



Gary McGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

Portland Art Museum

Consolidated Financial Statements and Other
Information as of and for the Years Ended June 30, 2021
and 2020, and Reports of Independent Accountants

PORTLAND ART MUSEUM

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Report of the Treasurer

The consolidated financial statements and other information contained in this report have been prepared by management, which is responsible for the information's integrity and objectivity. The financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and are deemed to present fairly the financial position of the PORTLAND ART MUSEUM and the changes in its net assets and cash flows. Where necessary, management has made informed judgments and estimates of the outcome of events and transactions, with due consideration given to materiality.

As a means of fulfilling its responsibility for the integrity of financial information included in this report, management relies on a system of internal controls established to ensure, within reasonable limits, that assets are safeguarded against loss or unauthorized use, that transactions are properly recorded and executed in accordance with management's authorization, and that the accounting records can be relied upon to prepare financial statements in accordance with generally accepted accounting principles. This system is augmented by careful selection and training of qualified personnel and the dissemination of written policies and procedures.

The consolidated financial statements have been examined by the Museum's independent accountants, GARY MCGEE & CO. LLP, whose report follows. Their examinations were made in accordance with generally accepted auditing standards. The Audit Committee of the Board of Trustees periodically meets with management and the independent accountants to review accounting, auditing, internal accounting controls, and financial reporting matters, and to ensure that all responsibilities are fulfilled with regard to the objectivity and integrity of the Museum's financial statements. The Audit Committee of the Board of Trustees also reviews the scope and results of the Museum's audit, and current and emerging accounting and financial requirements and practices affecting the Museum.

Mark Frandsen
Treasurer, Board of Trustees
Portland Art Museum

REPORT OF INDEPENDENT ACCOUNTANTS

*The Board of Trustees
Portland Art Museum:*

We have audited the accompanying consolidated financial statements of the Portland Art Museum, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Museum's preparation and fair presentation of the consolidated financial statements 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 Museum's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

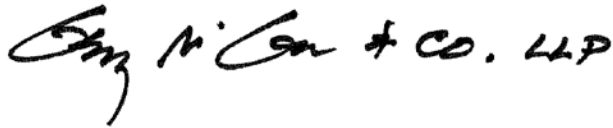
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Portland Art Museum as of June 30, 2021 and 2020, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matter

As discussed in note 2 to the consolidated financial statements, during the year ended June 30, 2021 the Portland Art Museum changed its method of accounting for revenue from contracts with customers due to the adoption of Financial Accounting Standard Board (“FASB”) Accounting Standards Update No. 2014-09, *Revenue From Contracts with Customers* (Topic 606), using the full retrospective method applied to all contracts for all prior periods presented. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary financial information included on page 33 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

 Amy Nicolson & CO. LLP

October 19, 2021

PORTLAND ART MUSEUM

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Assets:						
Cash and cash equivalents (note 6)	\$ 6,565,918	109,187	6,675,105	4,789,267	295,560	5,084,827
Short-term investments (note 6)	–	3,798,437	3,798,437	–	911,175	911,175
Accounts receivable	31,193	–	31,193	929,700	–	929,700
Contributions receivable (note 4)	331,146	10,803,813	11,134,959	683,857	12,963,695	13,647,552
Inventories and prepayments (note 5)	948,149	–	948,149	874,452	–	874,452
Other assets	–	475,890	475,890	–	433,398	433,398
Investments (note 6)	10,004,362	85,616,031	95,620,393	7,185,830	68,229,617	75,415,447
Beneficial interest in charitable trusts (note 7)	–	1,311,170	1,311,170	–	1,085,440	1,085,440
Real estate investments, at cost (note 19)	4,837,854	–	4,837,854	4,837,854	–	4,837,854
Property and equipment (note 8)	45,222,074	–	45,222,074	46,887,726	6,125	46,893,851
Museum collections (note 9)						
Total assets	\$ 67,940,696	102,114,528	170,055,224	66,188,686	83,925,010	150,113,696
Liabilities:						
Accounts payable and accrued expenses	769,767	98,085	867,852	501,642	238,211	739,853
Accrued payroll and related expenses	1,109,496	–	1,109,496	1,016,401	–	1,016,401
Deferred revenues (note 10)	1,141,976	–	1,141,976	1,142,804	–	1,142,804
Note payable (note 11)	1,835,900	–	1,835,900	1,835,900	–	1,835,900
Other liabilities	–	175,933	175,933	–	168,701	168,701
Due to (from) other funds	(907,874)	907,874	–	(445,326)	445,326	–
Total liabilities	3,949,265	1,181,892	5,131,157	4,051,421	852,238	4,903,659
Net assets:						
Without donor restrictions:						
Available for programs and general operations	4,193,897	–	4,193,897	2,226,634	–	2,226,634
Designated by the Board of Trustees (note 12)	9,737,606	–	9,737,606	8,185,051	–	8,185,051
Net investment in capital assets and real estate investments	50,059,928	–	50,059,928	51,725,580	–	51,725,580
Total net assets without donor restrictions	63,991,431	–	63,991,431	62,137,265	–	62,137,265
With donor restrictions (note 13)	–	100,932,636	100,932,636	–	83,072,772	83,072,772
Total net assets	63,991,431	100,932,636	164,924,067	62,137,265	83,072,772	145,210,037
Commitments and contingencies (notes 4, 6, 11, 18, 19, 20, 21, and 23)						
Total liabilities and net assets	\$ 67,940,696	102,114,528	170,055,224	66,188,686	83,925,010	150,113,696

See accompanying notes to consolidated financial statements.

PORTLAND ART MUSEUM

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenues, gains, and other support:						
Contributions and grants	\$ 3,414,183	11,312,836	14,727,019	3,583,615	15,621,924	19,205,539
Memberships	2,831,092	–	2,831,092	3,352,308	–	3,352,308
In-kind contributions (note 15)	8,426	–	8,426	87,815	–	87,815
Financial support received from volunteer groups	134,825	–	134,825	148,048	–	148,048
Admissions	670,992	–	670,992	1,437,488	–	1,437,488
Museum store sales	396,755	–	396,755	1,035,268	–	1,035,268
Rental income	357,770	–	357,770	1,042,921	–	1,042,921
Tuition and fees	34,642	–	34,642	234,946	–	234,946
Total investment return (note 6)	2,022,458	12,160,211	14,182,669	212,026	1,769,934	1,981,960
Other revenues and gains (note 16)	2,179,827	–	2,179,827	1,309,901	7,700	1,317,601
Total revenues and gains	12,050,970	23,473,047	35,524,017	12,444,336	17,399,558	29,843,894
Net assets released from restrictions (note 13)	5,613,183	(5,613,183)	–	9,930,739	(9,930,739)	–
Total revenues, gains, and other support	17,664,153	17,859,864	35,524,017	22,375,075	7,468,819	29,843,894
Expenses (note 17):						
Program activities:						
Acquisition of art (note 9)	164,749	–	164,749	387,325	–	387,325
Museum programs	10,189,377	–	10,189,377	16,418,870	–	16,418,870
Film center programs	1,049,159	–	1,049,159	1,706,098	–	1,706,098
Total program activities	11,403,285	–	11,403,285	18,512,293	–	18,512,293
Supporting activities:						
Management and general	2,027,990	–	2,027,990	2,709,556	–	2,709,556
Fundraising, membership, and development	2,378,712	–	2,378,712	2,619,310	–	2,619,310
Total supporting activities	4,406,702	–	4,406,702	5,328,866	–	5,328,866
Total expenses	15,809,987	–	15,809,987	23,841,159	–	23,841,159
Increase (decrease) in net assets	1,854,166	17,859,864	19,714,030	(1,466,084)	7,468,819	6,002,735
Net assets at beginning of year, as restated (note 2)	62,137,265	83,072,772	145,210,037	63,603,349	75,603,953	139,207,302
Net assets at end of year	\$ 63,991,431	100,932,636	164,924,067	62,137,265	83,072,772	145,210,037

See accompanying notes to consolidated financial statements.

