

THE FINANCIAL STATEMENTS OF

COOS ART MUSEUM



FOR THE YEAR ENDED
DECEMBER 31, 2023

*With Unaudited Comparative Totals
for the Year Ended December 31, 2022*

**COOS ART MUSEUM
DECEMBER 31, 2023 AND 2022**

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**COOS ART MUSEUM
DECEMBER 31, 2023 AND 2022**

**PRINCIPAL OFFICIALS
*as of December 31, 2023***

Board of Directors:

Carol Davis
Coos Bay, Oregon
President

Tom Foster
Coos Bay, Oregon
Vice President

Kathleen Zappelli
Coquille, Oregon
Secretary

Scott Carpenter
Coos Bay, Oregon
Director

Joseph Paulet
Coos Bay, Oregon
Director

Administration:

Lydia Heins
Coos Bay, Oregon
Executive Director

Registered Agent:

Lydia Heins
235 Anderson Avenue
Coos Bay, OR 97420

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Coos Art Museum

Opinion

I have audited the accompanying financial statements of **Coos Art Museum** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Coos Art Museum** as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management 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, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that is 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 **Coos Art Museum's** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, including omissions, 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, I:

- 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 **Coos Art Museum'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.

Report on Summarized Comparative Information

The financial statements of **Coos Art Museum** as of and for the year ended December 31, 2022, were reviewed by other accountants in a report dated November 6, 2023. The summarized comparative information presented herein as of and for the year ended December 31, 2022, derived from those unaudited financial statements, has not been audited, reviewed, or compiled by me, and, accordingly, I express no opinion on it.

I am 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 I identified during the audit.



Anne McCaleb CPA, PC
Bandon, Oregon

November 6, 2024

COOS ART MUSEUM

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

(with comparative totals for 2022)

	2023	<i>Unaudited</i> 2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 842,294	\$ 796,380
Prepaid expenses	450	100
Inventory - gifts and artwork	-	2,124
TOTAL CURRENT ASSETS	842,744	798,604
FIXED ASSETS		
Property and equipment, net	112,207	11,289
Operating lease - right-of-use assets	3,558	5,914
TOTAL FIXED ASSETS	115,765	17,203
OTHER ASSETS		
Beneficial interest in Oregon Community Foundation		
Coos Art Museum Endowment Fund	219,577	203,078
Cultural Heritage Endowment Fund	47,805	45,305
Janet Beetham Art Education Fund	1,130,634	1,008,112
TOTAL OTHER ASSETS	1,398,016	1,256,495
TOTAL ASSETS	\$ 2,356,525	\$ 2,072,302
LIABILITIES AND NET ASSETS		
CURRENT LIABILITES		
Accounts payable	\$ 93,395	\$ 13,922
Payroll liabilities	258	-
Dues paid in advance	6,125	14,035
Operating lease liability - current portion	2,362	2,358
TOTAL CURRENT LIABILITIES	102,140	30,315
LONG TERM LIABILITIES		
Operating lease liability - net of current portion	1,214	3,572
TOTAL LIABILITIES	103,354	33,887
NET ASSETS		
Without donor restrictions	775,526	693,664
With donor restrictions	1,477,645	1,344,751
TOTAL NET ASSETS	2,253,171	2,038,415
TOTAL LIABILITIES AND NET ASSETS	\$ 2,356,525	\$ 2,072,302

