

**ELLEN NOEL ART MUSEUM  
OF THE PERMIAN BASIN**

**Financial Statements and Report of  
Independent Certified Public Accountants**

**August 31, 2021**

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees  
Ellen Noel Art Museum of the Permian Basin  
Odessa, Texas

### **Opinion**

We have audited the accompanying financial statements of the Ellen Noel Art Museum of the Permian Basin (a non-profit organization), which comprise the statements of financial position as of August 31, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ellen Noel Art Museum of the Permian Basin as of August 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Ellen Noel Art Museum of the Permian Basin and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

Board of Trustees  
Ellen Noel Art Museum of the Permian Basin

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 the Ellen Noel Art Museum of the Permian Basin'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**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ellen Noel Art Museum of the Permian Basin's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ellen Noel Art Museum of the Permian Basin's ability to continue as a going concern for a reasonable period of time.

Board of Trustees  
Ellen Noel Art Museum of the Permian Basin

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Sackrider & Company, Inc.*

Terre Haute, IN  
July 14, 2022

**ELLEN NOEL ART MUSEUM OF THE PERMIAN BASIN**

**Statements of Financial Position**

**August 31,**

<b>ASSETS</b>	<u>2021</u>	<u>2020</u>
<b>Current assets</b>		
Cash	\$ 846,299	\$ 332,695
Inventory	16,008	21,136
Investments (at fair value)	10,638,874	9,268,357
Accounts receivable	-	2,344
Prepaid expenses	9,075	17,757
Total current assets	<u>11,510,256</u>	<u>9,642,289</u>
<b>Fixed assets</b>		
Property and equipment	3,625,885	3,625,885
Less accumulated depreciation	<u>2,753,648</u>	<u>2,672,421</u>
Total fixed assets	872,237	953,464
<b>Art collection (Note 2)</b>	-	-
<b>Other assets</b>		
Construction in progress	6,798	6,798
Foundation holdings	10,257	8,294
Limited partnership interest	20,000	20,000
Life insurance interest	46,917	46,917
Total other assets	<u>83,972</u>	<u>82,009</u>
	<u>\$ 12,466,465</u>	<u>\$ 10,677,762</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accrued payroll, payroll taxes and deductions	\$ 63,870	\$ 51,215
Accounts payable	30,293	43,562
Note payable - PPP loan	-	42,000
Deferred revenue	145,547	152,200
Total current liabilities	<u>239,710</u>	<u>288,977</u>
<b>Net assets</b>		
Without donor restrictions	5,918,870	5,328,549
With donor restrictions	6,307,885	5,060,236
Total net assets	<u>12,226,755</u>	<u>10,388,785</u>
	<u>\$ 12,466,465</u>	<u>\$ 10,677,762</u>

The accompanying notes are an integral part of these statements.

**ELLEN NOEL ART MUSEUM OF THE PERMAIN BASIN**

**Statements of Activities**

**For the Year Ended August 31,**

	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Public support, revenue, and gains</b>			
Contributions	\$ 109,436	\$ 513,553	\$ 622,989
Noncash contributions	11,863	-	11,863
Grants	154,992	-	154,992
Fundraising	105,467	-	105,467
Investment income	346,682	434,568	781,250
Unrealized gain (loss) on investments	497,867	564,300	1,062,167
Total public support, revenue, and gains	<u>1,226,307</u>	<u>1,512,421</u>	<u>2,738,728</u>
<b>Other revenue</b>			
Membership dues	63,464	-	63,464
Rental income	5,092	-	5,092
Tuition	12,941	-	12,941
Gift shop	1,850	-	1,850
Gain on extinguishment of PPP loan	42,000	-	42,000
Other income	313	-	313
Total other revenue	<u>125,660</u>	<u>-</u>	<u>125,660</u>
<b>Assets released from restrictions</b>			
Satisfaction of expenditure restrictions	264,772	(264,772)	-
Total revenue, gains and other support	<u>1,616,739</u>	<u>1,247,649</u>	<u>2,864,388</u>
<b>Expenses</b>			
Management and general	137,725	-	137,725
Program expenses	767,519	-	767,519
Fundraising expenses	121,174	-	121,174
Total expenses	<u>1,026,418</u>	<u>-</u>	<u>1,026,418</u>
<b>Increase (decrease) in net assets</b>	590,321	1,247,649	1,837,970
<b>Net assets, beginning of year</b>	<u>5,328,549</u>	<u>5,060,236</u>	<u>10,388,785</u>
<b>Net assets, end of year</b>	<u>\$ 5,918,870</u>	<u>\$ 6,307,885</u>	<u>\$ 12,226,755</u>

