

STEAMBOAT ART MUSEUM

Financial Statements

December 31, 2019

STEAMBOAT ART MUSEUM

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Independent Accountant's Review Report

The Board of Directors
Steamboat Art Museum
Steamboat Springs, Colorado

We have reviewed the accompanying financial statements of the Steamboat Art Museum which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 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, we 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 U.S. generally accepted accounting principles; 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

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with U.S. generally accepted accounting principles. We believe that the results of our procedures provide a reasonable basis for our report.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with U.S. generally accepted accounting principles.

Other Matter

The prior year's summarized comparative financial information has been derived from the Steamboat Art Museum's December 31, 2018 financial statements, and in our independent accountant's review report dated July 24, 2019, we stated that we were not aware of any material modifications that should be made to the financial statements for them to be in conformity with U.S. generally accepted accounting principles.

Cutler + Company, P.C.

Steamboat Springs, Colorado
May 11, 2020

STEAMBOAT ART MUSEUM
Statement of Financial Position
December 31, 2019
(with summarized financial information as of December 31, 2018)

	2019	2018
Assets:		
Cash and cash equivalents	\$ 76,089	\$ 196,593
Accounts receivable	2,594	1,072
Inventory	21,827	19,100
Prepaid expenses	2,947	2,947
Promises to give	10,000	15,000
Beneficial interest in assets held by community foundation:		
Operating reserve	44,389	-
Collection acquisition fund	51,905	-
Endowment fund	78,587	-
Property and equipment, net of accumulated depreciation	998,120	1,033,498
 Total assets	 \$ 1,286,458	 \$ 1,268,210
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued expenses	\$ 15,519	\$ 18,209
 Total liabilities	 15,519	 18,209
 Net assets:		
Without donor restrictions	1,117,913	1,159,358
With donor restrictions	153,026	90,643
 Total net assets	 1,270,939	 1,250,001
 Total liabilities and net assets	 \$ 1,286,458	 \$ 1,268,210

See accompany notes to the financial statements.

STEAMBOAT ART MUSEUM
Statement of Activities
For the Year Ended December 31, 2019
(with summarized financial information for the year ended December 31, 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Operating revenues and support:				
Contributions	\$ 271,740	\$ 60,500	\$ 332,240	\$ 349,468
Contributed facilities	170,917	-	170,917	167,305
Fundraising events	41,361	-	41,361	24,026
Less: costs of direct benefits to donors	(6,658)	-	(6,658)	(4,581)
Education and outreach programs	19,732	-	19,732	16,452
Exhibits	46,122	-	46,122	101,032
Commissions	40,153	-	40,153	45,131
Gift shop revenues	61,184	-	61,184	48,766
Investment income	5,293	9,992	15,285	-
Proceeds from sale of historic preservation tax credits	-	-	-	170,726
Other revenue	11,987	-	11,987	19,621
Net assets released from restrictions	8,109	(8,109)	-	-
Total operating revenues and support	669,940	62,383	732,323	937,946
Operating expenses:				
Program services	494,392	-	494,392	532,841
Management and general	146,952	-	146,952	107,906
Fundraising	56,948	-	56,948	46,114
Membership development	13,093	-	13,093	5,931
Total operating expenses	711,385	-	711,385	692,792
Change in operations	(41,445)	62,383	20,938	245,154
Nonoperating activities:				
Contributions to capital campaign	-	-	-	31,783
Capital campaign expenses	-	-	-	(14,699)
Net nonoperating activities	-	-	-	17,084
Change in net assets	(41,445)	62,383	20,938	262,238
Net assets, beginning of year	1,159,358	90,643	1,250,001	987,763
Net assets, end of year	\$ 1,117,913	\$ 153,026	\$ 1,270,939	\$ 1,250,001

See accompany notes to the financial statements.