See accompanying notes

COOS ART MUSEUM

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023
(with comparative totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	<i>Unaudited</i> Summarized 2022 Total
Revenues and support:				
Contributions, memorials, and donations	\$ 120,666	\$ 5,000	\$ 125,666	\$ 1,262,264
Grant income	27,918	32,145	60,063	126,515
Membership dues	26,323	-	26,323	29,646
Education	15,058	-	15,058	8,138
Entry fees and exhibitions	23,633	-	23,633	26,425
Management fees	15,000	-	15,000	15,000
Fundraisers	5,796	-	5,796	10,562
Rental sales and facility	10,086	-	10,086	7,829
Miscellaneous	1,739	-	1,739	439
Endowment investment return, net	51,049	125,163	176,212	(22,746)
Interest income	36,537	-	36,537	596
Total revenues and support	333,805	162,308	496,113	1,464,668
Net assets released from restrictions	29,414	(29,414)	-	-
Total revenues, support, and reclassifications	363,219	132,894	496,113	1,464,668
Expenses				
Program services expenses				
Exhibitions and events	52,994	-	52,994	58,067
Rental sales gallery	9,708	-	9,708	8,327
Art education	35,381	-	35,381	31,134
Total program services expenses	98,083	-	98,083	97,528
Supporting services expenses				
Management & general	180,173	-	180,173	133,374
Fundraising	3,101	-	3,101	6,603
Total supporting services expenses	183,274	-	183,274	139,977
Total expenses	281,357	-	281,357	237,505
CHANGE IN NET ASSETS	81,862	132,894	214,756	1,227,163
NET ASSETS AT BEGINNING OF YEAR	693,664	1,344,751	2,038,415	811,252
NET ASSETS AT END OF YEAR	\$ 775,526	\$ 1,477,645	\$ 2,253,171	\$ 2,038,415

See accompanying notes

COOS ART MUSEUM

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(with comparative totals for 2022)

	Program Services			Program Services Total	Supporting Services		Supporting Services Total	2023 Total	Unaudited Summarized 2022 Total
	Exhibitions & Events	Rental Sales Gallery	Art Education		Management & General	Fundraising			
Salaries and related expenses									
Salaries, wages, and commissions	\$ 34,777	\$ 8,730	\$ 21,612	\$ 65,119	\$ 83,210	\$ 874	\$ 84,084	\$ 149,203	\$ 124,422
Payroll taxes	2,921	676	1,815	5,412	7,053	73	7,126	12,538	10,721
Total salaries and related expenses	<u>37,698</u>	<u>9,406</u>	<u>23,427</u>	<u>70,531</u>	<u>90,263</u>	<u>947</u>	<u>91,210</u>	<u>161,741</u>	<u>135,143</u>
Other expenses									
Advertising and marketing	-	-	-	-	2,251	-	2,251	2,251	2,607
Contributions	-	-	-	-	1,500	-	1,500	1,500	-
Professional fees	1,025	-	3,507	4,532	44,631	-	44,631	49,163	31,912
Supplies	602	284	4,059	4,945	3,099	735	3,834	8,779	18,516
Postage and shipping	332	18	-	350	623	-	623	973	2,405
Printing and reproduction	2,271	-	1,089	3,360	359	-	359	3,719	4,059
Insurance	-	-	-	-	12,958	-	12,958	12,958	11,330
Dues and subscriptions	-	-	332	332	2,810	-	2,810	3,142	2,661
Licenses and permits	150	-	-	150	85	-	85	235	692
Bank charges	265	-	769	1,034	1,175	-	1,175	2,209	3,165
Interest expense	-	-	-	-	16	-	16	16	16
Internet	-	-	360	360	720	-	720	1,080	1,030
Telephone	-	-	501	501	1,457	-	1,457	1,958	1,988
Membership, reception, and food	5,616	-	902	6,518	2,566	758	3,324	9,842	1,766
Miscellaneous expenses	4,396	-	-	4,396	322	661	983	5,379	4,384
Repairs and maintenance	-	-	-	-	2,376	-	2,376	2,376	339
Rent or lease	-	-	-	-	17	-	17	17	775
Training and travel expenses	639	-	435	1,074	2,234	-	2,234	3,308	1,015
Signage	-	-	-	-	-	-	-	-	419
Total other expenses	<u>15,296</u>	<u>302</u>	<u>11,954</u>	<u>27,552</u>	<u>79,199</u>	<u>2,154</u>	<u>81,353</u>	<u>108,905</u>	<u>89,079</u>
Total salaries, related and other expenses before depreciation and amortization	52,994	9,708	35,381	98,083	169,462	3,101	172,563	270,646	224,222
Amortization	-	-	-	-	2,356	-	2,356	2,356	2,356
Depreciation	-	-	-	-	8,355	-	8,355	8,355	10,927
Total functional expenses	<u>\$ 52,994</u>	<u>\$ 9,708</u>	<u>\$ 35,381</u>	<u>\$ 98,083</u>	<u>\$ 180,173</u>	<u>\$ 3,101</u>	<u>\$ 183,274</u>	<u>\$ 281,357</u>	<u>\$ 237,505</u>