PORTLAND ART MUSEUM

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Cash received from contributors, grantors, and members	\$ 9,036,382	9,185,591
Cash received from admissions and service recipients	1,237,518	2,564,989
Interest and dividends received	1,204,324	1,232,060
Other receipts	1,394,242	1,775,378
Cash paid to employees and suppliers	(11,099,788)	(17,185,086)
Net cash provided by (used in) operating activities	1,772,678	(2,427,068)
Cash flows from investing activities:		
Proceeds from the sale of investments	18,926,039	26,302,162
Purchases of investments	(28,093,721)	(34,743,558)
Reinvestment of investment income	(1,171,911)	(1,184,477)
Architectural fees and other capital campaign costs	(2,602,669)	(3,765,821)
Acquisition of property and equipment	(157,673)	(253,261)
Acquisition of works of art (<i>note 9</i>)	(164,749)	(387,325)
Proceeds from the sale of works of art (<i>note 9</i>)	-	8,240
Net cash used in investing activities	(13,264,684)	(14,024,040)
Cash flows from financing activities:		
Proceeds from the issuance of note payable (<i>note 11</i>)	1,835,900	1,835,900
Proceeds from contributions restricted for long-term investment	2,922,423	510,815
Proceeds from contributions restricted for capital investment	8,323,961	15,282,276
Net cash provided by financing activities	13,082,284	17,628,991
Net increase in cash and cash equivalents	1,590,278	1,177,883
Cash and cash equivalents at beginning of year	5,084,827	3,906,944
Cash and cash equivalents at end of year	\$ 6,675,105	5,084,827

Supplemental schedule of noncash financing activities:

Paycheck Protection Program loan forgiveness (<i>note 11</i>)	\$ 1,835,900	-
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See accompanying notes to consolidated financial statements.

PORTLAND ART MUSEUM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

1. Organization

The Portland Art Museum was incorporated as an educational, nonprofit organization in 1892. The mission of the Museum is to engage the public with art and film of enduring quality, to facilitate dialogue with diverse audiences, and to collect, preserve, and educate for the enrichment of present and future generations.

More than 48,000 objects and works of art comprise the Museum’s collections, including works of European painting and sculpture, American painting and sculpture, silver, Asian art, Native American art, Pre-Columbian art, Cameroon and other African art, contemporary art, sculpture, prints and drawings, photography, and film.

These financial statements present the operations of the Portland Art Museum and the Northwest Film Center (the “Film Center”), a regional media arts organization founded in 1971 with the mission of advancing film and video as a means of personal expression. Through each component, the Museum presents the community with a diverse program of visual and media art education, exhibitions, collections, outreach, and artist service programs.

2. Recently Adopted Accounting Standard

Revenue Recognition – During the year ended June 30, 2021, the Museum adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606) (“ASU 2014-09”), and other ASUs issued to clarify the guidance in ASU 2014-09, which amend the existing accounting standards for revenue recognition. The Museum has adopted these new revenue standards using the full retrospective method applied to all contracts for all prior periods presented.

As a result, the Museum has restated previously reported net assets without donor restrictions and deferred revenues as follows:

Net assets without donor restrictions at June 30, 2019, as previously reported	\$ 64,389,743
Adjustment related to the adoption of ASU 2014-09	(786,394)
<hr/>	
Net assets without donor restrictions at June 30, 2019, as restated	\$ 63,603,349

Deferred revenues at June 30, 2020, as previously reported	\$ 408,053
Adjustment related to the adoption of ASU 2014-09	734,751
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Deferred revenues at June 30, 2020, as restated	\$ 1,142,804

The adoption of ASU 2014-09 resulted in an increase of \$41,334 in 2021 membership revenues (\$51,643 for 2020 membership revenues).

In addition, certain other 2020 amounts presented herein have been reclassified to conform to the 2021 presentation.

3. Summary of Significant Accounting Policies

The significant accounting policies followed by the Museum are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Principles of Consolidation – The accompanying financial statements include all accounts and activities of the Museum and R2464 Lots, LLC, a single-member limited liability company established in May 2019, for which the Museum serves as the sole member. All significant intra-organizational investments, accounts, and transactions between these entities have been eliminated.

Basis of Presentation – Net assets, revenues, gains and losses are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Museum and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor-imposed stipulations. From time to time, the Museum’s Board of Trustees may designate a portion of these net assets for particular purposes and objectives.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Museum and/or the passage of time. These balances represent the unexpended portion of donor-restricted contributions and investment return to be used for specific programs and activities as directed

by the donor. The balances also include net assets subject to donor-imposed stipulations that they be maintained permanently by the Museum (e.g. endowment funds). Donors of these assets also specify whether the Museum may use all or part of the income earned on related investments for general or specific purposes.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are also reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. In the opinion of management, such differences, if any, would not be significant.

Cash Equivalents – For purposes of the financial statements, the Museum considers all liquid investments having initial maturities of three months or less to be cash equivalents. Cash and cash equivalents held as part of the Museum’s investment portfolio, and where management’s intention is to use the cash to acquire investments or capital assets to be held long-term, are classified as investments.

Short-Term Investments – For purposes of the financial statements, the Museum considers as short-term investments all investments with initial maturities greater than three months, which are intended by management to be available to fund operations.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair value in the consolidated statement of financial position. Whenever available, quotations from organized securities exchanges are used as the basis for fair value. For investments not traded on organized exchanges, fair value estimates are provided by investment managers. For applicable investments, manager-reported net asset value (“NAV”) is used as a practical expedient to estimate fair value. Valuations provided by fund managers consider variables such as the financial performance and sales of underlying investments and other pertinent information. The organization reviews valuations and assumptions provided by fund managers for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of fair value.

Net investment return, which includes both current yield (interest and dividend income) and net appreciation (decline) in the fair value of investments (both the realized gains or losses and the unrealized appreciation (decline) of those investments), is reported in the consolidated statement of activities, net of investment expenses. Interest income is accrued as earned. All security transactions are recorded on a trade date basis.

The Museum has some exposure to investment risks, including interest rate, market, and credit risks, for both marketable and non-marketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the accompanying financial statements.

Measurement of Contributions Receivable – The Museum has adopted fair value as the initial and ongoing measurement for contributions receivable. Accordingly, the Museum’s discount rate assumptions are revised at each measurement date to reflect current market conditions.

Inventories – Inventories consist primarily of educational materials and other items held for sale in the Museum store, which are carried at the lower of cost or fair value. Cost is determined using the average cost method.

Capital Assets and Depreciation – Generally, items of property and equipment with a carrying value in excess of \$3,000 are capitalized and reported at cost when purchased, and initially at fair value when acquired by gift. Interest is capitalized in connection with the construction of major facilities until such time as the facilities become operational. The capitalized interest is recorded as a part of the assets to which it relates and is amortized over the asset’s estimated useful life. Depreciation is generally provided on a straight-line basis over the estimated useful lives of the respective assets, which is 50 years for buildings and between five and ten years for furniture, equipment, and leasehold improvements, or the term of the lease, if shorter.

