

COOS ART MUSEUM
(A Not-for-Profit Corporation)
Coos Bay, Oregon

Financial Statements
Year Ended December 31, 2022

With Comparative Totals
Year Ended December 31, 2021

C. J. Huntsman, CPA, P.C.
P.O. Box 569
Coos Bay, OR 97420

COOS ART MUSEUM
(A Not-for-Profit Corporation)
PRINCIPAL OFFICIALS
December 31, 2022

BOARD OF DIRECTORS:

Carol Davis
Coos Bay, Oregon
President

Kathleen Zappelli
Coquille, Oregon
Secretary

Joseph Paulet
Coos Bay, Oregon
Director

Crystal Shoji
Coos Bay, Oregon
Director

Tom Foster
Coos Bay, Oregon
Vice President

Scott Carpenter
Coos Bay, Oregon
Director

Hilary Baker
Coquille, Oregon
Director

ADMINISTRATION:

Leah Ruby (Predecessor)
235 Anderson Ave
Coos Bay, OR 97420
Executive Director

Lydia Heins (Successor)
235 Anderson Ave
Coos Bay, OR 97420
Executive Director

REGISTERED AGENT:

Lydia Heins
687 Donnelly Ave
Coos Bay, OR 97420

COOS ART MUSEUM
(A Not-for-Profit Corporation)
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December 31, 2022

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C. J. Huntsman, CPA, P.C.

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American Institute of CPA's
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Executive Director
Coos Art Museum
Coos Bay, Oregon

I have reviewed the accompanying financial statements of the Coos Art Museum (a Not-for-Profit Corporation) which comprise the Statement of Financial Position as of December 31, 2022 and 2021, and the related Statement of Activities and Changes in Net Assets, Statement of Functional Expenses, and Statement of Cash Flows for the years then ended, and the related Notes to the Financial Statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

My responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

I am required to be independent of Coos Art Museum and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my reviews.

Accountant's Conclusion

Based on my reviews, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

DRAFT

Constance J. Huntsman, CPA
Coos Bay, Oregon
[DATE]

COOS ART MUSEUM
(A Not-for-Profit Corporation)
Statement of Financial Position
December 31, 2022 and 2021

	2022	2021
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 796,380	\$ 538,268
Prepaid expense	100	-
Inventory - gifts and artworks	2,124	2,124
Total current assets	798,604	540,392
Fixed assets:		
Property and equipment, net	11,289	17,291
Right-of-use assets, net	5,914	-
Total fixed assets	17,203	17,291
Other assets:		
Beneficial interest in Oregon Community Foundation		
Coos Art Museum Endowment Fund	203,078	231,102
Cultural Heritage Endowment Fund	45,305	52,774
Janet Beetham Art Education Fund	1,008,112	-
Total other assets	1,256,495	283,876
Total assets	\$ 2,072,302	\$ 841,559
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 13,922	\$ 5,594
Payroll taxes payable	-	20
Dues paid in advance	14,035	24,679
Leases payable, current portion	2,358	-
Total current liabilities	30,315	30,293
Long-term liabilities		
Leases payable, net of current portion	3,572	-
Total liabilities	33,887	30,293
Net assets:		
Without donor restrictions	693,664	495,600
With donor restrictions	1,344,751	315,666
Total net assets	2,038,415	811,266
Total liabilities and net assets	\$ 2,072,302	\$ 841,559

COOS ART MUSEUM
(A Not-for-Profit Corporation)
Statement of Activities and Changes in Net Assets
Years Ended December 31, 2022 and 2021

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Support and Revenue:				
Contributions, memorials, and donations	\$ 256,495	\$ 1,005,000	\$ 1,261,495	\$ 131,026
Grant income	38,586	87,929	126,515	85,171
Membership	29,646	-	29,646	22,063
Education	8,138	-	8,138	4,483
Entry fees	10,740	-	10,740	2,280
Exhibitions	15,685	-	15,685	17,099
Management fees	15,000	-	15,000	15,000
Donations in-kind	769	-	769	5,486
Fundraisers	10,562	-	10,562	11,412
Rental sales and facility	7,829	-	7,829	4,202
Miscellaneous	439	-	439	581
Endowment investment return, net	-	(22,746)	(22,746)	52,684
Interest income	596	-	596	297
Total support and revenue	394,485	1,070,183	1,464,668	351,784
Net assets released from restrictions	41,098	(41,098)	-	-
Total support, revenue, and reclassifications	435,583	1,029,085	1,464,668	351,784
Expenses:				
Program services	97,528	-	97,528	67,339
Supporting services				
General and administrative	133,374	-	133,374	143,816
Fundraising	6,603	-	6,603	4,854
Total supporting services	139,977	-	139,977	148,670
Total expenses	237,505	-	237,505	216,009
Change in net assets	198,078	1,029,085	1,227,163	135,775
Net assets at beginning of year	495,600	315,666	811,266	675,491
Accounting changes and error corrections	(14)	-	(14)	-
Net assets at beginning of year, corrected	495,586	315,666	811,252	675,491
Net assets at end of year	\$ 693,664	\$ 1,344,751	\$ 2,038,415	\$ 811,266