The accompanying notes are an integral part of these statements.

2020		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 97,792	\$ 10,457	\$ 108,249
-	-	-
95,612	-	95,612
219,518	-	219,518
151,716	226,365	378,081
246,431	248,062	494,493
<u>811,069</u>	<u>484,884</u>	<u>1,295,953</u>
73,146	-	73,146
3,025	-	3,025
16,455	-	16,455
32,208	-	32,208
68,400	-	68,400
-	-	-
<u>193,234</u>	<u>-</u>	<u>193,234</u>
244,274	(244,274)	-
<u>1,248,577</u>	<u>240,610</u>	<u>1,489,187</u>
272,401	-	272,401
727,192	-	727,192
178,295	-	178,295
<u>1,177,888</u>	<u>-</u>	<u>1,177,888</u>
70,689	240,610	311,299
<u>5,257,860</u>	<u>4,819,626</u>	<u>10,077,486</u>
\$ <u>5,328,549</u>	\$ <u>5,060,236</u>	\$ <u>10,388,785</u>



**ELLEN NOEL ART MUSEUM OF THE PERMAIN BASIN**

**Statements of Cash Flows**

**For the Year ended August 31,**

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 1,837,970	\$ 311,299
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	81,227	105,085
Net unrealized (gain) loss on investments	(1,062,167)	(494,489)
(Gain) on sale of investments	(418,025)	(15,498)
Noncash contributions	(11,863)	-
(Gain) on extinguishment of debt	(42,000)	(68,400)
Change in assets and liabilities:		
Accounts receivable	2,344	2,548
Inventory	5,128	5,835
Prepaid expenses	8,682	(6,341)
Other assets	(1,963)	639
Deferred revenue	(6,653)	11,200
Accounts payable	(13,269)	7,986
Payroll and accrued liabilities	12,655	4,980
Net cash from operating activities	392,066	(135,156)
<b>Cash flows from investing activities</b>		
Expenditures for property, equipment and land	-	(1,555)
Expenditures for purchases of investments	(789,332)	(538,312)
Proceeds from sale of investments	910,870	621,178
Net cash from investing activities	121,538	81,311
<b>Cash flows from financing activities:</b>		
Proceeds from Paycheck Protection Program loan	-	110,400
Net cash from financing activities	-	110,400
<b>NET CHANGE IN CASH</b>	513,604	56,555
<b>Cash at beginning of year</b>	332,695	276,140
<b>Cash at end of year</b>	\$ 846,299	\$ 332,695

**DISCLOSURE OF ACCOUNTING POLICY**

Cash, as used in the statement of cash flows, is the amount reported as "cash" in the balance sheet which includes petty cash and cash in checking accounts.

**NONCASH INVESTING AND FINANCING ACTIVITY**

During the year ended August 31, 2021, the museum received donated stock valued at \$11,863.

During the year ended August 31, 2021, the Organization's Paycheck Protection loan in the amount of \$110,400 was forgiven.

The accompanying notes are an integral part of these statements.