Museum Collections – The collections are maintained for public exhibition, education, and research in the furtherance of public service, rather than for financial gain. The Museum’s collections, acquired through purchase and donation, are not recognized as assets in the accompanying financial statements. Purchases of collection items are recorded in the year in which the items were acquired as decreases in net assets with donor restrictions or without donor restrictions, depending on the source of the assets used to purchase the items and whether those assets were restricted by donors. Contributed collection items are not reflected in the financial statements. Pursuant to Museum policy, proceeds from the sale of art and related insurance settlements are recorded as net assets with donor restrictions for the acquisition of works of art and are not available for the direct care of the existing collection.

Exhibition Costs – All unamortized costs directly related to the development and installation of ongoing and future exhibitions are included in prepayments in the accompanying consolidated statement of financial position when the Museum can reliably demonstrate that there is a future economic benefit associated with these costs. The costs are expensed over their useful lives, which, for exhibitions, is generally the period over which the exhibition is held. Such costs are expensed immediately when there is insufficient evidence that the costs are recoverable.

Revenue Recognition – With regard to revenues from grants and contracts, the Museum evaluates whether each transfer of assets is (1) an exchange (reciprocal) transaction in which a resource provider receives commensurate value in return for the assets transferred, or (2) a nonreciprocal transfer (a contribution or a grant), where no value is exchanged.

- *Exchange Transactions* – If the transfer of assets is determined to be an exchange transaction, the Museum recognizes revenue when or as it satisfies the required performance obligations and transfers the promised good or service to a customer, and when the customer obtains control of that good or service.
- *Contributions and Grants* – If the transfer of assets is determined to be a contribution, the Museum evaluates whether the contribution is conditional based upon whether the agreement includes both (1) a barrier that must be overcome to be entitled to the funds and (2) either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.
- *Governmental Support* – Activities funded by governments are often carried out for the benefit of the general public, rather than to obtain goods or services for the government's own use or proprietary benefit. Accordingly, if the primary beneficiary of the activity is the general public, rather than the government itself, the transaction is treated as nonreciprocal (i.e., a contribution).

In accordance with the above principles, the Museum has adopted the following additional specific revenue recognition policies:

- The Museum is the beneficiary under various wills and trust agreements, the total realizable amounts of which are not presently determinable. The Museum's share of such bequests is recorded when the probate courts declare the testamentary instrument valid and the proceeds are measurable.

- Admissions, tuition and fees, rental income, and museum store sales are recognized at the time the services are provided or goods delivered. As a result, any revenues associated with advance ticket sales, tuition and fees, and rent deposits received for future fiscal years are reported as deferred revenues until earned.
- The Museum offers memberships in a variety of categories for typically a one-year term. Membership proceeds are allocated between a contribution portion recognized immediately and an exchange portion recognized ratably over the membership term.

Contributions – Contributions, which include unconditional promises to give, are recognized as revenues in the period the donor's commitment is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions and grants received with donor stipulations that limit the use of the donated assets are reported as net assets with donor restrictions.

Unconditional promises to give with payments due in future periods, are recorded as increases in net assets with donor restrictions at the estimated present value of future cash flows using credit adjusted discount rates which articulate to the collection period of the respective contribution. In subsequent years, adjustments are made to carry the receivables at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the assets. Amortization of the discount is recorded as additional contribution revenue in subsequent years in the appropriate net asset class.

Contributions and grants receivable are reported net of an allowance for estimated uncollectible promises. Promises to give are written off when deemed uncollectible.

When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Contributions of capital assets without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net assets without donor restrictions class. Contributions of cash or other assets restricted to the acquisition of capital assets with such donor stipulations are reported as net assets with donor restrictions; the restrictions are considered to be released at the time the asset is placed in service.

In-Kind Contributions – The Museum receives contributed services from a large number of volunteers who assist in fundraising and other efforts through their participation in a range of businesses and activities. In accordance with generally accepted accounting principles, the value of such services, which the Museum considers generally not practicable to estimate, have not been recognized in the accompanying financial statements. Significant services received, which create or enhance a non-financial asset or require specialized skills that the Museum would have purchased if not donated, are recognized in the accompanying financial statements.

In-kind contributions of equipment and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of the Museum's activities.

Advertising and Marketing Expenses – Advertising and marketing costs are charged as expenses as they are incurred. Advertising and marketing expenses totaled \$150,443 and \$312,065 for the years ended June 30, 2021 and 2020, respectively.

Conflict-of-Interest Policies – The Museum has established a conflict-of-interest policy whereby Board and committee members must advise the Board of Trustees of any direct or indirect interest in any transaction or relationship with the Museum, and not participate in discussions and decisions regarding any action affecting their individual, professional, or business interests.

Concentrations of Credit Risk – The Museum's financial instruments consist primarily of cash equivalents, short-term investments, and investments, which may subject the organization to concentrations of credit risk as, from time to time, for example, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC") and the Securities Investor Protection Corporation ("SIPC"). In addition, the market value of securities is dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values.

All checking and savings accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC or the SIPC for up to \$250,000 for each depositor, for each insured bank and broker, for each account ownership category. SIPC protection does not protect against a decline in the value of securities. At June 30, 2021 and 2020, the Museum held \$5,006,925 and \$3,269,727, respectively, in cash balances in excess of FDIC/SIPC-insured levels.

Certain receivables may also, from time to time, subject the Museum to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, the Museum's management evaluates the financial condition of its customers and donors, and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics. When necessary, receivables are reported net of an allowance for uncollectible accounts.

Income Taxes – The Museum is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and derives its public charity status as an organization described in Sections 170(b)(1)(A)(vi) and 509(a)(1) of the Internal Revenue Code.

R2464 Lots, LLC, as a single-member, limited liability company controlled by the Museum, is considered a disregarded entity for tax purposes.

Certain of the Museum’s earned revenue activities are not directly related to its public charity status and, hence, are subject to unrelated business income tax. The Museum has adopted the recognition requirements for uncertain income tax positions, as required by generally accepted accounting principles. The Museum has analyzed the tax positions taken in its filings with the Internal Revenue Service and state jurisdictions where it operates. The Museum believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the organization’s financial condition, results of operations, or cash flows. Accordingly, the Museum has recorded neither reserves nor related accruals for interest and penalties for uncertain income tax positions at the Museum.

Subsequent Events – Subsequent events have been evaluated by management through October 19, 2021, which is the date the financial statements were available to be issued.

Other Significant Accounting Policies – Other significant accounting policies are set forth in the financial statements and the following notes.

4. Contributions Receivable

Contributions receivable at June 30, 2021 and 2020 are summarized as follows:

	2021	2020
Donor-restricted endowments	\$ 3,625,000	5,000,000
Capital campaign	8,135,250	9,172,412
Museum operations and programs	767,260	1,467,513
	12,527,510	15,639,925
Less discount ¹	(139,800)	(513,567)
Less allowance for doubtful collection	(1,252,751)	(1,478,806)
	\$ 11,134,959	13,647,552

¹ Unconditional promises to give which are due in more than one year are reflected at the present value of estimated future cash flows using discount rates of 0.86% in 2021, and 0.67% in 2020.

Amounts due at June 30, 2021 and 2020 are as follows:

	2021	2020
<i>Unconditional promises expected to be collected in:</i>		
Less than one year	\$ 3,862,580	4,771,083
One year to five years	8,314,930	10,166,092
Greater than five years	350,000	702,750
	\$ 12,527,510	15,639,925

Conditional Capital Campaign Contributions

At June 30, 2021, the Museum had received an additional \$5,750,000 in conditional capital campaign contributions, which are not yet recorded in the financial statements. Of this total, \$750,000 were conditioned upon raising additional matching funds, \$1,000,000 upon achieving certain construction benchmarks, \$1,000,000 upon legislative approval of the funds, and \$3,000,000 as “top off” gifts conditioned upon raising sufficient funds for the project.

