

**THE BLOWING ROCK ART AND HISTORY MUSEUM, INC.**

Financial Statements

For the years ended December 31<sup>st</sup>, 2021 and 2020

COMBS,   
TENNANT & CARPENTER, P.C.  
Certified Public Accountants

**THE BLOWING ROCK ART AND  
HISTORY MUSEUM, INC.**

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December 31, 2021

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**THE BLOWING ROCK ART AND HISTORY MUSEUM, INC.**  
Blowing Rock, North Carolina

**- TABLE OF CONTENTS -**

	<u>Pages</u>
Independent Auditors' Report	1 - 2
<u>Financial Statements</u>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-17
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18-19

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**Independent Auditors' Report**

Board of Directors  
The Blowing Rock Art and History Museum, Inc.  
Blowing Rock, North Carolina

***Opinion***

We have audited the accompanying financial statements of The Blowing Rock Art and History Museum, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Blowing Rock Art and History Museum, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited Blowing Rock Art and History Museum's 2020 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated May 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Blowing Rock Art and History Museum, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Blowing Rock Art and History Museum's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2022 on our consideration of The Blowing Rock Art and History Museum, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Blowing Rock Art and History Museum, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Blowing Rock Art and History Museum, Inc.'s internal control over financial reporting and compliance.

**COMBS, TENNANT & CARPENTER, P.C.**

COMBS, TENNANT & CARPENTER, P.C.  
Certified Public Accountants  
Boone, NC

May 31, 2022

# **Financial Statements**

**THE BLOWING ROCK ART AND HISTORY MUSEUM, INC.**

Statements of Financial Position

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets:</b>		
Cash without restrictions	\$ 308,446	\$ 545,240
Cash with restrictions	134,406	135,503
Accounts receivable, net	19,793	69,398
Investments without restrictions	1,236,339	599,297
Investments with restrictions	825,471	685,896
Prepaid expenses	837	3,735
Museum collection-restricted	1,717,267	1,573,917
Fixed assets, net	<u>5,208,800</u>	<u>5,378,227</u>
<b>Total assets</b>	<u><u>\$ 9,451,359</u></u>	<u><u>\$ 8,991,213</u></u>
<b>Liabilities and net assets:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 21,871	\$ 14,334
Accrued liabilities	21,311	18,339
Deferred revenue	20,400	17,140
PPP loan	-	78,100
Long-term debt	<u>75,000</u>	<u>150,000</u>
<b>Total liabilities</b>	<u>138,582</u>	<u>277,913</u>
<b>Net assets:</b>		
Without donor restrictions	6,635,633	6,317,984
With donor restrictions	<u>2,677,144</u>	<u>2,395,316</u>
<b>Total net assets</b>	<u>9,312,777</u>	<u>8,713,300</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 9,451,359</u></u>	<u><u>\$ 8,991,213</u></u>

The accompanying notes are an integral part of the financial statements.

**THE BLOWING ROCK ART AND HISTORY MUSEUM, INC.**

Statements of Activities

For the Years Ended December 31, 2021 and 2020

<b>Changes in net assets without donor restrictions:</b>	<u>2021</u>	<u>2020</u>
<b>Revenues and gains:</b>		
Contributions	\$ 27,460	\$ 70,887
Memberships	334,805	308,956
Admissions and programs	43,440	35,089
Event revenues	218,878	90,217
Facility rents	12,945	2,130
Exhibit underwriting	26,816	23,015
Grants	16,500	15,000
PPP loan forgiveness	156,200	-
In-kind contributions	-	100
Interest and dividends	32,970	23,380
Realized and unrealized gains (losses) on investments	330,996	131,899
Sales	57,633	19,498
Other income	54,344	56,636
	1,312,987	776,807
<b>Total revenues and gains without donor restrictions</b>		
<b>Net assets (added to) released from restrictions</b>	48,148	74,881
<b>Total revenues, gains, and other support without donor restrictions</b>	1,361,135	851,688
<b>Expenses:</b>		
Program services	653,242	518,713
General and administrative	315,681	273,027
Fund raising	74,563	55,852
	1,043,486	847,592
<b>Total expenses</b>		
<b>Increase (decrease) in net assets without donor restrictions</b>	317,649	4,096
<b>Changes in net assets with donor restrictions:</b>		
Contributions	186,626	151,275
Collection contributions	143,350	215,000
Net assets added to (released from) restrictions	(48,148)	(74,881)
	281,828	291,394
<b>Increase (decrease) in net assets with donor restrictions</b>		
<b>Increase (decrease) in net assets</b>	599,477	295,490
<b>Net assets at beginning of year</b>	8,713,300	8,417,810
<b>Net assets at end of year</b>	\$ 9,312,777	\$ 8,713,300

The accompanying notes are an integral part of the financial statements.