**ELLEN NOEL ART MUSEUM OF THE PERMAIN BASIN**

**Statements of Functional Expenses**

**For the Year Ended August 31,**

	2021			
	Program	Fundraising	Management and General	Total
	Costs	Expense	General	Total
Salaries and wages	\$378,019	\$ 57,853	\$ 24,006	\$ 459,878
Payroll taxes	29,797	4,560	1,892	36,249
Employee benefit plans	45,526	6,967	2,891	55,384
Utilities	77,469	-	8,608	86,077
Maintenance and repairs	30,545	-	7,636	38,181
Expenses incurred from exhibitions	82,486	-	-	82,486
Insurance	10,335	-	1,148	11,483
Conservation of permanent collection	2,342	-	-	2,342
Fundraising expenses	-	21,478	-	21,478
Office supplies and expenses	24,590	-	1,294	25,884
Freight and postage	1,371	-	242	1,613
Public relations, publicity and entertainment	13,112	3,215	-	16,327
Membership	5,699	-	300	5,999
Museum shop expenses	-	10,500	-	10,500
Professional development and travel	-	-	-	-
Professional fees	47,944	13,699	6,849	68,492
Program expenses	9,402	-	-	9,402
Bank and investment fees	1,037	2,902	207	4,146
Miscellaneous	-	-	1,034	1,034
Printing	3,300	-	174	3,474
Meals and entertainment	415	-	-	415
Information technology	4,130	-	217	4,347
Depreciation	-	-	81,227	81,227
	<u>\$767,519</u>	<u>\$ 121,174</u>	<u>\$ 137,725</u>	<u>\$1,026,418</u>

The accompanying notes are an integral part of these statements.

**2020**

<b>Program Costs</b>	<b>Fundraising Expense</b>	<b>Management and General</b>	<b>Total</b>
\$364,488	\$ 104,303	\$ 28,600	\$ 497,391
26,395	7,553	2,071	36,019
39,227	11,225	3,078	53,530
72,683	-	18,171	90,854
64,714	-	16,178	80,892
67,745	-	-	67,745
10,211	-	2,553	12,764
6,365	-	-	6,365
-	51,183	-	51,183
25,307	-	5,362	30,669
1,759	-	439	2,198
2,509	4,031	309	6,849
5,350	-	1,337	6,687
-	-	20,357	20,357
740	-	2,488	3,228
-	-	59,630	59,630
22,730	-	-	22,730
4,697	-	1,566	6,263
-	-	4,531	4,531
4,237	-	223	4,460
3,208	-	169	3,377
4,827	-	254	5,081
-	-	105,085	105,085
<u>\$727,192</u>	<u>\$ 178,295</u>	<u>\$ 272,401</u>	<u>\$1,177,888</u>

# ELLEN NOEL ART MUSEUM OF THE PERMIAN BASIN

## Notes to Financial Statements

August 31, 2021 and 2020

### NOTE 1 - NATURE OF ACTIVITIES

The Ellen Noel Art Museum of the Permian Basin (the Museum) provides access to art of enduring quality for the culturally diverse audience of a more than 100,000 square mile region. The Museum engages the community through changing exhibitions with a cross-cultural focus, and through the growth of the permanent collection. The Museum serves as a catalyst for art education in the region by collaborating with schools, colleges and universities and by providing child and adult art classes, artist workshops, and family activities. The Museum is primarily supported through contributions, grants, fundraising, and investment income on amounts accumulated by or held for the benefit of the Museum.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the organization's significant accounting policies followed are described below:

#### Basis of Accounting

The Museum's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America for not-for-profit organizations. Accordingly, the Museum's accounts are stated on the accrual basis of accounting, whereby revenues are recorded as earned and expenses are recorded as incurred.

#### Revenue Recognition

The Organization derives its revenues primarily from member contributions, fundraisers, exhibitions, program, and museum shop sales. The Organization recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Sales and other taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Organization from a customer, are excluded from revenue. The Organization does not have any significant financing components as payment is received at or shortly after the point of sale.

All performance obligations are satisfied at a point in time and consist of member contributions, fundraisers, exhibitions, programs, and museum shop sales. The Organization records revenue upon receipt of a member's annual dues. The Organization transfers control and records revenue for museum shop sales by transferring control over the item to a customer. The Organization records revenue for fundraisers upon purchases of tables for the events. The Organization records revenue for exhibitions and programs upon receiving the participation fees from a customer. Any associated expenses with the corresponding revenue streams are expensed as incurred per the Organization's use of the accrual basis of accounting.