STEAMBOAT ART MUSEUM
Statement of Functional Expenses
For the Year Ended December 31, 2019
(with summarized financial information for the year ended December 31, 2018)

	2019					2018 Total
	Program Services	Management and General	Fundraising	Membership Development	Total	
Expenses:						
Wages and benefits	\$ 169,039	\$ 82,503	\$ 48,188	\$ 12,421	\$ 312,151	\$ 286,907
Rent	138,600	27,361	-	-	165,961	165,921
Exhibits	39,450	-	-	-	39,450	38,678
Art programs	7,978	-	-	-	7,978	8,217
Education and outreach	10,757	-	-	-	10,757	9,085
Gift shop purchases	31,753	-	-	-	31,753	35,188
Utilities	15,939	-	-	-	15,939	11,187
Building maintenance	11,570	-	-	-	11,570	11,123
Supplies	6,576	667	4,798	100	12,141	12,919
Credit card fees	10,189	-	-	-	10,189	10,879
Professional fees	-	32,536	-	-	32,536	22,704
Continuing education	720	360	210	54	1,344	3,716
Advertising	1,391	695	405	104	2,595	4,522
Equipment	5,394	2,183	1,270	326	9,173	19,645
Insurance	5,037	-	-	-	5,037	4,957
Depreciation	35,378	-	-	-	35,378	35,378
Other	4,621	647	2,077	88	7,433	11,766
Total expenses	\$ 494,392	\$ 146,952	\$ 56,948	\$ 13,093	\$ 711,385	\$ 692,792

See accompany notes to the financial statements.

STEAMBOAT ART MUSEUM
Statement of Cash Flows
For the Year Ended December 31, 2019
(with summarized financial information for the year ended December 31, 2018)

	2019	2018
Cash flows from operating activities:		
Change in operations	\$ 20,938	\$ 245,154
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	35,378	35,378
Net gain on beneficial interest in assets held by community foundation	(14,381)	-
(Increase) decrease in:		
Inventory	(2,727)	(6,896)
Other assets	(1,522)	2,147
(Decrease) increase in:		
Accounts payable and accrued expenses	(2,690)	656
Net cash provided by operating activities	34,996	276,439
Cash flows from investing activities:		
Transfers of funds for beneficial interest in assets held by community foundation	(160,500)	-
Purchases of property and equipment	-	(227,132)
Cash paid for capital campaign expenses	-	(14,699)
Net cash provided (used) by investing activities	(160,500)	(241,831)
Cash flows from financing activities:		
Proceeds from line of credit	-	117,000
Principal payments on line of credit	-	(127,000)
Contributions and other revenues received for capital campaign	-	31,783
Capital campaign pledge payments received	5,000	10,000
Net cash provided by financing activities	5,000	31,783
Net change in cash and cash equivalents	(120,504)	66,391
Cash and cash equivalents, beginning of year	196,593	130,202
Cash and cash equivalents, end of year	\$ 76,089	\$ 196,593
Supplemental information:		
Interest paid	\$ -	\$ 2,368

See accompany notes to the financial statements.

STEAMBOAT ART MUSEUM
Notes to Financial Statements
December 31, 2019

(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 1: Description of the Organization

The Steamboat Art Museum (the Organization) was incorporated as a Colorado not-for-profit corporation in December 2005. The Organization's mission is to collect, preserve, and present fine art to the public, with a primary focus on the culture and heritage of Northwestern Colorado.

The Organization is funded primarily by contributions, grants, exhibits, and artists' commissions.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

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. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing operations. Nonoperating activities are limited to the capital campaign activities of the Organization.

Cash and Cash Equivalents

The Organization's cash consists of cash on deposit with banks. Cash equivalents represent money market funds with original maturities of three months or less from the date of purchase.

Inventory

Inventory consists of items for sale in the gift shop and are valued at the lower of cost or market.

Promises to Give

Unconditional promises to give are recorded at net realizable value. Conditional promises to give are not included as support until the conditions are met.

STEAMBOAT ART MUSEUM
Notes to Financial Statements
December 31, 2019

(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 2: Summary of Significant Accounting Policies (continued)

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP established a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 – Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 – Other observable Inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data.

The fair value of the beneficial interest in assets held by community foundation is based on the fair value of the underlying pooled investments as reported by the Yampa Valley Community Foundation (YVCF). These are considered to be Level 3 measurements.