COOS ART MUSEUM
(A Not-for-Profit Corporation)
Statement of Functional Expenses
Years Ended December 31, 2022 and 2021

	Program Services			Total Program Services
	Exhibitions and Events	Rental Sales Gallery	Art Education	
Salaries and related expenses				
Salaries, wages, and commissions	\$ 37,683	\$ 7,570	\$ 16,733	\$ 61,986
Payroll taxes	2,507	638	1,346	4,491
Total salaries and related expenses	<u>40,190</u>	<u>8,208</u>	<u>18,079</u>	<u>66,477</u>
Other expenses:				
Advertising and marketing	10	-	-	10
Professional fees	3,103	-	2,339	5,442
Supplies	3,683	112	9,477	13,272
Postage and shipping	1,972	7	-	1,979
Printing and reproduction	2,944	-	4	2,948
Insurance	-	-	-	-
Dues and subscriptions	-	-	106	106
Licenses and permits	381	-	-	381
Bank charges	788	-	249	1,037
Interest expense	-	-	-	-
Internet	-	-	343	343
Telephone	-	-	480	480
Membership, reception, and food	233	-	29	262
Miscellaneous expense	3,344	-	28	3,372
Repairs and maintenance	-	-	-	-
Rent or lease	-	-	-	-
Training and travel expenses	1,000	-	-	1,000
Signage	419	-	-	419
Total other expenses	<u>17,877</u>	<u>119</u>	<u>13,055</u>	<u>31,051</u>
Total salaries, related and other expenses before depreciation and amortization	<u>58,067</u>	<u>8,327</u>	<u>31,134</u>	<u>97,528</u>
Depreciation	-	-	-	-
Amortization	-	-	-	-
Total depreciation and amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total functional expenses	<u>\$ 58,067</u>	<u>\$ 8,327</u>	<u>\$ 31,134</u>	<u>\$ 97,528</u>

Supporting Services				
General and Administrative	Fundraising	Total Supporting Services	2022 Totals	Summarized 2021 Totals
\$ 62,057	\$ 379	\$ 62,436	\$ 124,422	\$ 120,723
6,210	20	6,230	10,721	11,070
<u>68,267</u>	<u>399</u>	<u>68,666</u>	<u>135,143</u>	<u>131,793</u>
2,597	-	2,597	2,607	1,935
22,122	4,348	26,470	31,912	19,612
4,680	564	5,244	18,516	9,584
326	100	426	2,405	3,340
1,111	-	1,111	4,059	5,801
11,330	-	11,330	11,330	6,959
2,555	-	2,555	2,661	1,098
261	50	311	692	235
2,128	-	2,128	3,165	1,387
16	-	16	16	-
687	-	687	1,030	1,005
1,508	-	1,508	1,988	1,900
362	1,142	1,504	1,766	4,737
1,012	-	1,012	4,384	7,654
339	-	339	339	37
775	-	775	775	2,681
15	-	15	1,015	-
-	-	-	419	5,486
<u>51,824</u>	<u>6,204</u>	<u>58,028</u>	<u>89,079</u>	<u>73,451</u>
<u>120,091</u>	<u>6,603</u>	<u>126,694</u>	<u>224,222</u>	<u>205,244</u>
10,927	-	10,927	10,927	10,765
2,356	-	2,356	2,356	-
<u>13,283</u>	<u>-</u>	<u>13,283</u>	<u>13,283</u>	<u>10,765</u>
<u>\$ 133,374</u>	<u>\$ 6,603</u>	<u>\$ 139,977</u>	<u>\$ 237,505</u>	<u>\$ 216,009</u>