See accompanying notes

COOS ART MUSEUM

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2023 (with comparative totals for 2022)

	2023	<i>Unaudited</i> 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 214,756	\$ 1,227,163
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Amortization	2,356	2,356
Depreciation	8,355	10,927
Purchase of assets restricted for investment in endowment funds	(5,000)	(1,005,000)
(Increase) decrease in operating assets		
Inventory - gifts and artwork	2,124	-
Prepaid expense	(350)	(100)
Increase (decrease) in operating liabilities		
Accounts payable	79,723	8,328
Payroll liabilities	258	(20)
Dues paid in advance	(7,910)	(10,644)
Total adjustments	79,556	(994,153)
Net cash provided (used) by operating activities	294,312	233,010
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(109,523)	(4,925)
Change in beneficial interest in Oregon Community Foundation	(141,521)	(972,619)
Net cash provided (used) by investing activities	(251,044)	(977,544)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received for investment in endowment funds	5,000	1,005,000
Payments made on leases payable	(2,354)	(2,354)
Net cash provided (used) by financing activities	2,646	1,002,646
NET CHANGE IN CASH	45,914	258,112
Cash and cash equivalents at beginning of year	796,380	538,268
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 842,294	\$ 796,380

See accompanying notes

COOS ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 - NATURE OF ACTIVITIES

Coos Art Museum (a not-for-profit corporation) (the Organization) was incorporated July 22, 1960, pursuant to the Oregon Nonprofit Corporation Act. Coos Art Museum 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other assets and liabilities.

Basis of Presentation

The Organization prepares its financial statements in accordance with 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*, and FASB Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of 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 that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. 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. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

COOS ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Basis of Presentation - *continued*

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor 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 restrictions are perpetual in nature, whereby the donor has stipulated the funds or resources be maintained in perpetuity. An organization must continue to use the resources in accordance with the donor's instructions. Net losses on endowment investments are reported as decreases in net assets with donor restrictions.

Net assets restricted for the acquisition of buildings or equipment are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization unless the donor provides more specific directions about the period of its use. When a donor's restriction is satisfied, as noted above, 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.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Summarized comparative information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2022, which were reviewed by other accountants in a report dated November 6, 2023. The summarized comparative information presented herein as of and for the year ended December 31, 2022, derived from those financial statements, has not been audited and is presented for comparative purposes only.

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. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

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 cash and cash equivalents, prepaid expenses, inventory, accounts payable, and other accrued expenses approximate fair value due to the short maturity of these financial instruments. Beneficial interests in a charitable lead trust are reflected in the accompanying financial statements at fair value.

COOS ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

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 only 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.

Revenue Recognition, Contributions and Grants, and In-kind Contributions

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 their 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. 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.

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 donation 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 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.

COOS ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Advertising Expense

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, 2023 and 2022, advertising costs were \$2,251 and \$2,607, respectively.

Property and Equipment

The Organization follows U.S. GAAP for capitalization of leasehold improvements and equipment. All purchases of property and equipment exceeding \$500 which have a useful life of more than two years are capitalized. Equipment is valued at cost or, if donated, at its 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 is recorded using the straight-line method over the estimated useful lives of the assets, which range from 5-10 years for equipment and 15 years for leasehold improvements. Depreciation of all exhaustible leasehold improvements and equipment is charged as an expense against operations.

Functional Expense Allocation

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities and by natural classification in the statement of functional expenses. Certain categories of expenses are attributable to both program and supporting services. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Costs have been allocated based on estimates of management and employees' 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.

