the amount of \$242,300 under the Paycheck Protection Program (“PPP”) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Museum is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Management has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if the Museum maintains employment levels during its eight-week covered period and uses the funds for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended May 31, 2020. The Museum will be required to repay any remaining balance, plus interest accrued at 1% per annum in monthly payments beginning on November 15, 2020. Principal and interest payments will be required through the maturity date, April 15, 2022.

**Note I – Net Assets**

The detail of the Museum’s net asset categories at May 31, 2020, is as follows:

Without donor restrictions:

|                                     |                  |
|-------------------------------------|------------------|
| Invested in property and equipment  | \$ 2,795,298     |
| Board designated - endowment funds  | 1,022,970        |
| Board designated - capital projects | 2,792,032        |
| Undesignated deficit                | <u>(371,768)</u> |
| Total without donor restrictions    | 6,238,532        |

With donor restrictions:

|  |                     |
|--|---------------------|
| Unexpended funds received for restricted purposes: |                     |
| Future theatre sessions                            | 38,420              |
| Future exhibitions                                 | 194,844             |
| Funds restricted for use in future years           | 30,000              |
| Endowment funds                                    | <u>5,000</u>        |
| Total with donor restrictions                      | <u>268,264</u>      |
| Total net assets                                   | <u>\$ 6,506,796</u> |

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**Note J – Endowment Funds**

The Museum's endowment consists of one board designated fund and one donor-restricted endowment fund. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Since the board designated endowment amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The Board of Trustees of the Museum has interpreted the Idaho Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts 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.

The remaining portion of the donor restriction endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are paid out of the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the 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 investments, (6) other resources of the Museum, and (7) the Museum's investment policies.

The Museum has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of up to 5%, while growing the funds if possible. Actual returns in any given year may vary. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

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**Note J – Endowment Funds (Continued)**

The Museum has a discretionary policy of appropriating for distribution each year up to 5% of its endowment fund's average fair value as determined on the last day of the 36 months preceding the determination of the corporation's budget for the forthcoming year. The finance committee will recommend to the Board of Directors annually if the distribution should be made prior to the beginning of the fiscal year, or retained within the endowment fund. In establishing this policy, the Museum considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. This is consistent with the Museum's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

*Changes in Endowment Net Assets for the Fiscal Year Ended May 31, 2020*

|  | <b><u>Without Donor<br/>Restrictions</u></b> | <b><u>With Donor<br/>Restrictions</u></b> | <b><u>Total</u></b> |
|--|--|---|---------------------|
| Endowment net assets, beginning of year      | \$ 987,572                                   | \$ 5,000                                  | \$ 992,572          |
| Interest and dividend income, net of expense | 18,058                                       |   | 18,058              |
| Unrealized gain                              | 50,330                                       |   | 50,330              |
| Realized loss                                | (19,151)                                     |   | (19,151)            |
| Distributions                                | <u>(13,839)</u>                              | <u></u>                                   | <u>(13,839)</u>     |
| Change in endowment net assets               | <u>35,398</u>                                | <u>0</u>                                  | <u>35,398</u>       |
| Endowment net assets, end of year            | <u>\$ 1,022,970</u>                          | <u>\$ 5,000</u>                           | <u>\$ 1,027,970</u> |

*Endowment Net Asset Composition by Type of Fund for the Fiscal Year Ended May 31, 2020.*

|                  | <b><u>Without Donor<br/>Restriction</u></b> | <b><u>With Donor<br/>Restrictions</u></b> | <b><u>Total</u></b> |
|------------------|---|---|---------------------|
| Board-designated | \$ 1,022,970                                | \$ 0                                      | \$ 1,022,970        |
| Donor restricted | <u></u>                                     | <u>5,000</u>                              | <u>5,000</u>        |
| Total            | <u>\$ 1,022,970</u>                         | <u>\$ 5,000</u>                           | <u>\$ 1,027,970</u> |

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**Note K – Defined Contribution Plan**

The Museum has a defined contribution plan for eligible employees. Employee participation in this plan is voluntary and subject to certain minimum eligibility requirements. No employer contributions were made to the plan for the year ended May 31, 2020.

**Note L – Risks and Uncertainties**

The COVID-19 pandemic is having significant effects on markets, supply chains, businesses, and communities. The extent of the impact of COVID-19 on the Museum's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Museum's funding sources, volunteers, employees, and vendors, all of which at present, cannot be determined. The spread of the virus required the Museum to temporarily close its art gallery and cancel performances, educational and fundraising events. Accordingly, the extent to which COVID-19 may impact the Museum's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic. Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Since the start of the pandemic, the Museum has used operating reserves and a line of credit to supplement cash flow, and maintain programming and staff to the extent possible. The Museum also obtained a \$242,300 loan under the Paycheck Protection Program to supplement payroll and other costs. See Note H for additional information