COOS ART MUSEUM
(A Not-for-Profit Corporation)
Statement of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 1,227,163	\$ 135,775
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	10,927	10,765
Amortization	2,356	-
Accounting changes and error corrections		
Purchase of assets restricted for investment in endowment funds	(1,005,000)	(3,000)
Changes in operating assets and liabilities:		
Inventory - gifts and artwork	-	(323)
Prepaid expense	(100)	-
Accounts payable	8,328	2,585
Payroll taxes payable	(20)	(231)
Dues paid in advance	(10,644)	7,989
Total adjustments	(994,153)	17,785
Net cash provided by (used in) operating activities	<u>233,010</u>	<u>153,560</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchases of property and equipment	(4,925)	(1,379)
Change in beneficial interest in Oregon Community Foundation	(972,619)	(46,703)
Net cash provided by (used in) investing activities	<u>(977,544)</u>	<u>(48,082)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Contributions received for investment in endowment funds	1,005,000	3,000
Payments made on leases payable	(2,354)	-
Net cash provided by (used in) financing activities	<u>1,002,646</u>	<u>3,000</u>
Net increase (decrease) in cash and cash equivalents	258,112	108,478
Cash and cash equivalents at beginning of year	538,268	429,790
Cash and cash equivalents at end of year	<u>\$ 796,380</u>	<u>\$ 538,268</u>
<u>SUPPLEMENTAL DATA FOR NONCASH OPERATING ACTIVITIES:</u>		
Advertising and marketing	<u>\$ 769</u>	<u>\$ -</u>

See accompanying notes and independent accountant's review report.

COOS ART MUSEUM
(A Not-for-Profit Corporation)
Notes to the Financial Statements
Years Ended December 31, 2022 and 2021

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Description of the Organization- Coos Art Museum (a not-for-profit corporation) was incorporated July 22, 1960, pursuant to the Oregon Nonprofit Corporation Act. Coos Art Museum (Organization) is the cornerstone of visual arts on Oregon's Southern Coast. Through collections, exhibitions and educational programs, the Organization builds an arts and cultural community and promotes the appreciation, understanding and expression of visual art. The Organization houses large collections in many gallery rooms and provides art education to the public.

The Organization is largely funded by contributions, grants, membership dues, and fees. It is governed by a Board of Directors comprised of representatives in the community. It is administered by an Executive Director. The Board of Directors provides leadership to the Organization. The Executive Director manages daily operations.

Basis of Presentation- The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) following the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) Topic No. 958, *Not-for-Profit Entities*. The significant accounting policies and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions, as follows:

Net Assets Without Donor Restrictions- Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of an organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions- Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions may be perpetual in nature, such as those that are restricted by a donor that the resources be maintained in perpetuity. An organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by an organization unless the donor provides more specific directions about the period of its use.

Basis of Accounting- The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. GAAP and, accordingly, reflect all significant receivables, payables and other assets and liabilities. Net assets, revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization sequences its assets and liabilities according to the nearness of conversion to cash.

COOS ART MUSEUM
(A Not-for-Profit Corporation)
Notes to the Financial Statements
Years Ended December 31, 2022 and 2021

Use of Estimates- The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Classification of Transactions- All revenues and net gains are reported as increases in net assets without donor restrictions in the Statement of Activities and Changes in Net Assets unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments are reported as increases in net assets without donor restrictions. Net losses on endowment investments are reported as decreases in net assets with donor restrictions.

Comparative Financial Information- The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, from which summarized information was obtained.

Cash and Cash Equivalents- For purposes of the Statement of Cash Flows, the Organization considers all checking accounts and highly liquid investments available for current use with an initial maturity of three months or less when purchased, to be cash equivalents. The Organization does not apply a valuation technique to its cash and cash equivalents.

Fair Value Measurements- FASB guidance on fair value measurement defines fair value, establishes a framework for measuring fair value, and expands disclosure of fair value measurements. The guidance applies to all assets and liabilities that are measured and reported on a fair value basis. The carrying value of accounts receivable, inventory, accounts payable, and other accrued expenses approximate fair value due to the short maturity of these financial instruments. Short-term investments and beneficial interests in a charitable lead trust are reflected in the accompanying financial statements at fair value.

Endowment Funds- Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are reported as increases in net assets without donor restrictions if the restrictions are met. Both realized and unrealized gains on investments in the endowment funds are reflected at values as determined by the Oregon Community Foundation (OCF).

Beneficial Interest in OCF- The Organization's beneficial interest in OCF, a charitable lead trust, was recorded as net assets with donor restrictions when the Organization created the trust. The beneficial interest is reported at fair value, which is estimated using an income approach based on assumptions developed by the OCF about the future disbursements it will receive from the trust. Changes in the fair value of the beneficial interest are reflected in net assets with donor restrictions. Distributions from the trust are reflected as reductions in the beneficial interest and reclassifications from net assets with donor restrictions to net assets without donor restrictions.