Income Tax

The Organization is a not-for-profit organization that is exempt from income taxes 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.

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 prior to 2020.

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 as an expense 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.

COOS ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Recently Adopted Standard

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

In February 2016, the 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 the 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 lease 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.

Leases and Incremental Borrowing Rate

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 and reported as a right-of-use asset with a lease liability, based on lease terms. The Organization has operating leases on a photocopier and mail-station that are amortized over the lease terms, as applicable.

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.

NOTE 3 - CASH AND CASH EQUIVALENTS

The Organization's cash and cash equivalents consist of cash on hand, cash in demand deposits in checking and money market savings accounts at various financial institutions (banks), and certificates of deposit accounts. The Organization has no restrictions on cash or requirements to hold cash in separate accounts.

COOS ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 - CASH AND CASH EQUIVALENTS - *continued*

The cash and cash equivalents of the Organization consist of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash on hand	\$ 425	\$ 425
Cash in banks	34,337	163,602
Money market accounts	501,576	632,353
Certificates of deposit accounts	305,956	-
Total Cash and Cash Equivalents	<u>\$ 842,294</u>	<u>\$ 796,380</u>

NOTE 4 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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 a local financial institution.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 842,294	\$ 796,380
Inventory – gifts and artwork	-	2,124
Beneficial interests in OCF	<u>1,398,016</u>	<u>1,256,495</u>
Total financial assets	<u>2,240,310</u>	<u>2,054,999</u>
Less financial assets not available within one year:		
Beneficial interests in OCF	<u>1,398,016</u>	<u>1,256,495</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 842,294</u>	<u>\$ 798,504</u>

COOS ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5 - CONCENTRATION OF CREDIT RISK

The Organization manages deposit concentration by placing cash with financial institutions believed by the Organization to be creditworthy. At various times, amounts on deposit may exceed insured limits. The federal government, FDIC, guarantees cash balances up to \$250,000 for each banking institution and the SIPC, Securities Investor Protection Corporation, guarantees securities up to \$500,000 at participating financial institutions. The Organization's cash in banks, some money market funds, and all certificates of deposit funds are covered by the FDIC. Certificates of deposit are held by various banks, therefore extending the FDIC coverage. The Organizations remaining money market funds are covered by the SIPC. For the years ended December 31, 2023 and 2022, the Organization exceeded the guaranteed applicable limits by \$0 and \$535,141, respectively. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk to cash and cash equivalents.

NOTE 6 - FAIR VALUE MEASUREMENTS

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets based on the fair value hierarchy established in FASB ASC 820-10. The standards describe three levels of inputs that may be used to measure fair value (Level 1, Level 2, and Level 3).

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets that the Organization has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an on-going basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset, which reflect the Organization's own suppositions about the assumptions market participants would use in pricing the asset.

The following methods and assumptions were used to estimate the fair values of assets as of December 31, 2023 and 2022.

- A. Cash and cash equivalents: The carrying amount equals fair value. All amounts are subject to immediate withdrawal. Cash and cash equivalents are considered level 1 instruments in the fair value measurements hierarchy.
- B. Endowments: OCF does not provide the Organization with information on 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. More information is provided in Note 7.

COOS ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 - FAIR VALUE MEASUREMENTS - *continued*

Fair value of assets measured on a recurring basis as are as follows:

	Assets at Fair Value as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 842,294	\$ -	\$ -	\$ 842,294
Coos Art Museum End. Fund of OCF	-	-	219,577	219,577
Cultural Heritage End. Fund of OCF	-	-	47,805	47,805
Janet Beetham Art Ed. Fund of OCF	-	-	1,130,634	1,130,634
	\$ 842,294	\$ -	\$ 1,398,016	\$ 2,240,310

	Assets at Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 796,380	\$ -	\$ -	\$ 796,380
Coos Art Museum End. Fund of OCF	-	-	203,078	203,078
Cultural Heritage End. Fund of OCF	-	-	45,305	45,305
Janet Beetham Art Ed. Fund of OCF	-	-	1,008,112	1,008,112
	\$ 796,380	\$ -	\$ 1,256,495	\$ 2,052,875

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.