#### Net Assets

ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities is effective for years beginning after December 15, 2017. The ASU requires presentation of net assets into two classifications: net assets with donor restrictions and net assets without restrictions. Additionally, it requires certain disclosure of liquidity and availability of resources for use and classification of expenses by nature and function. The accompanying financial statements have incorporated the requirements of ASU 2016-14.

ELLEN NOEL ART MUSEUM OF THE PERMIAN BASIN

Notes to Financial Statements - Continued

August 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Support

Contributions received are measured at their fair values and are reported as an increase in net assets. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Investments

Investments are stated at fair value determined by market quotes. The great majority are held for long-term investment purposes. Investments include all assets held in agency accounts with trust departments and brokerage firms. Investment income includes only interest and dividend income received on these investments and realized gains and losses related to the sale of the investments.

Permanent Collection

Collection items acquired either through purchase or donation are not capitalized. Purchases of collection items are recorded as decreases in net assets without donor restrictions if purchased with unrestricted assets and as decreases in net assets with donor restrictions if purchased with restricted assets. Contributions of collection items are not recognized in the Statement of Activities. Proceeds from deaccessions or insurance recoveries are reflected on the Statement of Activities based on the absence or existence and nature of donor-imposed restrictions. The value of art objects acquired by gifts is not estimable.

The collections of the Museum are protected via patrolling and closed-circuit monitoring of the galleries by attendants and front-desk reception personnel. Areas containing collection storage are locked or otherwise blocked to visitors. The museum also has an active alarm system in use any time the building is not occupied by staff.

ELLEN NOEL ART MUSEUM OF THE PERMIAN BASIN

Notes to Financial Statements - Continued

August 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Use of Estimates

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Inventory

Inventory is maintained on the cost basis. Inventory at August 31, 2021 and 2020 was \$16,008 and \$21,136, respectively.

Property and Equipment

Property and equipment are recorded at cost, or if donated, at the fair value of the donation. Purchases in excess of \$2,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss for the period is recognized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 35 years.

A summary of the major classes and property and equipment at August 31, 2021 follows:

	<u>Cost</u>	<u>Acc. Dep</u>	<u>Net Value</u>
Furniture & Equipment	\$ 244,602	\$ 206,769	\$ 37,833
Building	3,381,283	2,546,879	834,404

A summary of the major classes and property and equipment at August 31, 2020 follows:

	<u>Cost</u>	<u>Acc. Dep</u>	<u>Net Value</u>
Furniture & Equipment	\$ 244,602	\$ 191,854	\$ 52,748
Building	3,381,283	2,480,567	900,716

Allocation of Expenses

Expenses are generally classified based upon the nature of the expense itself, if they can be directly linked to a program, fundraising or management activity. Wages are allocated to general, program and fundraising based upon estimates of the time required in each area by job description.

Income Taxes

The Museum is a wholly-exempt, not-for-profit organization in accordance with the Internal Revenue Code Section 501(c)(3). Therefore, no provision for federal or state income taxes has been reflected in the financial statements.

ELLEN NOEL ART MUSEUM OF THE PERMIAN BASIN

Notes to Financial Statements - Continued

August 31, 2021 and 2020

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

The Museum's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence. It is the opinion of the management that the Museum has no uncertain tax positions.

The Museum's information returns are subject to examination by the appropriate taxing jurisdictions. As of August 31, 2021, the Museum's federal and state information returns for the last three years are open for examination. Each year's return remains open for examination for three years. There were no interest or penalties related to income taxes during the fiscal year ended August 31, 2021.

Subsequent Events

Management has evaluated subsequent events through July 14, 2022, the date the financial statements were available to be issued.