COOS ART MUSEUM
(A Not-for-Profit Corporation)
Notes to the Financial Statements
Years Ended December 31, 2022 and 2021

Contributions and Grants- The Organization reports contributions and grant awards that are restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when the stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

In-Kind Contributions- Noncash donations of equipment, supplies, and other goods and services are recorded following FASB guidance on fair value measurement. Such donations are reported as contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use that must be used to acquire property and equipment are reported as net assets with donor restrictions. Absent donor stipulations regarding how long these donated assets must be maintained, the Organization reports expirations of donor restrictions when the acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Contributed services are recognized as noncash donation income if the services (a) create or enhance the nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Revenue Recognition- Admissions and other service revenues are recognized at the time the services are provided and the revenues earned. Revenues associated with membership dues paid in advance are reported as dues paid in advance liability until earned. The Organization also receives grants and donations. Any of the grant funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of non-use of grant funds or non-compliance by the Organization with the terms of the grant agreements. Grant amounts received that are restricted by the contributor for future periods or for specific purposes are reported as increases in net assets with donor restrictions. When a restriction is fulfilled (that is, when a stipulated time restriction ends or the purpose of restriction is accomplished), net assets with donor restrictions are reclassified and reported in the Statement of Activities and Changes in Net Assets as net assets without donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as net assets without donor restrictions.

Functional Expense Allocation- The costs of providing various programs and supporting services have been reported on a functional basis in the Statement of Activities and Changes in Net Assets with costs by natural classification presented in the Statement of Functional Expenses. Salaries and related expenses have been allocated among the various programs and supporting services based on estimates of time and effort formulated by management. If an expense is incurred for a purpose for which both net assets without donor restrictions and net assets with donor restrictions are available, a donor-imposed restriction is fulfilled to the extent of the expense incurred unless the expense is for a purpose that is directly attributable to another specific external source of revenue.

COOS ART MUSEUM
(A Not-for-Profit Corporation)
Notes to the Financial Statements
Years Ended December 31, 2022 and 2021

Inventory- Inventory is carried at specific identification, the lower of cost or market. Inventory is comprised of donated gifts and artwork for sale. For the years ended December 31, 2022 and 2021, the cost of inventory was \$2,124 for each year-end.

Museum Collections- The collections are maintained for public exhibition, education, and research in the furtherance of public service, rather than for financial gain. The Organization's collections, acquired through purchase and donation, are not recognized as assets in the accompanying financial statements. Purchases of collection items are recorded in the year in which the items were acquired as decreases in net assets with donor restrictions or without donor restrictions, depending on the source of the assets used to purchase the items and whether those assets were restricted by donors.

Property and Equipment- The Organization follows U.S. GAAP for capitalization of leasehold improvements, equipment, and vehicles. All purchases of property and equipment exceeding \$500 which have a useful life of more than two years are capitalized. Equipment and vehicles are valued at cost or, if donated, at their estimated fair market value on the date donated. Expenses for repairs that materially extend the useful life of an asset are capitalized at cost. Depreciation for equipment and vehicles is recorded using the straight-line method over the estimated useful lives of the assets which range from 5 to 10 years. Leasehold improvements are depreciated over 15 years. Depreciation of all exhaustible leasehold improvements, equipment, and vehicles is charged as an expense against operations.

Income Taxes- The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under IRC Section 509(a)(2). The Organization is exempt for State of Oregon income tax purposes.

Advertising Expenses- The Organization uses advertising to promote its programs and services and to publicize upcoming special events. Advertising costs are expensed as incurred. For the years ended December 31, 2022 and 2021, advertising costs were \$2,607 and \$1,935, respectively.

Fundraising Expenses- Fundraising expenses totaled \$6,603 for the year ended December 31, 2022. Fundraising expenses were \$4,854 for the year ended December 31, 2021.

Leases- The Organization leases equipment for programs and supporting services. At inception, each lease is evaluated to determine whether the lease will be accounted for as a finance lease or an operating lease, reported as a right-of-use asset with a lease liability, based on lease terms. The Organization has an operating lease on a photocopier and mail-station that is amortized over the lease terms, as applicable.

Incremental Borrowing Rate- The Organization has adopted an accounting policy election to use a risk-free rate, established for a similar period to that of the lease term, as the discount rate. In the U.S., the risk-free rate is the rate of a zero-coupon U.S. Treasury instrument for the same period in which the lease obligation occurred.

