

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, 2023 and 2022



Table of Contents

Independent Auditors' Report	3
-------------------------------------	----------

Financial Statements

Statements of Financial Position	5
----------------------------------	---

Notes to Statements of Financial Position	6
---	---

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Sun Valley Center for the Arts, Inc. d.b.a. Sun Valley Museum of Art (a nonprofit organization), which comprise of the statements of financial position as of as of May 31, 2023 and 2022, and the related notes to the statements of financial position.

In our opinion, the accompanying statements of financial position 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, 2023, 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 Sun Valley Center for the Arts, Inc. d.b.a. Sun Valley 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 Sun Valley Center for the Arts, Inc. d.b.a. Sun Valley Museum of Art's ability to continue as a going concern for one year after the date that the financial statements are issued.





Auditors' 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 Sun Valley Center for the Arts, Inc. d.b.a. Sun Valley 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 Sun Valley Center for the Arts, Inc. d.b.a. Sun Valley 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.

Harris CPA

Meridian, Idaho
December 12, 2023

SUN VALLEY CENTER FOR THE ARTS, INC.
D.B.A. SUN VALLEY MUSEUM OF ART
STATEMENTS OF FINANCIAL POSITION
May 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,728,506	\$ 2,801,046
Investments	2,505,077	2,546,806
Accounts receivable	910	31,210
Pledges and grants receivable	5,000	38,550
Inventory	88,876	138,426
Prepaid expenses	<u>94,193</u>	<u>225,648</u>
Total Current Assets	5,422,562	5,781,686
Other Long-term Assets – Endowment		
Cash	256,042	14,121
Investments	<u>1,090,256</u>	<u>1,102,691</u>
Total Endowment	1,346,298	1,116,812
Property and Equipment, net	<u>2,033,350</u>	<u>1,483,547</u>
Total Assets	<u>\$ 8,802,210</u>	<u>\$ 8,382,045</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 433,249	\$ 76,345
Accrued liabilities	57,254	151,802
Deferred revenue	<u>507,010</u>	<u>711,246</u>
Total Liabilities	997,513	939,393
Net Assets		
Without donor restrictions	7,510,397	7,332,652
With donor restrictions	<u>294,300</u>	<u>110,000</u>
Total Net Assets	<u>7,804,697</u>	<u>7,442,652</u>
Total Liabilities and Net Assets	<u>\$ 8,802,210</u>	<u>\$ 8,382,045</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 STATEMENTS OF FINANCIAL POSITION**

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.

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, 2023 and 2022, the Museum's uninsured cash and investment balances totaled \$5,626,306 and \$4,883,393, respectively.

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.

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

Note A – Summary of Significant Account Policies (Continued)

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.

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, 2023 and 2022, 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.

Inventory

Inventory is comprised of wine donated to the Museum for use in their annual wine auction. Wine inventory is valued at the lower of their current market value or the fair value at the time received, determined by the first-in first-out method. Management has determined that an allowance for inventory obsolescence is not necessary at May 31, 2023 and 2022.

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 STATEMENTS OF FINANCIAL POSITION**

Note A – Summary of Significant Account Policies (Continued)

Compensated Absences

The Museum's full-time employees accrue vacation ratably during the year based upon length of employment. A maximum of 40 hours per calendar year may be rolled over to the subsequent year.

Deferred Revenue

Ticket sales pertaining to future events are deferred until the performance occurs. At May 31, 2023 and 2022, deferred ticket revenue totaled \$507,010 and \$711,246, 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.

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.

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).

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

Note A – Summary of Significant Account Policies (Continued)

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 2023 or 2022.

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 2019.

Subsequent Events

The Museum has evaluated subsequent events through December 12, 2023, which is the date the statements of financial position were available to be issued.