5. Inventories and Prepayments

At June 30, 2021 and 2020, the following summarizes the Museum’s inventories and prepayments:

	2021	2020
Museum store inventory	\$ 300,562	332,648
Prepaid exhibition expenses	515,394	422,013
Other prepayments	132,193	119,791
	\$ 948,149	874,452

6. Cash, Investments, and Investment Return

Cash and investments as of June 30, 2021 and 2020 comprised the following:

	2021	2020
Equity mutual funds	\$ 38,889,414	28,822,281
Fixed income mutual funds	10,378,453	8,777,673
Corporate bonds and notes	30,080,744	22,132,773
Real return mutual funds	3,887,297	2,959,681
Balanced index mutual funds	108,907	87,401
Interests in private equity partnerships	16,074,015	13,546,813
	99,418,830	76,326,622
Money market funds and other cash and cash equivalents	6,675,105	5,084,827
	\$ 106,093,935	81,411,449

The preceding total is reported on the accompanying consolidated statements of financial position, as follows:

	2021	2020
Cash and cash equivalents	\$ 6,675,105	5,084,827
Short-term investments	3,798,437	911,175
Investments	95,620,393	75,415,447
	\$ 106,093,935	81,411,449

At June 30, 2021 and 2020, cash and investments were held for the following purposes:

	2021	2020
Operations	\$ 13,302,318	8,594,203
Capital campaign	26,333,938	20,470,671
Endowment funds ¹	66,457,679	52,346,575
	\$ 106,093,935	81,411,449

¹ Includes both donor-restricted and Board-designated endowment funds.

Investments in private equity partnerships have been valued by the general partners of the partnerships and reported to the Museum. A portion of these investments is in non-marketable securities, for which there are no readily obtainable market values. Values for these investments, which are generally subject to certain withdrawal restrictions, are provided by the general partner and may be based on historical cost, appraisals, obtainable prices for similar assets, or other estimates. The Museum believes that the stated values of its alternative investments represent reasonable estimates of fair values at June 30, 2021 and 2020. However, because of the inherent uncertainty of valuation for these investments, values may differ significantly from values that would have been used had a readily available market for the investments existed.

In addition to the investments just summarized, the Museum is obligated under the terms of certain agreements with private equity partnerships to remit additional funding on demand. At June 30, 2021 and 2020, such commitments totaled \$1,090,782 and \$1,644,624, respectively. See note 25 for additional discussion.

Investment performance for all accounts managed under investment agreements is periodically reviewed by the Museum's Investment Committee and Board of Trustees.

Continued

Total investment return for the year ended June 30, 2021 is summarized as follows:

	Without donor restrictions	With donor restrictions	Total
Interest and dividend income, net	\$ 125,337	1,078,987	1,204,324
Net appreciation in the fair value of investments	1,897,121	10,855,494	12,752,615
Net change in beneficial interest in charitable trusts (note 7)	–	225,730	225,730
Total investment return	\$ 2,022,458	12,160,211	14,182,669

Total investment return for the year ended June 30, 2020 is summarized as follows:

	Without donor restrictions	With donor restrictions	Total
Interest and dividend income, net	\$ 125,666	1,106,394	1,232,060
Net appreciation in the fair value of investments	86,360	695,109	781,469
Net change in beneficial interest in charitable trusts (note 7)	–	(31,569)	(31,569)
Total investment return	\$ 212,026	1,769,934	1,981,960

7. Beneficial Interest in Charitable Trusts

The Museum has been named the beneficiary of various perpetual trusts, arrangements in which a donor establishes and funds a perpetual trust that is administered by a third-party trustee. Under the terms of the trusts, the Museum has the irrevocable right to receive the income earned on the trust assets in perpetuity, but never receives the assets held in trust. Annual distributions from the trusts are reported as investment income.

In addition, the Museum is the ultimate beneficiary of various charitable remainder trusts, where a third party has the right to receive income from the trust during his or her lifetime and the Museum is entitled to a share of the remaining assets after his or her death.

A summary of the beneficial interest in charitable trusts at June 30, 2021 and 2020 is as follows:

	2021	2020
Charitable remainder trusts	\$ 95,971	73,981
Perpetual trusts	1,215,199	1,011,459
	\$ 1,311,170	1,085,440

Interests in perpetual and charitable remainder trusts are recognized by the Museum as contribution revenue and as an asset, measured at fair value based on estimated future cash-flows, at the time the Museum becomes aware of the trust's existence. Periodically, the Museum re-measures its beneficial interest at fair value, using the same valuation technique used to measure the asset initially. The adjustment is recognized as a gain or loss in the appropriate asset class.

The changes in the Museum's beneficial interest in charitable remainder and perpetual trusts for the years ended June 30, 2021 and 2020 are summarized as follows:

	2021	2020
Fair value at beginning of year	\$ 1,085,440	1,117,009
Increase (decline) in fair value ¹	225,730	(31,569)
Fair value at end of year	\$ 1,311,170	1,085,440

¹ The increase (decline) in fair value reported is net of distributions of \$49,250 and \$48,000 received from these trusts during the years ended June 30, 2021 and 2020, respectively.

8. Property and Equipment

A summary of property and equipment at June 30, 2021 and 2020 is as follows:

	2021	2020
Land and land improvements	\$ 3,565,225	3,565,225
Main building	9,477,607	9,477,607
Mark building	42,415,682	42,415,682
Hoffman wing	18,892,260	18,892,260
Furniture and equipment	8,390,013	8,235,555
Leasehold improvements	574,360	574,360
Construction-in-progress	9,340	6,125
	<u>83,324,487</u>	<u>83,166,814</u>
Less accumulated depreciation and amortization	(38,102,413)	(36,272,963)
	<u>\$ 45,222,074</u>	<u>46,893,851</u>

9. Museum Collections

During the years ended June 30, 2021 and 2020, the Museum acquired works of art for a total cost of \$164,749 and \$387,325, respectively. During these same periods, the Museum accepted donations of art with an estimated value of \$2,118,787 and \$2,909,605, respectively.

During the year ended June 30, 2020, deaccessioned works of art were sold, realizing proceeds of \$8,240, which will be restricted for future acquisitions of art. During the year ended June 30, 2021, no works of art were deaccessioned.

10. Deferred Revenues

Deferred revenues were the result of the following activities as of June 30, 2021 and 2020:

	2021	2020
Film Center tuition	\$ 4,119	-
Rental events	168,527	195,343
Exhibition fees	-	47,500
Membership fees	966,880	896,875
Other	2,450	3,086
	<u>\$ 1,141,976</u>	<u>1,142,804</u>

11. Note Payable

On April 16, 2020, the Museum was granted an unsecured loan from a commercial bank in the amount of \$1,835,900, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

On February 3, 2021, the Museum obtained a Second Draw PPP loan under the Consolidated Appropriations Act 2021 for the same amount and on substantially the same terms.

The bank's loan is guaranteed by the U.S. Small Business Administration ("SBA"), and is designed to provide a direct incentive for organizations and other small businesses and nonprofits to keep their employees on payroll during the COVID-19 pandemic. The SBA has promised to forgive the loan if all employees are kept on the payroll during the "covered period" (either 8 weeks or 24 weeks from the loan disbursement date) and if the funds are used for payroll, rent, mortgage interest, and/or utilities, and certain other conditions are met.