Reclassification- Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

COOS ART MUSEUM
(A Not-for-Profit Corporation)
Notes to the Financial Statements
Years Ended December 31, 2022 and 2021

Recently Adopted Standards-The Organization adopted new Financial Accounting Standards Board (FASB) Accounting Standards Updates (ASU) during the fiscal year beginning January 1, 2022 and ending December 31, 2022.

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the Statement of Financial Position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective January 1, 2022 and recognized and measured leases existing on January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment with certain practical expedients available. Lease disclosures located in the year ended December 31, 2021 financial statements were made under prior lease guidance FASB ASC 840.

The Organization elects the available practical expedients to account for the existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new standard increases transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by not-for-profit entities, including transparency on how those assets are used and how they are valued. It does not change existing recognition and measurement requirements. The adoption of the new standard does not impact the Organization’s Statement of Financial Position or Statement of Activities and Changes in Net Assets for the years ended December 31, 2022 and 2021.

NOTE 2 – ACCOUNTING CHANGES AND ERROR CORRECTIONS

Change in Accounting Principles- The Organization followed FASB ASC Topic 840, *Leases*, through the year ended December 31, 2021 and has implemented FASB ASC Topic 842, *Leases*, for the year ended December 31, 2022. This change in accounting principles requires the Organization to recognize right-of-use assets and lease liabilities on the Statement of Financial Position when property or equipment is obtained under a lease, based on the terms of the lease. Management believes that the change in accounting principles will help contributors and other financial statement users to better understand the amount, timing, and uncertainty of cash flows arising from leases.

In addition, the Organization has adopted an incremental borrowing rate to apply to lease liabilities when no rate is explicit in the lease contract.

COOS ART MUSEUM
(A Not-for-Profit Corporation)
Notes to the Financial Statements
Years Ended December 31, 2022 and 2021

Error Corrections- On March 20, 2020, the Organization entered an operating lease obligation with Xerox Financial Services, LLC, for a Xerox C7025 copier/printer. The five-year operating lease cost is \$9,360. On that date, the risk-free rate of a zero-coupon, U.S. Treasury instrument was 0.51%. On February 21, 2021, the Organization entered an operating lease obligation with Pitney Bowes Global Financial Services for a mail-station with five-pound scales. The 63-month operating lease cost is \$2,614. On that date, the risk-free rate of a zero-coupon, U.S. Treasury instrument was 0.09%. This is a noncancellable lease.

As a result of the adoption of the new lease accounting guidance, on January 1, 2022, the Organization recognized ROU assets in the amount of \$8,270, net of accumulated amortization, and lease liabilities in the amount of \$8,284.

The new lease standard had an impact on net assets without donor restrictions on January 1, 2022, in the amount of \$14. The available practical expedients to account for the existing operating leases recognized by the Organization does not impact the Statement of Functional Expenses.

NOTE 3 – CASH AND CASH EQUIVALENTS

The Organization's cash consists of demand deposits in checking and money market savings accounts at various local financial institutions (banks). The Organization has no restrictions on cash or requirements to hold cash in separate accounts. Cash balances for the years ended December 31, 2022 and 2021 consisted of the following:

	<u>Dec. 31, 2022</u>		<u>Dec. 31, 2021</u>
	Bank Statement Balance	Financial Statement Balance	Financial Statement Balance
<u>Cash and Cash Equivalents</u>			
Checking accounts, non-interest bearing	\$ 168,844	\$ 163,602	\$ 137,193
Money market savings accounts	<u>632,353</u>	<u>632,353</u>	<u>400,650</u>
Total cash in banks	<u>\$ 801,197</u>	795,955	537,843
Cash on hand		<u>425</u>	<u>425</u>
Total cash and cash equivalents		<u>\$ 796,380</u>	<u>\$ 538,268</u>

Differences between bank statement and financial statement balances are due to deposits in transit and outstanding checks transactions.

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NOTE 4 – CONCENTRATIONS OF CREDIT RISK

The Organization’s cash and cash equivalents are covered by FDIC up to \$250,000 at local banks. On December 31, 2022, demand deposits at two banks totaled \$795,955, net of outstanding transactions. One bank had total deposits in the amount of \$785,141 and the other bank had total deposits in the amount of \$10,814. The total deposits at the bank holding \$785,141 exceeded FDIC coverage by \$535,141. The account balance at the other bank did not exceed FDIC. On December 31, 2021, demand deposits at the two banks totaled \$537,843. One bank with total deposits in the amount of \$530,153 exceeded FDIC coverage by \$280,153. The account balance in the amount of \$7,690 at the other bank did not exceed FDIC. The Organization has not experienced any losses in such accounts and does not believe that it is exposed to any significant credit risk related to cash and cash equivalents.