**NOTE 3 - INVESTMENTS**

A summary of investments held at August 31, 2021 follows:

	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents	\$ 1	\$ 1
Mutual funds	<u>7,949,242</u>	<u>10,638,873</u>
	<u>\$ 7,949,243</u>	<u>\$ 10,638,874</u>

The following schedule summarizes the investment returns and their classification in the Statement of Activities for the year ended August 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividend income	\$ 195,416	\$ 228,181	\$ 423,597
Net realized gains	178,938	239,087	418,025
Net unrealized gains	497,866	564,300	1,062,166
Investment fees	<u>(27,671)</u>	<u>(32,700)</u>	<u>(60,371)</u>
Total investment returns	<u>\$ 844,549</u>	<u>\$ 998,868</u>	<u>\$ 1,843,417</u>

A summary of investments held at August 31, 2020 follows:

	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents	\$ 105,313	\$ 105,313
Mutual funds	<u>7,546,160</u>	<u>9,163,044</u>
	<u>\$ 7,651,473</u>	<u>\$ 9,268,357</u>

ELLEN NOEL ART MUSEUM OF THE PERMIAN BASIN

Notes to Financial Statements - Continued

August 31, 2021 and 2020

NOTE 3 - INVESTMENTS - continued

The following schedule summarizes the investment returns and their classification in the Statement of Activities for the year ended August 31, 2020:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Interest and dividend income	\$ 189,679	\$ 224,372	\$ 414,051
Net realized gains	(14,190)	29,688	15,498
Net unrealized gains	246,431	248,062	494,493
Investment fees	<u>(23,773)</u>	<u>(27,695)</u>	<u>(51,468)</u>
Total investment returns	<u>\$ 398,147</u>	<u>\$ 474,427</u>	<u>\$ 872,574</u>

NOTE 4 - FAIR VALUE MEASUREMENT

The Museum adopted the Accounting Standards Codification No. 820, ("ASC 820"), *Fair Value Measurements*, on October 1, 2008. ASC 820 requires the Museum to classify its assets and liabilities into three levels based on the method used to value the assets or liabilities. Level 1 values are based on quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the museum's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investment.

Assets measured at fair value on a recurring basis at August 31, 2021 are as follows:

	Level 1 - Quoted Prices in <u>Active Markets</u>	Level 2 - Other Observable <u>Inputs</u>	Level 3 - Unobservable <u>Inputs</u>
Cash and cash equivalents	\$ 1	\$ -	\$ -
Mutual funds			
Equity	6,482,145	-	-
Fixed-income	2,753,387	-	-
Other	<u>1,403,341</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,638,874</u>	<u>\$ -</u>	<u>\$ -</u>

Assets measured at fair value on a recurring basis at August 31, 2020 are as follows:

	Level 1 - Quoted Prices in <u>Active Markets</u>	Level 2 - Other Observable <u>Inputs</u>	Level 3 - Unobservable <u>Inputs</u>
Cash and cash equivalents	\$ 105,313	\$ -	\$ -



**ELLEN NOEL ART MUSEUM OF THE PERMIAN BASIN**

**Notes to Financial Statements - Continued**

**August 31, 2021 and 2020**

**NOTE 4 - FAIR VALUE MEASUREMENT - continued**

Mutual funds			
Equity	\$ 5,595,206	\$ -	\$ -
Fixed-income	2,340,459	-	-
Other	<u>1,227,379</u>	-	-
	<u>\$ 9,268,357</u>	<u>\$ -</u>	<u>\$ -</u>

The following is a description of the valuation methodologies used for assets at fair value.

For all *cash and cash equivalents*, and *mutual funds* fair value is determined by reference to quoted market prices.

**NOTE 5 - LONG-TERM DEBT**

Long-term debt consists of the following:

	<u>2021</u>	<u>2020</u>
Note dated April 17, 2020 with First Financial Bank due in 18 monthly installments of \$2,502 with the balance due at maturity on April 17, 2022. Interest is fixed at 1.00%. The loan is unsecured. This is a Paycheck Protection Program loan. Note was forgiven during fiscal year ending August 31, 2021.	\$ -	\$ 42,000
Less current portion	-	<u>42,000</u>
	<u>\$ -</u>	<u>\$ 17,453</u>

**NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following uses at August 31, 2021:

Purpose restrictions:	
Acquisition of Art Work	\$ 1,717
Capital campaign	536,430
Time restrictions:	
Portion of perpetual endowment fund subject to a time restriction under UPMIFA	2,535,510
Permanent endowment funds	<u>3,234,228</u>
	<u>\$ 6,307,885</u>

Net assets with donor restrictions are restricted for the following uses at August 31, 2020:

Purpose restrictions:	
Acquisition of Art Work	\$ 19,917
Capital campaign	22,877
Time restrictions:	
Portion of perpetual endowment fund subject to a time restriction under UPMIFA	1,783,214
Permanent endowment funds	<u>3,234,228</u>
	<u>\$ 5,060,236</u>

# ELLEN NOEL ART MUSEUM OF THE PERMIAN BASIN

## Notes to Financial Statements - Continued

August 31, 2021 and 2020

### NOTE 7 - RISKS AND UNCERTAINTIES

The Museum invests in various investment securities. Investment securities are exposed to various risks as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonable possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Activities.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to impact operating and investment results. However, the related financial impact and duration cannot be reasonably estimated at this time.

### NOTE 8 - ENDOWMENT FUNDS

The Museum's endowment consists of a donor restricted fund. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported on based on the existence or absence of donor-imposed restrictions.

#### Interpretation of the Relevant Law

The Board of Directors of the Museum has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift and all subsequent gifts absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as permanently restricted net assets, (a) the original value of 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 direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors when making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the organization and the donor-restricted endowment fund
- 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
- 7) The investment policies of the organization.

#### Return Objectives and Risk Parameters

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the grant and scholarship programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

ELLEN NOEL ART MUSEUM OF THE PERMIAN BASIN

Notes to Financial Statements - Continued

August 31, 2021 and 2020

**NOTE 8 - ENDOWMENT FUNDS - continued**

Endowment assets include those assets of the donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment fund assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Museum expects its endowment funds, over time, to provide an average rate of return of approximately 5 percent annually net of inflation and administrative costs. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Because the Museum is expected to endure indefinitely, and because inflation is a key component in its Performance Objective, the long-term risk of not investing in growth securities outweighs the short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities. Fixed income securities are used to lower the short-term volatility of the portfolio and to provide income stability, especially during periods of weak or negative equity markets. Cash is not a strategic asset of the portfolio but is a residual to the investment process and used to meet short-term liquidity needs. Other asset classes are included to provide diversification (e.g. international equities) and incremental return (e.g. small cap equities).

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Museum has a spending policy that is reviewed annually within the investment plan. The policy allows for appropriations from the endowment funds of up to 5% based on the three-year rolling average asset fair market value as of June 30. Corpus on the permanently restricted endowment funds is unavailable for distribution. Actual appropriations for distribution for 2021 and 2020 were equal to 5%.

The composition of and changes in endowment net assets as of and for the year ended August 31, 2021, are as follows:

	Board Designated Endowment Funds Without Donor <u>Restrictions</u>	Donor-Restricted <u>Endowment Funds</u>	<u>Total</u>
Endowment net assets.			
September 1, 2020	\$ 4,222,773	\$ 5,017,442	\$ 9,240,215
Investment returns:			
Interest and dividend income	192,202	228,181	420,383
Net realized appreciation	165,929	239,087	405,016
Net unrealized appreciation	508,692	564,300	1,072,992
Fees	<u>(27,551)</u>	<u>(32,700)</u>	<u>(60,251)</u>
Total investment returns	839,272	998,868	1,838,140

**ELLEN NOEL ART MUSEUM OF THE PERMIAN BASIN**

**Notes to Financial Statements - Continued**

**August 31, 2021 and 2020**

**NOTE 8 - ENDOWMENT FUNDS - continued**

	Board Designated Endowment Funds Without Donor <u>Restrictions</u>	<u>Donor-Restricted Endowment Funds</u>	<u>Total</u>
Appropriation of endowment assets for expenditure	\$ <u>(204,591)</u>	\$ <u>(246,572)</u>	\$ <u>(451,163)</u>
Endowment net assets, August 31, 2021	\$ <u>4,857,454</u>	\$ <u>5,769,738</u>	\$ <u>10,627,192</u>