In accordance with the provisions of the PPP and SBA's promise of forgiveness, the Museum used all of the loan amounts for qualifying expenses. Full forgiveness was obtained for the first loan on February 22, 2021 (see note 16). The Museum has applied for forgiveness of the Second Draw loan subsequent to the year-end.

12. Net Assets Designated by the Board of Trustees

At June 30, 2021 and 2020, \$9,737,606 and \$8,185,051, respectively, of the Museum's net assets without donor-imposed restrictions had been designated by the Board of Trustees for the following purposes:

	2021	2020
Quasi-endowment	\$ 9,406,606	7,843,817
Specific operating expenses	331,000	341,234
	<u>\$ 9,737,606</u>	<u>8,185,051</u>

13. Net Assets with Donor Restrictions

The following summarizes the Museum's net assets with donor-imposed restrictions as of June 30, 2021 and 2020:

	2021	2020
<i>Expendable net assets restricted for the following purposes:</i>		
Acquisition of works of art	\$ 825,457	725,417
Specific program expenses	4,901,484	3,735,351
Capital campaign	33,458,249	28,261,373
	39,185,190	32,722,141
<i>Expendable net assets unrestricted as to purpose, but restricted as to time</i>		
	395,927	338,678
Total expendable net assets	39,581,117	33,060,819
<i>Endowment restricted for the following purposes:</i>		
Funded staff positions	14,853,898	12,206,202
Access and education	11,648,871	8,844,910
Museum operations	11,097,243	10,872,626
Exhibitions	6,985,147	5,797,074
Acquisition of works of art	2,200,693	1,829,168
	46,785,852	39,549,980
<i>Endowment unrestricted as to purpose</i>		
	13,350,468	9,450,514
Total endowment (note 14)	60,136,320	49,000,494
<i>Other donor-restricted net assets:</i>		
Beneficial interest in perpetual trusts (note 7)	1,215,199	1,011,459
Total net assets with donor restrictions	\$ 100,932,636	83,072,772

Net Assets Released from Donor Restrictions

For the years ended June 30, 2021 and 2020, releases from restrictions in satisfaction of the purposes specified by donors, or by the occurrence of other events, were as follows:

	2021	2020
Acquisition of works of art	\$ 157,783	333,790
Capital campaign	2,569,194	4,612,800
Other operational support	2,886,206	4,984,149
	\$ 5,613,183	9,930,739

14. Endowment

The Museum's endowment includes both donor-restricted endowment funds and funds without donor restrictions designated by the Board of Trustees to function as endowment (quasi-endowment). As required by generally accepted accounting principles, net assets associated with endowment, including funds designated by the Board of Trustees to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

The following summarizes the Museum's endowment-related activities for the year ended June 30, 2021:

	With donor restrictions			Total	Without donor restrictions	Total endowment
	Underwater endowment	Accumulated endowment return	Endowment principal			
Endowment net assets at beginning of year	\$ (848,651)	4,438,022	45,411,123	49,000,494	8,185,051	57,185,545
Contributions and bequests	—	—	1,817,975	1,817,975	41,462	1,859,437
Investment return	—	10,975,242	—	10,975,242	2,025,432	13,000,674
Net change in cumulative endowment losses	747,495	—	—	747,495	—	747,495
Appropriation of endowment assets for expenditure	—	(2,404,886)	—	(2,404,886)	(514,339)	(2,919,225)
Endowment net assets at end of year	\$ (101,156)	13,008,378	47,229,098	60,136,320	9,737,606	69,873,926

The following summarizes the Museum's endowment-related activities for the year ended June 30, 2020:

	With donor restrictions			Total	Without donor restrictions	Total endowment
	Underwater endowment	Accumulated endowment return	Endowment principal			
Endowment net assets at beginning of year	\$ (714,622)	5,267,298	41,069,293	45,621,969	7,948,168	53,570,137
Contributions and bequests	—	—	4,341,830	4,341,830	585,831	4,927,661
Investment return	—	1,409,080	—	1,409,080	208,687	1,617,767
Net change in cumulative endowment losses	(134,029)	—	—	(134,029)	—	(134,029)
Appropriation of endowment assets for expenditure	—	(2,238,356)	—	(2,238,356)	(557,635)	(2,795,991)
Endowment net assets at end of year	\$ (848,651)	4,438,022	45,411,123	49,000,494	8,185,051	57,185,545

Appropriation of endowment assets for expenditure encompassed the following for the years ended June 30, 2021 and 2020:

	2021	2020
Appropriation of 5.0% spending rate to fund operations	\$ (2,820,408)	(2,730,605)
Utilization of Board-designated endowment to acquire capital assets	(98,817)	(65,386)
Total appropriation	\$ (2,919,225)	(2,795,991)

Continued

Interpretation of Relevant Law – The Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) governs Oregon charitable institutions with respect to the management, investment and expenditure of donor-restricted endowment funds.

The Museum’s Board of Trustees has interpreted Oregon’s adoption of UPMIFA as requiring the Museum to adopt investment and spending policies that preserve the fair value of the original gift as of the date of gift, absent explicit donor stipulations to the contrary. Although the Museum has a long-term fiduciary duty to the donor (and to others) for a fund of perpetual duration, the preservation of the endowment’s purchasing power is only one of several factors that are considered in managing and investing these funds.

Furthermore, in accordance with UPMIFA, a portion of the endowment’s original gift may be appropriated for expenditure in support of the restricted purposes of the endowment if this is consistent with a spending policy that otherwise satisfies the requisite standard of prudence under UPMIFA. As a result of this interpretation, the Museum classifies as endowment principal (1) the original value of gifts donated to the donor-restricted endowment, (2) subsequent gifts to the endowment, and (3) accumulations to the endowment made pursuant to the direction of the applicable donor gift instrument.

Net earnings (realized and unrealized) on the investment of endowment assets are classified as accumulated endowment return until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA and until expended in a manner consistent with the purpose or time restrictions, if any, imposed by the donor. Any investment return classified as endowment principal represents only those amounts required to be retained permanently as a result of explicit donor stipulations.

In the absence of donor stipulations or law to the contrary, losses or appropriations of a donor-restricted endowment reduce accumulated endowment return to the extent that donor-imposed restrictions on net appreciation of the fund have not been satisfied before the loss or appropriation occurs. Any remaining loss or appropriation reduces endowment principal.

Endowments with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowments may fall below the level that the donor or UPMIFA requires the Museum to retain as a fund of perpetual duration. In addition, the Museum’s Board of Trustees interprets UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law, and the organization has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater.

At June 30, 2021, the Museum held endowment funds with original gift values of \$3,942,490, fair value of \$3,841,334, and deficiencies of \$101,156.

At June 30, 2020, the Museum held endowment funds with original gift values of \$9,874,657, fair value of \$9,026,006, and deficiencies of \$848,651.

Investment and Spending Policies – In accordance with UPMIFA, the Museum’s Board of Trustees has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs and operations supported by its endowment, while also seeking to maintain the long-term purchasing power of the endowment assets. Therefore, the Board of Trustees considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Museum and the fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Museum; and
- The investment policies of the Museum.

To meet its objective, the Museum’s policies limit the appropriation of endowment assets for expenditure to 5.0% of the market value of such investments, computed on a thirteen-quarter trailing average. Actual endowment return earned in excess of distributions under this policy is reinvested as part of the Museum’s endowment management. For years when actual endowment return is less than distributions under the policy, the short-fall is covered by realized and unrealized returns from prior years. If cumulative endowment return is exhausted, any remaining loss or appropriation reduces endowment principal. In years when the overall endowment is underwater, the Board may permit continued spending from principal in accordance with its policies for spending from underwater endowments.