NOTE 5 – FAIR VALUE MEASUREMENTS

FASB ASC Topic No. 820, *Fair Value Measurements and Disclosures* defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at a measurement date. FASB ASC Topic No. 820 establishes a framework for measuring fair value by providing a hierarchy that prioritizes inputs used in measuring fair value by maximizing the use of observable inputs and minimizing the use of unobservable inputs by requiring that most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on the market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization’s assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. Any asset or liability’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair values of assets measured on December 31, 2022 are as follows:

	Dec. 31, 2022	Fair Value Measurements at the End of the Reporting Period Using		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Recurring Fair Value Measurements				
Coos Art Museum Endowment Fund of OCF	\$ 203,078	\$ -	\$ -	\$ 203,078
Cultural Heritage Endowment Fund of OCF	45,305	-	-	45,305
Janet Beetham Art Education Fund of OCF	1,008,112	-	-	1,008,112
Total recurring fair value measurements	\$ 1,256,495	\$ -	\$ -	\$ 1,256,495

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Fair values of assets measured on December 31, 2021 are as follows:

<u>Recurring Fair Value Measurements</u>	<u>Dec. 31, 2021</u>	<u>Fair Value Measurements at the End of the Reporting Period Using</u>		
		<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
Coos Art Museum Endowment Fund of OCF	\$ 231,102	\$ -	\$ -	\$ 231,102
Cultural Heritage Endowment Fund of OCF	52,774	-	-	52,774
Total recurring fair value measurements	\$ 283,876	\$ -	\$ -	\$ 283,876

All assets measured at fair value have been valued using a market approach, except for Level 3 assets. Based on management's assessment of the OCF's variance power the credit history and relationship with the OCF, management has concluded that quantitative information about valuations techniques is immaterial to the financial statements. Therefore, no quantitative information about level 3 fair value measurements has been disclosed.

Fair value measurements using significant unobservable inputs (Level 3) are described in the following note.

NOTE 6 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization established and appointed itself as the beneficiary of several endowment funds from contributions received and invested at OCF. The Coos Art Museum Endowment Fund of OCF was established in 1987 for the purpose of maintaining collections, exhibitions, and education programs that builds an arts and cultural community and promotes the appreciation, understanding and expression of visual art. The Cultural Heritage Endowment Fund of OCF was established in 2015 for the same purpose. The Janet Beetham Art Education Fund of OCF was established in the current year. It's invested in the OCF Social Impact Pool at the Board of Director's preference. The following table summarizes activity in the funds held by OCF.

<u>Beneficial Interest in OCF</u>	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Endowment assets, beginning of year	\$ 283,876	\$ 237,173
Interest and dividends income	4,243	1,772
Realized gains/(losses), net	1,080	14,249
Unrealized gains/(losses), net	(22,369)	38,988
Contributions	1,005,000	3,000
Distributions	(9,635)	(8,981)
Investment fees and other expenses	(5,700)	(2,325)
Endowment assets, end of year	\$ 1,256,495	\$ 283,876

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NOTE 7 – ENDOWMENT FUNDS

As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Contributions and investments to the Organization's endowment funds are considered permanently restricted by the donor. Investment earnings available for distribution are recorded in net assets without donor restrictions when received.

The Organization follows the provisions of FASB ASC 958-205-50-1B and 50-2, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds." This standard provides guidance on classifying the net assets associated with donor-restrictions held by organizations subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA), passed by Oregon, and also requires additional disclosures about endowments for donor-restricted funds.

The Organization's Board has interpreted the Oregon UPMIFA as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of the 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 directions of the applicable donor gift instrument, at the time the accumulation is added to the fund. In accordance with Oregon UPMIFA, the Organization 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 Organization, and (7) the Organization's investment policies.

Beyond the gift document, UPMIFA sets out procedural avenues for obtaining a release of restrictions. First, UPMIFA permits a charity to release or modify a restriction regarding the "management, investment, or purpose" of a fund if the donor consents in writing. If the donor is living, or is an institution that remains in existence, it may be possible to obtain the donor's written consent, and this may permit the charity to release the restriction. If the donors to the fund constitute a relatively large group, on the other hand, each of whom made a relatively small donation to the fund, there may be significant practical challenges to obtaining written donor consents.