The composition of and changes in endowment net assets as of and for the year ended August 31, 2020, are as follows:

	Board Designated Endowment Funds Without Donor <u>Restrictions</u>	<u>Donor-Restricted Endowment Funds</u>	<u>Total</u>
Endowment net assets, September 1, 2019	\$ 4,028,388	\$ 4,787,289	\$ 8,815,677
Investment returns:			
Interest and dividend income	188,978	224,372	413,350
Net realized appreciation	(14,205)	29,688	15,483
Net unrealized appreciation	245,045	248,062	493,107
Fees	<u>(23,618)</u>	<u>(27,695)</u>	<u>(51,313)</u>
Total investment returns	396,200	474,427	870,627
Appropriation of endowment assets for expenditure	<u>(201,815)</u>	<u>(244,274)</u>	<u>(446,089)</u>
Endowment net assets, August 31, 2020	\$ <u>4,222,773</u>	\$ <u>5,017,442</u>	\$ <u>9,240,215</u>

**NOTE 9 - RETIREMENT PLAN**

The Museum maintains a SIMPLE IRA plan for eligible employees. The employer contributes these benefits at the discretion of the Board of Trustees, which historically has been 3% of eligible compensation. For the years ended August 31, 2021 and 2020, the amount of pension expense related to this plan was \$9,221 and \$9,701, respectively.

**NOTE 10 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Museum's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2021</u>	<u>2020</u>
Cash	\$ 846,299	\$ 332,695
Investments	10,638,874	9,268,357
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted for acquisitions/collection care	(1,717)	(19,917)

**ELLEN NOEL ART MUSEUM OF THE PERMIAN BASIN**

**Notes to Financial Statements - Continued**

**August 31, 2021 and 2020**

**NOTE 10 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS - continued**

	<u>2021</u>	<u>2020</u>
Donor-restricted for Capital Campaign	\$ (536,430)	\$ (22,877)
Donor-restricted Endowment funds	(5,769,737)	(5,017,442)
Board designations - Endowment funds, primarily for long-term investing	<u>(4,857,454)</u>	<u>(4,222,773)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 319,835</u>	<u>\$ 318,043</u>

The Museum's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment funds of \$4,857,454 are subject to an annual spending rate of 5 percent as described in Note 8. Although the Museum does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available, if necessary.

As part of the Museum's liquidity management, it has a policy to structure financial assets to be available as general expenditures, liabilities and other obligations come due.

**NOTE 11 - PAYCHECK PROTECTION PROGRAM**

On April 17, 2020, the Organization received loan proceeds in the amount of \$110,400 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, utilities and certain interest payments, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces pay rates during the covered period.

The Organization recognized a gain on the extinguishment of debt in the amount of \$68,400 during the year ended August 31, 2020. The Organization met the above requirements for forgiveness by using the loan proceeds on eligible expenses, including payroll, benefits, etc. during the current fiscal year. The remaining balance was used in the following fiscal year and a gain on the extinguishment of debt of \$42,000 was recognized during the year ended August 31, 2021. The original loan of \$110,400 was forgiven on December 10, 2020.

ELLEN NOEL ART MUSEUM OF THE PERMIAN BASIN

Notes to Financial Statements - Continued

August 31, 2021 and 2020

**NOTE 12 - ADOPTION OF NEW ACCOUNTING STANDARD**

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective September 1, 2019, using the full retrospective method. The adoption of this ASU resulted in changes to the accounting policy for revenue recognition described in Note 2.

The Organization’s revenue is recognized at a point in time based on the transfer of control. In addition, the majority of the Organization’s contracts do not contain variable consideration and contract modifications are generally minimal.

The adoption of this ASU did not have a significant impact on the Organization’s financial statements and was applied to all contracts at the date of initial application. The Organization’s revenues generally consist of a single performance obligation to transfer promised goods or services. Based on the Organization’s evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption. Accordingly, no adjustment was necessary to beginning retained earnings.