

Financial Statements

Sun Valley Center for the Arts, Inc.
dba Sun Valley Museum of Art
(a nonprofit organization)
Statements of Financial Position
As of May 31, 2021 and 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 Statements of Financial Position of Sun Valley Center for the Arts, Inc. d.b.a. Sun Valley Museum of Art (a nonprofit organization) as of May 31, 2021 and 2020, and the related notes to the statements of financial position.

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 a statement of financial position that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the statements of financial position 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 statement of financial position is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statements of financial position. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the statement of financial position, 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 statement of financial position 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 statement of financial position.

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 statements of financial position 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, 2021 and 2020 in accordance with accounting principles generally accepted in the United States of America.

Harris CPA3

Meridian, Idaho
January 11, 2022



SUN VALLEY CENTER FOR THE ARTS, INC.
D.B.A. SUN VALLEY MUSEUM OF ART
STATEMENTS OF FINANCIAL POSITION
May 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 995,640	\$ 585,066
Investments	2,672,780	2,645,301
Accounts receivable	910	12,101
Pledges receivable	35,853	10,000
Prepaid expenses	<u>49,483</u>	<u>79,190</u>
Total Current Assets	3,754,666	3,331,658
Other Long-term Assets – Endowment		
Cash	18,073	11,477
Investments	<u>1,189,475</u>	<u>1,011,493</u>
Total Endowment	1,207,548	1,022,970
Pledges receivable, net of current portion	7,620	17,620
Property and Equipment, net	<u>2,734,825</u>	<u>2,795,298</u>
Total Assets	<u>\$ 7,704,659</u>	<u>\$ 7,167,546</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Line of credit	\$ 0	\$ 190,000
Accounts payable	67,477	110,959
Accrued liabilities	142,399	105,655
Refundable advance – PPP Loan	315,264	242,300
Deferred revenue	<u>21,648</u>	<u>11,836</u>
Total Liabilities	546,788	660,750
Net Assets		
Without donor restrictions	7,061,231	6,238,532
With donor restrictions	<u>96,640</u>	<u>268,264</u>
Total Net Assets	<u>7,157,871</u>	<u>6,506,796</u>
Total Liabilities and Net Assets	<u>\$ 7,704,659</u>	<u>\$ 7,167,546</u>

See notes to statements of financial position.

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

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.

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, 2021 and 2020, the Museum's uninsured cash and investment balances totaled \$4,088,190 and \$3,273,128, respectively.

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

Note A – Summary of Significant Account Policies (Continued)

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, 2021 and 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.

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.

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.

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.

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

Note A - Summary of Significant Account Policies (Continued)

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, 2021 and 2020, deferred ticket revenue totaled \$21,648 and \$11,836, respectively.

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.

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 years 2021 or 2020.

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 2017.

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

Note A - Summary of Significant Account Policies (Continued)

Subsequent Events

The Museum has evaluated subsequent events through January 11, 2022, which is the date the statements of financial position were available to be issued.

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	\$ 1,013,713
Investments and restricted investments	3,862,255
Receivables	<u>36,763</u>
Total financial assets available within one year	4,912,731
Less amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions	(96,640)
Board designation – capital projects	(2,860,095)
Board designation – endowment funds	<u>(1,207,548)</u>
Total amounts unavailable for general expenditures within one year	<u>(4,164,283)</u>
Total financial assets available within one year after restriction	<u>\$ 748,448</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, 2021, 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.

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

Note C - Investments

Investments as of May 31 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Cost	\$ 3,582,395	\$ 3,566,839
Unrealized gain	<u>279,860</u>	<u>89,955</u>
Fair value	<u>\$ 3,862,255</u>	<u>\$ 3,656,794</u>

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.