UPMIFA further permits a court to modify a "particular charitable purpose" or a restriction on the "use" of a fund that becomes "unlawful, impracticable, impossible to achieve, or wasteful." The court may "modify the purpose of the fund or the restriction on the use of the fund" in a manner consistent with the donor's intent. This option requires the charity to bring a court action to seek the release and to provide notice to the state attorney general. In some states, it may be possible instead to follow a non-judicial procedure involving a written agreement to which the attorney general must be a party.

Finally, UPMIFA permits a charitable organization to release a restriction on the "management, investment, or purpose" of an old and small fund that the charity determines is "unlawful, impracticable, impossible to achieve, or wasteful." For a charity to avail itself of this procedure the fund must be over 20 years old and have a value below a specific dollar threshold, which varies from state to state. The charity must also notify the state attorney general.

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FASB ASC 958, *Not-for-Profit Entities*, specifically requires that if a nonprofit establishes a fund with a community foundation with its own funds and specifies itself as a beneficiary of that fund, the community foundation must account for the transfer or such assets as a liability. The Organization's endowment funds maintained by OCF accounts for these funds in accordance with FASB ASC 958-605-25-21, "Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others." The OCF refers to such funds as endowment partner funds. The OCF has determined its net assets do not meet the definition of endowment under UPMIFA.

OCF maintains variance power and legal ownership of all funds, including endowment partner funds, and, as such, continues to report the funds as assets of OCF. However, in accordance with FASB ASC 958-605-25-23, a liability has been established for the fair value of the funds which is generally the equivalent to the present value of future payments expected to be made to the Organization.

The OCF pools partner funds in a variety of investments including publicly traded equities, mutual funds, and fixed income securities. However, a portion of this portfolio consists of alternative investments that do not have readily determinable fair values. The OCF values these investments using a variety of valuation methods it deems most appropriate in the individual circumstance. Where quoted market prices are not available for certain investments, an estimated fair market value is used; therefore, the reported value may differ from the value that would have been used had a quoted market price existed.

OCF does not provide the Organization information on the individual purchases and sales of investments held at OCF. The valuation methods, as provided by OCF, are management's best estimate of the fair value of the fund. The investments held with OCF are considered level 3 instruments in the fair value measurements hierarchy.

OCF has adopted a spending policy to determine the annual amount available for distribution from funds held as permanent endowments. The Organization follows the investment and spending policies adopted by OCF for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets.

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NOTE 8 – LIQUIDITY AND AVAILABILITY

The Organization’s liquidity management policy is to structure its financial assets to be available as general and program expenses, liabilities, and other obligations come due. On the Statement of Financial Position, cash is not disaggregated between amounts with or without donor restrictions since cash with donor-imposed restrictions is available for immediate use for program expenses.

For purposes of analyzing resources available to meet general and administrative expenses over a 12-month period, the Organization considers all costs related to primary operations to be general expenses. The Organization’s investment policy is to keep cash available in demand deposit accounts at local financial institutions.

The Organization’s financial assets available within one year of the balance sheet date for general expenditures are as follows:

	Dec. 31, 2022	Dec. 31, 2021
Financial assets:		
Cash and cash equivalents	\$ 796,380	\$ 538,268
Inventory - gifts and artworks	2,124	2,124
Beneficial interest in Oregon Community Foundation		
Coos Art Museum Endowment Fund	203,078	231,103
Cultural Heritage Endowment Fund	45,305	52,774
Janet Beetham Art Education Fund	1,008,112	-
Total financial assets	2,054,999	824,269
Less financial assets not available within one year:		
Beneficial interest in Oregon Community Foundation		
Coos Art Museum Endowment Fund	203,078	231,103
Cultural Heritage Endowment Fund	45,305	52,774
Janet Beetham Art Education Fund	1,008,112	-
Total beneficial interest in Oregon Community Foundation	2,054,999	283,877
Amounts available for general expenses within one year	\$ 798,504	\$ 540,392

The beneficial interest in the OCF consists of donor restricted endowments. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure.

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NOTE 9 – PROPERTY AND EQUIPMENT

Following is a summary of property and equipment:

<u>Property and Equipment</u>	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Depreciable assets:		
Furniture and equipment	\$ 94,632	\$ 89,707
Leasehold improvements	<u>200,720</u>	<u>200,720</u>
Total depreciable assets	<u>295,352</u>	<u>290,427</u>
Less: accumulated depreciation		
Furniture and equipment	88,848	85,267
Leasehold improvements	<u>195,215</u>	<u>187,869</u>
Total accumulated depreciation	<u>284,063</u>	<u>276,136</u>
Total property and equipment, net	<u>\$ 11,289</u>	<u>\$ 17,291</u>

Depreciation expense was \$10,927 and \$10,765 for the years ended December 31, 2022 and 2021, respectively.