15. In-Kind Contributions

The Museum is the recipient of various in-kind contributions of goods and services for which objective measurement or valuation is available. These in-kind contributions are reported in the accompanying financial statements as follows for the years ended June 30, 2021 and 2020:

		2021	2020
Museum programs	\$	8,426	85,920
Film Center programs		–	1,895
	\$	8,426	87,815

16. Other Revenues and Gains

Other revenues consist of the following for the years ended June 30, 2021 and 2020:

		2021	2020
Rental sales gallery	\$	271,715	278,907
Exhibition fees		47,500	142,500
Insurance proceeds		–	728,736
Other		24,712	167,458
PPP loan forgiveness (see note 11)		1,835,900	–
	\$	2,179,827	1,317,601

On September 3, 2019, the decorative ceiling of the Kridel Grand Ballroom collapsed, resulting in significant property damage, as well as the inability of the Museum to continue using the Ballroom for scheduled events. Repair costs incurred during the years ended June 30, 2021 and 2020 to restore the ceiling totaled \$257,564 and \$1,494,377 respectively, and were fully covered by insurance proceeds.

Furthermore, during the year ended June 30, 2020, the Museum recorded a receivable totaling \$728,736, representing the business interruption proceeds received subsequent to year-end for the related loss of revenues.

17. Expenses

The costs of providing the various programs and other activities of the Museum have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques, such as square footage, headcount, or percentage of time and effort, as appropriate.

Costs by their natural classification for the year ended June 30, 2021 are summarized as follows:

	Program activities				Supporting activities			Total
	Acquisition of art	Museum programs	Film center	Sub-total	Management and general	Fund-raising, membership, and development	Sub-total	
Salaries and related costs	\$ —	4,149,648	423,331	4,572,979	1,211,703	1,241,976	2,453,679	7,026,658
Services and professional fees	—	2,336,462	177,869	2,514,331	458,792	917,313	1,376,105	3,890,436
Exhibition installation	—	741,538	55,340	796,878	—	—	—	796,878
Acquisition of art	164,749	—	—	164,749	—	—	—	164,749
Occupancy	—	668,058	145,555	813,613	131,983	6,637	138,620	952,233
Merchandise	—	186,232	—	186,232	—	—	—	186,232
Travel and events	—	52,539	15,078	67,617	25,997	10,850	36,847	104,464
Printing, publications and advertising	—	107,424	64,477	171,901	10,970	39,797	50,767	222,668
Equipment and supplies	—	232,805	22,478	255,283	49,718	33,441	83,159	338,442
Merchant and bank fees	—	72,730	4,962	77,692	40,034	73,090	113,124	190,816
Depreciation and amortization	—	1,295,224	94,868	1,390,092	417,815	21,543	439,358	1,829,450
Other	—	111,082	45,201	156,283	(83,387)	34,065	(49,322)	106,961
	164,749	9,953,742	1,049,159	11,167,650	2,263,625	2,378,712	4,642,337	15,809,987
Allocation of exhibitions' overhead costs	—	235,635	—	235,635	(235,635)	—	(235,635)	—
	\$ 164,749	10,189,377	1,049,159	11,403,285	2,027,990	2,378,712	4,406,702	15,809,987

Costs by their natural classification for the year ended June 30, 2020 are summarized as follows:

	Program activities				Supporting activities			Total
	Acquisition of art	Museum programs	Film center	Sub-total	Management and general	Fund-raising, membership, and development	Sub-total	
Salaries and related costs	\$ —	6,314,818	991,741	7,306,559	1,666,984	1,354,872	3,021,856	10,328,415
Services and professional fees	—	4,080,586	90,996	4,171,582	492,971	837,219	1,330,190	5,501,772
Exhibition installation	—	1,050,760	93,221	1,143,981	—	—	—	1,143,981
Acquisition of art	387,325	—	—	387,325	—	—	—	387,325
Occupancy	—	699,758	166,208	865,966	151,679	7,585	159,264	1,025,230
Merchandise	—	566,226	9,454	575,680	—	—	—	575,680
Travel and events	—	392,444	40,503	432,947	41,222	54,146	95,368	528,315
Printing, publications and advertising	—	356,431	95,164	451,595	26,684	144,755	171,439	623,034
Equipment and supplies	—	363,763	50,874	414,637	88,974	39,868	128,842	543,479
Merchant and bank fees	—	109,494	21,349	130,843	38,406	95,343	133,749	264,592
Depreciation and amortization	—	1,336,459	97,888	1,434,347	431,117	22,228	453,345	1,887,692
Other	—	680,213	48,700	728,913	239,437	63,294	302,731	1,031,644
	387,325	15,950,952	1,706,098	18,044,375	3,177,474	2,619,310	5,796,784	23,841,159
Allocation of exhibitions' overhead costs	—	467,918	—	467,918	(467,918)	—	(467,918)	—
	\$ 387,325	16,418,870	1,706,098	18,512,293	2,709,556	2,619,310	5,328,866	23,841,159

Exhibition-related costs in the preceding tables totaled \$1,096,529 and \$2,127,698 for the years ended June 30, 2021 and 2020, respectively. Exhibition-related costs vary significantly from year to year, depending on the number and size of exhibitions installed.

18. Retirement Plan

The Museum sponsors a defined contribution retirement savings plan established under Section 401(k) of the Internal Revenue Code (the "Plan"). Employees may make voluntary contributions to the plan on a pre-tax basis up to the maximum amount allowed by law. Under the Plan, the Museum may make discretionary matching contributions up to a predetermined maximum.

For the year ended June 30, 2020, the Museum matched participating employees' contributions to the Plan, up to 4% of total annual compensation. For the year ended June 30, 2021, the Museum suspended matching contributions and re-instated them at up to 4% on July 1, 2021. Total Museum contributions to the Plan for the year ended June 30, 2020 amounted to \$189,785.

19. Real Estate Investments

The Museum's real estate investments consist of unimproved land, improved properties, and long-term ground leases. Because of the inherent uncertainties of real estate valuation, the Museum's real estate investments are carried at cost, or initially measured at fair value when acquired through a charitable contribution. No depreciation is calculated on real estate investments.

To provide for possible future expansion of its facilities, in November of 2006 the Museum acquired additional parcels of land in the City of Portland located next to the Museum's current facilities. The acquisition included two parcels of property, one representing the outright purchase of fee title interest in real property and the second

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representing the acquisition of all interest in property subject to a 99-year ground lease, together with various exchange option and extension agreements. These assets are carried at \$4,837,854 at June 30, 2021 and 2020. Rent expense associated with this arrangement totaled \$107,839 and \$105,693 for the years ended June 30, 2021 and 2020, respectively.

Put and Call Options

As a part of the ground lease agreement on the second parcel of land, the Museum also acquired all rights and conditions previously held by the seller, including various put and call options. For example, the lessor holds the right to exercise a put option on the fifth anniversary of the ground lease and every five years thereafter. This means that, in accordance with the specific terms of the agreement, the lessor may require the Museum to purchase the underlying land at a price to be determined based on an independent appraisal of the fair market value of the property at that time. Simultaneously, the Museum has acquired the right to exercise a call option (or the right to purchase the underlying property) at the end of the ten-year initial lease period, or on any date thereafter, again, with the price to be determined based on an independent appraisal of the fair market value of the property.