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

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	\$ 2,984,548
Investments and restricted investments	3,595,333
Receivables	<u>5,910</u>

Total financial assets available within one year 6,585,791

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

Board designation – capital projects	(2,798,235)
Board designation – endowment funds	(1,096,298)
Donor restricted endowment funds	(250,000)
Restricted by donors with purpose restrictions	<u>(44,300)</u>

Total amounts unavailable for general expenditures within one year (4,188,833)

Total financial assets available within one year after restriction \$ 2,396,958

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, 2023, 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. 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 STATEMENTS OF FINANCIAL POSITION**

Note C – Investments

Investments as of May 31 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Cost	\$ 3,725,381	\$ 3,945,763
Unrealized loss	<u>(130,048)</u>	<u>(296,266)</u>
Fair value	<u>\$ 3,595,333</u>	<u>\$ 3,649,497</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 STATEMENTS OF FINANCIAL POSITION**

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, 2023				
Bond funds	\$ 449,260	\$	\$ 449,260	\$ 0
Mutual funds – ETFs	<u>3,146,073</u>	<u>3,146,073</u>		
Total	<u>\$ 3,595,333</u>	<u>\$ 3,146,073</u>	<u>\$ 449,260</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, 2022				
Bond funds	\$ 454,935	\$	\$ 454,935	\$ 0
Mutual funds – ETFs	<u>3,194,562</u>	<u>3,194,562</u>		
Total	<u>\$ 3,649,497</u>	<u>\$ 3,194,562</u>	<u>\$ 454,935</u>	<u>\$ 0</u>

Note E – Property and Equipment

Property and equipment consisted of the following at May 31:

	<u>2023</u>	<u>2022</u>
Land, buildings and improvements	\$ 2,775,361	\$ 2,187,661
Furniture, fixtures and equipment	328,083	321,852
Autos and trucks	<u>32,708</u>	<u>15,208</u>
	3,136,152	2,524,721
Less accumulated depreciation	<u>(1,102,802)</u>	<u>(1,041,174)</u>
Total Property and Equipment	<u>\$ 2,033,350</u>	<u>\$ 1,483,547</u>

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

Note F – Line of Credit

The Museum holds a \$250,000 revolving line of credit with Zions First National Bank, secured by the Museum assets, maturing in March 2024. The interest, calculated at the Wall Street Journal Prime Rate plus 1.85%, was 10.1% and 5.85% at May 31, 2023 and 2022, respectively. As of May 31, 2023 and 2022, no amounts had been drawn against the line.

Note G – Net Assets

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

	<u>2023</u>	<u>2022</u>
Without donor restrictions:		
Invested in property and equipment	\$ 2,033,350	\$ 1,483,547
Board designated - capital projects	2,798,235	2,765,655
Board designated - endowment funds	1,096,298	1,116,812
Undesignated surplus	<u>1,582,514</u>	<u>1,966,638</u>
Total without donor restrictions	7,510,397	7,332,652
With donor restrictions:		
Arts Education Initiative endowment	250,000	0
Future exhibitions and concerts	25,300	65,000
Kristen Poole Fund - nontraditional projects	14,000	0
Education	0	40,000
Endowment funds	<u>5,000</u>	<u>5,000</u>
Total with donor restrictions	<u>294,300</u>	<u>110,000</u>
Total net assets	<u>\$ 7,804,697</u>	<u>\$ 7,442,652</u>

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

Note H – Endowment Funds

The Museum's endowments consists of one board designated fund and two donor-restricted endowment funds. 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 Museum considers various factors in making a determination to appropriate or accumulate donor-restricted endowment funds in a manner consistent with the standard of prudence prescribed by UPMIFA. These factors include: (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 STATEMENTS OF FINANCIAL POSITION**

Note H – 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, 2023.

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated	\$ 1,096,298	\$ 0	\$ 1,096,298
Donor restricted	<u> </u>	<u>255,000</u>	<u>255,000</u>
Total	<u>\$ 1,096,298</u>	<u>\$ 255,000</u>	<u>\$ 1,351,298</u>

Endowment Net Asset Composition by Type of Fund for the Fiscal Year Ended May 31, 2022.

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated	\$ 1,116,812	\$ 0	\$ 1,116,812
Donor restricted	<u> </u>	<u>5,000</u>	<u>5,000</u>
Total	<u>\$ 1,116,812</u>	<u>\$ 5,000</u>	<u>\$ 1,121,812</u>