NOTE 10 – LEASE COMMITMENTS

On December 31, 2022, the Organization committed to future rentals under operating leases for a copier/printer and mail-station. The copier/printer is on a lease contract with Xerox Financial Services, LLC, that requires 60 monthly payments in the amount of \$156 each, an initial cost of \$9,360. The Organization has applied an incremental borrowing rate of 0.51%. The mail-station is on a lease contract with Pitney Bowes Global Financial Services that requires 63 monthly payments in the approximate amount of \$41 each, an initial cost of \$2,614. The Organization has applied an incremental borrowing rate of 0.09%.

In accordance with ASC 842, *Leases*, lease liabilities are initially and subsequently measured at the present value of the remaining lease payments. The right-of-use assets are initially recognized at the amount of the lease liabilities initially recognized.

On December 31, 2022, the right-of-use assets, net of amortization, presented on the Statement of Financial Position are \$5,914. The lease liabilities presented on the Statement of Financial Position are \$5,930.

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Following is a summary of the right-of-use assets for the year ended December 31, 2022:

<u>Operating Leases</u>	<u>Dec. 31, 2022</u>	<u>Jan. 1, 2022</u>
Copier/printer	\$ 9,331	\$ 9,331
Mail-station	<u>2,573</u>	<u>2,573</u>
 Total operating leases	 <u>11,904</u>	 <u>11,904</u>
 Less: accumulated amortization		
Copier/printer	5,132	3,266
Mail-station	<u>858</u>	<u>368</u>
 Total accumulated amortization	 <u>5,990</u>	 <u>3,634</u>
 Total operating leases, net	 <u>\$ 5,914</u>	 <u>\$ 8,270</u>

For the year ended December 31, 2022, amortization expense was \$2,356.

The following table reconciles the undiscounted cash flows expected to be paid in each of the next four years for the lease liabilities:

<u>Year ending December 31,</u>	<u>Total</u>
2023	\$ 2,370
2024	2,370
2025	966
2026	<u>249</u>
 Total	 5,955
 Less: imputed interest	 <u>25</u>
 Present value of lease liabilities	 <u>\$ 5,930</u>

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NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods:

<u>Net Assets With Donor Restrictions</u>	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Special board fundraisers	\$ -	\$ 5,794
Kids summer art camps	-	1,061
County-wide youth art education	3,929	3,929
In-house youth art education	2,367	2,367
Community days events	1,357	1,357
OCF youth art donation	2,983	2,983
Mimi Fox donation	2,671	-
Oregon Arts Commission donation	4,964	-
OCF summer learning fund	-	8,244
Clackamas School District summer learning grant	12,200	-
Advertising and marketing campaigns	2,270	4,955
Donations to youth art education	-	1,100
HVAC grants	54,315	-
Art carts in the park for youth events	1,200	-
Coos Art Museum Endowment Fund of OCF	203,078	231,102
Cultural Heritage Endowment Fund of OCF	45,305	52,774
Janet Beetham Art Education Fund of OCF	<u>1,008,112</u>	<u>-</u>
 Total net assets with donor restrictions	 <u>\$ 1,344,751</u>	 <u>\$ 315,666</u>

NOTE 12 – FACILITIES OWNED BY OTHERS

The Organization maintains a permanent collection of artworks that is owned by the City of Coos Bay, Oregon (City). The Coos Art Museum building is also owned by the City which is used by the Organization in connection with its art exhibits, fundraisers, and education programs. The cost of the building is not reflected in the Statement of Financial Position because asset titles remain with the City. The use of the facilities is included in a contract for management services. The Organization has a volunteer curator to ensure that the collection is protected and preserved.

NOTE 13 – RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization carries commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

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NOTE 14 – INCOME TAXES

The Organization is required to evaluate tax positions taken and to recognize a tax liability if an uncertain tax position has been taken that more likely than not would not be sustained upon examination by taxing authorities. Areas that taxing authorities consider when examining tax returns for tax exempt entities include, but are not limited to, tax-exempt status and the existence of unrelated business income. The Organization does not believe that it has any uncertain tax positions with respect to these or other matters and has not recorded any recognized tax benefits or liabilities for the years ended December 31, 2022 and 2021.

The Organization's tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the returns have three-year statutes of limitations. The Organization believes it is no longer subject to income tax examinations for any year-end prior to December 31, 2019.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated events and transactions occurring after December 31, 2022 through [DATE], the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.