20. Other Operating Leases

The Museum leases various office and program equipment and storage space under non-cancellable operating leases expiring at various dates through December of 2024. At June 30, 2021, the approximate future minimum rental commitments under these leases are as follows:

<i>Years ending June 30,</i>	
2022	\$ 208,535
2023	140,831
2024	40,095
2025	1,813
	<hr/>
	\$ 391,274

Rent expense associated with these lease arrangements totaled \$215,544 and \$212,753 for the years ended June 30, 2021 and 2020, respectively.

In addition, the Museum subleases a parking lot under single-year leases to an unrelated party. Annual rental revenues totaled \$340,327 and \$330,987 for the years ended June 30, 2021 and 2020, respectively.

21. Other Commitments and Contingencies

The Museum has entered into several contracts regarding future exhibitions. Outstanding commitments under these contracts totaled approximately \$544,192 and \$625,755 at June 30, 2021 and 2020, respectively. In addition, the Museum has outstanding commitments related to the capital campaign totaling \$406,066 and \$281,416 at June 30, 2021 and 2020, respectively.

22. Liquidity and Availability of Financial Assets

Looking forward, financial assets available for general expenditure within one year of the statement of financial position date comprise the following at June 30, 2021 and 2020:

	2021	2020
Total financial assets available to fund general operations at June 30	\$ 22,650,390	20,561,393
Less financial assets not available within one year	(11,307,268)	(13,454,104)
	11,343,122	7,107,289
<i>Plus other funds subject to appropriation or approved for expenditure in the next fiscal year:</i>		
Endowment appropriations for operations	1,026,292	918,332
Appropriations of Board-designated funds	331,000	341,234
Estimated trust distributions	49,250	48,000
Total financial assets available within one year	\$ 12,749,664	8,414,855

As part of its liquidity management, the Museum has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Museum invests cash in excess of daily requirements in short-term investments and money market funds.

In addition, the Museum holds quasi-endowment funds totaling \$9,406,606 at June 30, 2021 (\$7,843,817 in 2020). Although the Museum does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval process, amounts from its quasi-endowment could be made available if necessary. However, both the quasi-endowment and donor-restricted endowments contain investments with lock-up provisions that would reduce the total investments that could be made available (see note 25 for additional disclosures about the Museum's investments).

23. Subsequent Events and Uncertainty Related to the Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) occurred. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including Oregon, have declared a public health state of emergency, ordering the public to stay at home, closing specified businesses, and requiring social distancing measures for most public and private facilities. As a result, the Museum has been required to operate under strict social distancing mandates by Oregon's Governor, limiting its ability to open the Museum to the public or to operate at full capacity when allowed to open. Consequently, the Museum has experienced significant declines in multiple revenue sources, and management projects that these declines will continue well into 2022.

Management has adopted a plan to address these financial challenges including: (1) a significant reduction in staffing, (2) increased fundraising efforts, (3) negotiating with some donors to release the purpose restriction of their gifts, (4) reduction of operating expenses, and (5) obtaining government assistance such as the Paycheck Protection Program (see note 11), Shuttered Venues Operators Grants, and Employee Retention Tax Credits, both during the year and subsequently.

Museum management believe that its plan is fully achievable and continues to take measures to adapt the delivery of its programming in order to keep its employees and constituents safe, as well as facilitate ongoing availability of its services, and execution of its mission.

24. Related-Party Transactions

From time to time, the Museum enters into transactions with individuals or entities that have a relationship to a member of the Board of Trustees. These transactions are subject to Board approval. Beginning with the year ended June 30, 2012, the Museum entered into a lease for offsite storage space with a company owned by a family member of a Trustee. An additional lease for an adjacent unit was added in July 2020. After taking independent professional advice and concluding that the lease terms were at a fair market rent, the leases were approved by the Executive Committee of the Board. Rent payments made under these leases totaled \$118,312 and \$110,007 for the years ended June 30, 2021 and 2020, respectively. The amount of future lease commitments is included among the disclosures in note 20.

25. Fair Value Measurements

Included in the accompanying consolidated financial statements are certain financial instruments carried at fair value. These instruments include:

- Investments
- Contributions receivable
- Beneficial interest in trusts

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale; similarly, the fair value of a liability is the amount at which the liability could be transferred in a current transaction between willing parties. Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality.

Finally, the net asset value per share, or its equivalent, such as member units or ownership interests in partners' capital, is used as a practical expedient to estimate the fair value of certain hedge funds, private equity funds, funds of funds, and limited partnerships that do not have readily determinable fair values.

All financial assets and liabilities carried at fair value, with the exception of investments measured at fair value using net asset value as a practical expedient, have been classified, for disclosure purposes, based on a hierarchy defined under generally accepted accounting principles. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities and the lowest ranking to fair values determined using methodologies and models with unobservable inputs, as follows:

- *Level 1* – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
- *Level 3* – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Museum's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

At June 30, 2021, the following table summarizes the financial assets measured at fair value on a recurring basis, as well as those assets measured using the net asset value per share as a practical expedient:

	Level 1	Level 3	Total
Investments, measured at fair value (see note 6):			
Equity mutual funds:			
Large-cap domestic	\$ 14,569,655	–	14,569,655
Small and mid-cap domestic	7,870,565	–	7,870,565
Large-cap international	14,082,235	–	14,082,235
Small-cap international	2,366,959	–	2,366,959
Total equity mutual funds	38,889,414	–	38,889,414
Fixed income mutual funds	10,378,453	–	10,378,453
Corporate bonds and notes	30,080,744	–	30,080,744
Real return mutual funds	3,887,297	–	3,887,297
Balanced index mutual funds	108,907	–	108,907
Total investments, measured at fair value	83,344,815	–	83,344,815
Interests in private equity partnerships, measured at net asset value			16,074,015
Total investments (see note 6)			99,418,830
Contributions receivable (see note 4)		11,134,959	11,134,959
Beneficial interest in charitable trusts (see note 7)		1,311,170	1,311,170

Investments measured at fair value using net asset value as a practical expedient are as follows at June 30, 2021:

	Fair value at June 30	Unfunded commitments	Redemption frequency	Redemption notice period
Absolute return hedge funds [A]	\$ 7,460,869	none	quarterly	70 days
Private equity funds [B]	4,597,386	1,090,782	not allowed	n/a
Real estate fund [C]	4,015,760	none	quarterly	60 days

[A] Absolute return hedge funds are considered to be investments in funds of funds. These investments employ a variety of strategies, including absolute return, diversified arbitrage, investment in distressed securities, and various long/short strategies.

[B] Private equity funds are investments in funds organized as limited partnerships that invest in both venture capital and buyouts.

[C] Real estate fund is an investment in funds organized as a limited partnership that invests primarily in equity real estate investments located in the U.S.

Continued

The changes in valuation of Level 3 assets and liabilities for the year ended June 30, 2021 are as follows:

	Contributions receivable	Beneficial interest in charitable trusts
Fair value at beginning of year	\$ 13,647,552	1,085,440
Receipt of new contributions receivable	10,320,557	–
Collection of contributions receivable	(13,432,972)	–
Changes in the allowance for doubtful collection of receivables	226,055	–
Changes in the unamortized discount associated with contributions receivable	373,767	–
Change in beneficial interests in charitable trusts	–	225,730
Net changes	(2,512,593)	225,730
Fair value at end of year	\$ 11,134,959	1,311,170
	[A]	[B]

[A] The fair value of contributions receivable is based on the expected payment date, using a current discount rate of 0.86%. See note 4.