COOS ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 - ENDOWMENT FUNDS - *continued*

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.

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 of 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 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.

**COOS ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 7 - ENDOWMENT FUNDS - *continued*

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 with 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.

NOTE 8 - 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 build an arts and cultural community and promotes the appreciation, understanding, and expression of visual art. The Cultural Heritage Endowment Foundation of OCF was established in 2015 for the same purpose. The Janet Beetham Art Education Fund of OCF was established in 2022. It is 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.

Beneficial Interest in OCF	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Endowment assets, beginning of year	\$ 1,256,495	\$ 283,876
Interest and dividends income	11,357	4,243
Realized gains/(losses), net	108,114	1,080
Unrealized gains/(losses), net	77,537	(22,369)
Contributions	5,000	1,005,000
Distributions	(51,049)	(9,635)
Investment fees and other expenses	<u>(9,438)</u>	<u>(5,700)</u>
Endowment assets, end of year	<u>\$ 1,398,016</u>	<u>\$ 1,256,495</u>

COOS ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 9 - PROPERTY AND EQUIPMENT

Following is a summary of property and equipment:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Depreciable assets:		
Furniture and equipment	\$ 97,010	\$ 94,632
Leasehold improvements	<u>307,615</u>	<u>200,720</u>
Total depreciable assets	<u>404,625</u>	<u>295,352</u>
Less: accumulated depreciation		
Furniture and equipment	90,632	88,848
Leasehold improvements	<u>201,786</u>	<u>195,215</u>
Total accumulated depreciation	<u>292,418</u>	<u>284,063</u>
Total property and equipment, net	<u>\$ 112,207</u>	<u>\$ 11,289</u>

Depreciation expense reported in the cash flows statement and functional expenses statement for the years ended December 31, 2023 and 2022 was \$8,355 and \$10,927, respectively.

NOTE 10 - LEASES

The Organization is 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.

As of December 31, 2023 and 2022, the right-of-use assets, net of amortization, presented on the statement of financial position are \$3,558 and \$5,914, respectively. The lease liabilities presented on the statement of financial position are \$3,576 and \$5,930, respectively, comprised of both the current and non-current liability portions.

COOS ART MUSEUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

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

Net Assets With Donor Restrictions	Dec. 31, 2023	Dec. 31, 2022
County-wide youth art education	\$ -	\$ 3,929
In-house youth art education	2,367	2,367
Community Days events	-	1,357
OCF youth art donation	2,983	2,983
Mimi Fox donation	2,422	2,671
Oregon Arts Commission donation	-	4,964
Clackamas School District summer learning	-	12,200
Advertising and marketing campaigns	19	2,270
HVAC replacement grants	71,838	54,315
Art Carts in the Park for youth events	-	1,200
Coos Art Museum Endowment Fund of OCF	219,577	203,078
Cultural Heritage Endowment Fund of OCF	47,805	45,305
Janet Beetham Art Education Fund of OCF	1,130,634	1,008,112
Total net assets with donor restrictions	<u>\$ 1,477,645</u>	<u>\$ 1,344,751</u>

NOTE 12 - FACILITIES OWNED BY OTHERS AND RELATED PARTY TRANSACTIONS

The Organization maintains a permanent collection of artworks that is owned by the City of Coos Bay, Oregon (City). A staff member of the Organization, the Curator of Collections, manages the collection, which was previously managed by a volunteer curator.

The Coos Art Museum building is also owned by the City and 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 title remains with the City. The use of the facilities is included in a contract for management services. In addition to use of the facilities, the Organization received \$15,000 in management service fees from the City for each of the years ended December 31, 2023 and 2022.

NOTE 14 - EVALUATION OF SUBSEQUENT EVENTS

Management of the Organization has evaluated subsequent events through November 6, 2024, the date which these financial statements were available to be issued and determined that there are no subsequent events requiring adjustment to, or disclosure in, the financial statements.