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

Note D – Fair Value of Assets and Liabilities (Continued)

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

	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
May 31, 2021				
Bond funds	\$ 465,339	\$	\$ 465,339	\$ 0
Mutual funds - ETFS	<u>3,396,916</u>	<u>3,396,916</u>		
Total	<u>\$ 3,862,255</u>	<u>\$ 3,396,916</u>	<u>\$ 465,339</u>	<u>\$ 0</u>

	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
May 31, 2020				
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>

Note E – Pledges Receivable

Pledges receivable consisted of the following at May 31:

	<u>2021</u>	<u>2020</u>
Pledges receivable in less than one year	\$ 35,853	\$ 10,000
Pledges receivable in more than one year	<u>10,000</u>	<u>20,000</u>
Total pledges receivable	45,853	30,000
Less discounts to net present value	<u>(2,380)</u>	<u>(2,380)</u>
Pledges receivable, net	<u>\$ 43,473</u>	<u>\$ 27,620</u>

The discount rate used on long term pledges was 4.25%. For the year ended May 31, 2021 and 2020, management considers all pledges collectable.

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

Note F – Property and Equipment

Property and equipment consisted of the following at May 31:

	<u>2021</u>	<u>2020</u>
Land, buildings and improvements	\$ 3,462,932	\$ 3,462,759
Furniture, fixtures and equipment	705,181	677,023
Autos and Trucks	<u>26,601</u>	<u>26,601</u>
	4,194,714	4,166,383
Less accumulated depreciation	<u>1,459,889</u>	<u>1,371,085</u>
Total Property and Equipment	<u>\$ 2,734,825</u>	<u>\$ 2,795,298</u>

Note G – Line of Credit

The Organization has a \$250,000 line of credit with Idaho Independent Bank. The line of credit bears interest at a rate of 3.25%. At May 31, 2021 and 2020, there was \$0 and \$190,000 outstanding on the line of credit, respectively. The line of credit matured in March 2021 and was not renewed.

During 2021, the Organization obtained a \$250,000 line of credit with Zions Bank . Any unpaid balance accrues interest at the Wall Street Journal Prime Rate plus 1.85%. At May 31, 2021 the rate was 5.1%. The line is secured by the Organization’s assets and matures March, 2024. The line of credit had no outstanding balance at May 31, 2021.

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

Note H – Refundable Advance

On January 20, 2021, the Museum received loan proceeds in the amount of \$315,264 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, 2021. The Museum will be required to repay any remaining balance, plus interest accrued at 1% per annum in monthly payments beginning on August 20, 2021. Principal and interest payments will be required through the maturity date, January 20, 2026.

Note I – Net Assets

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

	<u>2021</u>	<u>2020</u>
Without donor restrictions:		
Invested in property and equipment	\$ 2,734,825	\$ 2,795,298
Board designated - endowment funds	1,207,548	1,022,970
Board designated - capital projects	2,860,095	2,792,032
Undesignated surplus (deficit)	<u>258,763</u>	<u>(371,768)</u>
Total without donor restrictions	7,061,231	6,238,532
With donor restrictions:		
Unexpended funds received for restricted purposes:		
Future theatre sessions	0	38,420
Future exhibitions	22,500	194,844
Funds restricted for use in future years	30,000	30,000
Education	39,140	0
Endowment funds	<u>5,000</u>	<u>5,000</u>
Total with donor restrictions	<u>96,640</u>	<u>268,264</u>
Total net assets	<u>\$ 7,157,871</u>	<u>\$ 6,506,796</u>

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

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 net assets without donor restrictions.

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 donor restricted net assets as (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 restricted endowment fund that is not classified as net assets with donor restrictions is classified as net assets without donor restrictions 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.

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

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.

Endowment Net Asset Composition by Type of Fund for the Fiscal Year Ended May 31, 2021.

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated	\$ 1,207,548	\$ 0	\$ 1,207,548
Donor restricted	<u> </u>	<u>5,000</u>	<u>5,000</u>
Total	<u>\$ 1,207,548</u>	<u>\$ 5,000</u>	<u>\$ 1,212,548</u>

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

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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>

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

Note K – Risks and Uncertainties

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization's customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position 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 global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. The Organization obtained a \$315,264 PPP loan under the Paycheck Protection Program to supplement payroll and other costs. See Note H for additional information.