[B] The fair value of the Museum's beneficial interest in charitable reminder and perpetual trusts is based on the reported fair values of the underlying investments held in each trust, less the estimated present value of future payments to third party beneficiaries, if any, which approximate the present value of expected future cash flows. See note 7.

At June 30, 2020, the following table summarizes the financial assets measured at fair value on a recurring basis, as well as those assets measured using the net asset value per share as a practical expedient:

	Level 1	Level 3	Total
Investments, measured at fair value (see note 6):			
<i>Equity mutual funds:</i>			
Large-cap domestic	\$ 10,972,477	–	10,972,477
Small and mid-cap domestic	5,772,653	–	5,772,653
Large-cap international	10,765,035	–	10,765,035
Small-cap international	1,312,116	–	1,312,116
Total equity mutual funds	28,822,281	–	28,822,281
Fixed income mutual funds	8,777,673	–	8,777,673
Corporate bonds and notes	22,132,773	–	22,132,773
Real return mutual funds	2,959,681	–	2,959,681
Balanced index mutual funds	87,401	–	87,401
Total investments, measured at fair value	62,779,809	–	62,779,809
Interests in private equity partnerships, measured at net asset value			13,546,813
Total investments (see note 6)			76,326,622
Contributions receivable (see note 4)		13,647,552	13,647,552
Beneficial interest in charitable trusts (see note 7)		1,085,440	1,085,440

Investments measured at fair value using net asset value as a practical expedient are as follows at June 30, 2020:

	Fair value at June 30	Unfunded commitments	Redemption frequency	Redemption notice period
Absolute return hedge funds [A]	\$ 6,488,227	none	quarterly	70 days
Private equity funds [B]	2,945,069	1,644,624	not allowed	n/a
Real estate fund [C]	4,113,517	none	quarterly	60 days

[A] Absolute return hedge funds are considered to be investments in funds of funds. These investments employ a variety of strategies, including absolute return, diversified arbitrage, investment in distressed securities, and various long/short strategies.

[B] Private equity funds are investments in funds organized as limited partnerships that invest in both venture capital and buyouts.

[C] Real estate fund is an investment in funds organized as a limited partnership that invests primarily in equity real estate investments located in the U.S.

The changes in valuation of Level 3 assets and liabilities for the year ended June 30, 2020 are as follows:

	Contributions receivable	Beneficial interest in charitable trusts
Fair value at beginning of year	\$ 16,237,863	1,117,009
Receipt of new contributions receivable	14,393,941	–
Collection of contributions receivable	(15,687,645)	–
Changes in the allowance for doubtful collection of receivables	(1,127,911)	–
Changes in the unamortized discount associated with contributions receivable	(168,696)	–
Change in beneficial interests in charitable trusts	–	(31,569)
Net changes	(2,590,311)	(31,569)
Fair value at end of year	\$ 13,647,552	1,085,440
	[A]	[B]

[A] The fair value of contributions receivable is based on the expected payment date, using a current discount rate of 0.67%. See note 4.

[B] The fair value of the Museum's beneficial interest in charitable remainder and perpetual trusts is based on the reported fair values of the underlying investments held in each trust, less the estimated present value of future payments to third party beneficiaries, if any, which approximate the present value of expected future cash flows. See note 7.

26. Statements of Cash Flows Reconciliation

The following presents a reconciliation of the increase in net assets (as reported on the consolidated statements of activities) to the net provided by (or cash used in) operating activities (as reported on the consolidated statements of cash flows):

	2021	2020
Increase in net assets	\$ 19,714,030	6,002,735
<i>Adjustments to reconcile the increase (decrease) in net assets to the net cash provided by (used in) operating activities:</i>		
Depreciation and amortization	1,829,450	1,887,692
Net appreciation in the fair value of investments (note 6)	(12,752,615)	(781,469)
Acquisition of works of art (note 9)	164,749	387,325
Proceeds from the sale of works of art (note 9)	-	(8,240)
Proceeds from contributions restricted for long-term investment	(2,922,423)	(510,815)
Proceeds from contributions restricted for capital acquisition	(8,323,961)	(15,282,276)
Architectural fees and other capital campaign costs	2,602,669	3,765,821
Net change in beneficial interest in charitable trusts (note 7)	(225,730)	31,569
Paycheck Protection Program loan forgiveness (note 11)	(1,835,900)	-
<i>Net changes in:</i>		
Accounts receivable	898,507	(636,503)
Contributions receivable	2,512,593	2,590,311
Inventories and prepayments	(73,697)	457,681
Other assets	(42,492)	(3,897)
Accounts payable and accrued expenses	127,999	(24,690)
Accrued payroll and related expenses	93,095	98,326
Deferred revenues	(828)	(393,195)
Other liabilities	7,232	(7,443)
Total adjustments	(17,941,352)	(8,429,803)
Net cash provided by (used in) operating activities	\$ 1,772,678	(2,427,068)



PORTLAND ART MUSEUM
SCHEDULE OF OPERATING REVENUES AND EXPENSES
OF THE NORTHWEST FILM CENTER

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Operating revenues, gains, and other support:		
Contributions and grants	\$ 466,530	418,964
Memberships	23,432	122,092
In-kind contributions	-	1,895
Admissions	230,856	172,754
Tuition and fees	34,642	234,946
Other revenues and gains	9,930	59,728
Total operating revenues and gains	765,390	1,010,379
Net transfers from Board-designated reserves	45,635	57,865
Total operating revenues, gains, and other support	811,025	1,068,244
Direct expenses:		
Program activities:		
Classes	88,019	476,516
Exhibitions	469,529	686,742
Other	11,026	185
Total program activities	568,574	1,163,443
Supporting activities:		
Management and general	259,866	360,777
Total supporting activities	259,866	360,777
Total direct expenses	828,440	1,524,220
Net operating loss	\$ (17,415)	(455,976)

See accompanying notes to schedule of operating revenues and expenses of the Northwest Film Center.

PORTLAND ART MUSEUM

NOTES TO SCHEDULE OF OPERATING REVENUES AND
EXPENSES OF THE NORTHWEST FILM CENTER

YEARS ENDED JUNE 30, 2021 AND 2020

1. Basis of Accounting

The Portland Art Museum consists of two major programmatic components, the Portland Art Museum itself and the Northwest Film Center (the “Film Center”), which joined the Museum in 1979. The schedule of operating revenues and expenses of the Northwest Film Center has been prepared on the accrual basis of accounting in accordance with the requirements of accounting principles generally accepted in the United States. The schedule’s operating revenues exclude restricted resources that will be available to fund future-year operations. In addition, the schedule’s operating expenses exclude shared institutional costs.

Expenses presented in this schedule differ from amounts presented in the consolidated statements of activities of the Portland Art Museum for the years ended June 30, 2021 and 2020, as follows:

	2021	2020
Total direct expenses, as reported in the accompanying schedule of operating revenues and expenses of the Northwest Film Center	\$ 828,440	1,524,220
<i>Reconciling items:</i>		
Less management and general expenses	(259,866)	(360,777)
Plus shared institutional costs	480,585	542,655
Total reconciling items	220,719	181,878
Northwest Film Center program expenses, as reported in the consolidated statements of activities	\$ 1,049,159	1,706,098

PORTLAND ART MUSEUM

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³ Audit committee

⁴ Investment committee

⁵ Governance committee

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Gareth A. Nevitt
Chief Financial Officer

Stephanie Parrish
Director of Learning and
Community Partnerships

Donald Urquhart
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and Exhibitions

PORTLAND ART MUSEUM

INQUIRIES AND OTHER INFORMATION



PORTLAND ART MUSEUM

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