Net Asset Classifications for Endowment Fund

The Organization maintains an endowment fund to provide long-term support for the Organization's programs. The endowment fund was established with donor-restricted funds during the year ended December 31, 2019. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Colorado adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in 2008. The Organization's Board of Directors has interpreted UPMIFA as requiring the preservation of the original gift amount of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with restrictions (a) the original value of gifts donated to the endowment fund, (b) the original value of subsequent gifts donated to the endowment fund, and (c) accumulations to the endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with 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 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 YVCF

STEAMBOAT ART MUSEUM
Notes to Financial Statements
December 31, 2019

(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 2: Summary of Significant Accounting Policies (continued)

Endowment Investment and Spending Policies

Endowment funds are invested in accordance with the YVCF investment policy with its goal to preserving capital while seeking to maximize total return from interest, dividends and capital appreciation. The investment policy's target allocation is 61% equities, 28% fixed income securities, 9% alternative investments and 2% cash.

The Organization is eligible for an annual payment from the endowment fund computed using a simple average of the total endowment fund balance for the previous 12 quarters multiplied by 4.5%.

Property and Equipment, Net

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

	<u>Years</u>
Leasehold improvements	10-40
Furniture and equipment	5-7

The Organization's policy is to capitalize expenditures for property and equipment greater than \$500 and expense normal repairs and maintenance as incurred. The Organization's management periodically evaluates whether events or circumstances have occurred indicating the carrying amount of long-lived assets may not be recovered.

Collection Items

The Organization's collection items consist of paintings of cultural significance to Northwestern Colorado and are held for educational and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The Organization's collection items, which were acquired through contributions since the Organization's inception, are not recognized as assets on the statement of financial position. Purchase of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. If collection items are sold, the proceeds from the sale are used to purchase additional items.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a 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.

In-Kind Support

The Organization records various types of in-kind support, including contributed goods, services and facilities. Contributions of tangible assets and services are recognized as fair value when received. In-kind support is included in contributions in the accompanying financial statements and are offset by like amounts in expenses or assets.

Many individuals volunteer their time and perform a variety of tasks within the Organization's programs. However, these services do not meet the criteria for recognition as contributed services in accordance with US GAAP.

STEAMBOAT ART MUSEUM
Notes to Financial Statements
December 31, 2019

(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 2: Summary of Significant Accounting Policies (continued)

Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include wages and benefits, rent, supplies, and equipment are all allocated on the basis of estimates of time and effort.

Advertising

The Organization expenses the costs of advertising when incurred.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Comparative Financial Statements

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 a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Organization's reviewed financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Certain prior year amounts have been reclassified to conform to the current year presentation.

Income Taxes

The Organization is exempt from federal income tax on related income under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in IRC Section 501(c)(3). Further, the Organization has been classified as an organization that is not a private foundation under IRC Section 509(a) and, as such, contributions to the Organization qualify for deduction as charitable contributions. However, income generated from activities unrelated to the Organization's exempt purpose is subject to tax under IRC Section 511. The Organization did not have any material unrelated business income tax liability for the year ended December 31, 2019. The Organization believes that it has taken no significant uncertain tax positions that require recognition or disclosure in the financial statements.

The Organization's tax returns related to the years December 31, 2016 through 2018 remain open for examination by taxing authorities.

STEAMBOAT ART MUSEUM
Notes to Financial Statements
December 31, 2019

(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 3: Availability and Liquidity

The following represents the Organization's financial assets as of December 31, 2019, reduced by amounts not available for general use because of donor-imposed restrictions and board designations.

Financial assets at December 31, 2019:	
Cash and cash equivalents	\$ 76,089
Accounts receivable	2,594
Promises to give	10,000
Beneficial interest in assets held by community foundation	<u>174,881</u>
	263,564
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(153,026)
Operating reserve	<u>(44,389)</u>
Financial assets available to meet general expenditures, liabilities, and other obligations within one year	<u><u>\$ 66,149</u></u>

As part of the Organization's liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has established several funds at the YVCF intended for long-term purposes.

Note 4: Unconditional Promises to Give

Unconditional promises to give to the capital campaign as of December 31, 2019 are as follows:

Amounts due in less than one year	\$ 5,000
Amounts due in one to five years	<u>5,000</u>
	<u><u>\$ 10,000</u></u>

Note 5: Property and Equipment, Net

Property and equipment, net consisted of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 1,073,529	\$ 1,073,529
Furniture and equipment	17,343	17,343
Less accumulated depreciation	<u>(92,752)</u>	<u>(57,374)</u>
	<u><u>\$ 998,120</u></u>	<u><u>\$ 1,033,498</u></u>

For the years ended December 31, 2019 and 2018, depreciation expense totaled \$35,378 each year.

STEAMBOAT ART MUSEUM
Notes to Financial Statements
December 31, 2019

(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 6: Beneficial Interest in Assets Held by Community Foundation

Beneficial interest in assets held by community foundation consists of the following separate funds held and administered by YVCF as of December 31, 2019.:

Operating reserve fund	\$ 44,389
Collection acquisition fund	51,905
Endowment fund	<u>78,587</u>
	<u>\$ 174,881</u>

Per terms of the fund agreements with YVCF, the Organization has specified itself as the beneficiary of each fund and YVCF does not maintain variance power over the funds. However, each fund has the following distribution limitations:

- Operating reserve fund – distributable to the Organization upon request
- Collection acquisition fund – limited to the purchase and acquisition, care, storage, conservation and insuring collection items
- Endowment fund – annual distributions subject to the endowment spending policy

Note 7: Endowment Fund

Changes in endowment net assets for the year ended December 31, 2019 were as follows:

Endowment net assets, beginning of year	\$ -
Transfer of donor-restricted funds	60,000
Contributions received	10,500
Interest and dividends	1,589
Net realized and unrealized gains	7,052
Investment advisory fees	<u>(554)</u>
Endowment net assets, end of year	<u>\$ 78,587</u>

Note 8: Net Assets With Donor Restrictions

Net assets with donor restrictions were as follows as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Capital improvements to leased facilities	\$ 22,534	\$ 30,643
Endowment fund	78,587	60,000
Collection acquisition fund	<u>51,905</u>	<u>-</u>
	<u>\$ 153,026</u>	<u>\$ 90,643</u>

Net assets released from net assets with donor restrictions are as follows for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions:		
Capital improvements to leased facilities and collection of promises to give	<u>\$ 8,109</u>	<u>\$ 132,263</u>

STEAMBOAT ART MUSEUM
Notes to Financial Statements
December 31, 2019

(with summarized financial information as of December 31, 2018 and for the year then ended)

Note 9: Lease

The Organization entered into a lease agreement with the City of Steamboat Springs (City) effective December 1, 2009 for 99 years through November 30, 2108. The leased premises are the real property and improvements commonly referred to as The First National Bank/Rehder Building (the Building) located in the City. The Building was devised to the City in an individual's will on the condition that the City designate and preserve the building as a historic monument and operate it as a museum for the preservation and commemoration of the lifestyles of settlers in Routt County, Colorado. The lease requires an annual rent payment of \$1.

The City can terminate the lease without cause with 36 months written notice and would be required to reimburse the Organization within 60 days for the costs of physical improvements made to the premises during the lease term. The Organization has the right of first refusal to lease or purchase the premises within five years of effective termination of the lease. Upon termination of the lease, any remaining improvements not removed by the Organization become the property of the City.

The Organization has recorded contributed facilities revenue at the estimated fair value of \$165,060 for each year ended December 31, 2019 and 2018.

Note 10: Subsequent Events

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries throughout the world, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, most states in the U.S., including Colorado, have declared a state of emergency.

Although management continues to monitor and assess the effects of the COVID-19 pandemic on the Organization, the ultimate impact of the COVID-19 outbreak is highly uncertain and subject to change.

The Organization has evaluated subsequent events through May 11, 2020, the date these financial statements were available to be issued.