**THE BLOWING ROCK ART AND HISTORY MUSEUM, INC.**  
Statement of Functional Expenses  
For the Year Ended December 31, 2021

	Supporting Services			Totals December 31, 2021
	Program Services	General and Administrative	Fund Raising	
Salaries and wages	\$ 254,867	\$ 162,397	\$ 44,877	\$ 462,141
Taxes and licenses	-	-	202	202
Utilities	32,116	16,058	5,353	53,527
Repairs and maintenance	3,304	45,298	2,353	50,955
Advertising	17,428	1,242	2,484	21,154
Office supplies and equipment	562	18,487	562	19,611
Insurance	-	24,812	-	24,812
Dues and subscriptions	1,413	3,022	2,856	7,291
Professional fees	-	17,750	-	17,750
Postage	528	528	703	1,759
Printing	-	-	-	-
Membership	-	-	9,205	9,205
Events	79,352	-	-	79,352
Meetings and travel	435	1,957	579	2,971
Bank charges	-	10	20	30
Merchant fees	3,843	577	5,189	9,609
Bad debt	-	-	-	-
Gift shop	-	20,979	-	20,979
Exhibits	-	-	-	-
Programming	62,641	-	-	62,641
Interest expense	1,791	1,791	-	3,582
Miscellaneous	-	773	180	953
Depreciation	194,962	-	-	194,962
<b>Total expenses</b>	<b>\$ 653,242</b>	<b>\$ 315,681</b>	<b>\$ 74,563</b>	<b>\$ 1,043,486</b>

The accompanying notes are an integral part of the financial statements.

**THE BLOWING ROCK ART AND HISTORY MUSEUM, INC.**  
Statement of Functional Expenses  
For the Year Ended December 31, 2020

	Supporting Services			Totals December 31, 2020
	Program Services	General and Administrative	Fund Raising	
Salaries and wages	\$ 217,699	\$ 165,917	\$ 36,283	\$ 419,899
Taxes and licenses	600	-	1,402	2,002
Utilities	33,142	16,572	5,524	55,238
Repairs and maintenance	2,330	43,752	809	46,891
Advertising	9,182	652	1,304	11,138
Office supplies and equipment	4,642	1,611	635	6,888
Insurance	-	21,725	-	21,725
Dues and subscriptions	1,465	1,465	-	2,930
Professional fees	-	9,405	-	9,405
Postage	-	409	817	1,226
Printing	-	-	-	-
Membership	-	-	5,177	5,177
Events	16,284	-	-	16,284
Meetings and travel	-	-	-	-
Bank charges	-	106	469	575
Merchant fees	490	1,124	3,282	4,896
Bad debt	-	-	-	-
Gift shop	-	9,974	-	9,974
Exhibits	-	-	-	-
Programming	40,190	-	-	40,190
Interest expense	-	-	-	-
Miscellaneous	299	315	150	764
Depreciation	192,390	-	-	192,390
<b>Total expenses</b>	<b>\$ 518,713</b>	<b>\$ 273,027</b>	<b>\$ 55,852</b>	<b>\$ 847,592</b>

The accompanying notes are an integral part of the financial statements.

**THE BLOWING ROCK ART AND HISTORY MUSEUM, INC.**

Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Cash received from revenues and gains	\$ 1,505,942	\$ 964,959
Cash paid to employees and suppliers	<u>(1,152,547)</u>	<u>(877,276)</u>
<b>Net cash provided (used) by operating activities</b>	<u>353,395</u>	<u>87,683</u>
<b>Cash flows from investing activities:</b>		
(Purchases) sales of investments	(412,651)	162,145
(Purchases) sales of property and equipment	<u>(25,535)</u>	<u>(33,164)</u>
<b>Net cash provided (used) by investing activities</b>	<u>(438,186)</u>	<u>128,981</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of debt	78,100	228,100
Payments on long-term debt	<u>(231,200)</u>	<u>-</u>
<b>Net cash provided (used) by financing activities</b>	<u>(153,100)</u>	<u>228,100</u>
<b>Net increase (decrease) in cash, cash equivalents, and restricted cash</b>	(237,891)	444,764
Beginning cash, cash equivalents, and restricted cash	<u>680,743</u>	<u>235,979</u>
<b>Ending cash, cash equivalents, and restricted cash</b>	<u><u>\$ 442,852</u></u>	<u><u>\$ 680,743</u></u>
<b>Reconciliation of change in net assets to net cash used by operating activities:</b>		
Change in net assets	<u>\$ 599,477</u>	<u>\$ 295,490</u>
<b>Adjustments to reconcile changes in net assets to net cash used by operating activities:</b>		
Depreciation	194,962	192,390
Interest and dividend income	(32,970)	(23,380)
Unrealized (gains) and losses	(330,996)	(131,899)
(Increase) decrease in accounts receivable	49,605	(41,848)
(Increase) decrease in pledges receivable	-	15,000
(Increase) decrease in prepaid expenses	2,898	(3,735)
(Increase) decrease in museum collection	(143,350)	(215,000)
Increase (decrease) in accounts payable	7,537	998
Increase (decrease) in deferred revenue	3,260	(7,860)
Increase (decrease) in accrued liabilities	<u>2,972</u>	<u>7,527</u>
<b>Total adjustments</b>	<u>(246,082)</u>	<u>(207,807)</u>
<b>Cash flows provided (used) by operating activities</b>	<u><u>\$ 353,395</u></u>	<u><u>\$ 87,683</u></u>

The accompanying notes are an integral part of the financial statements.

**THE BLOWING ROCK ART AND HISTORY MUSEUM, INC.**

Notes to Financial Statements

December 31, 2021 and 2020

**NOTE 1 – Summary of Significant Accounting Policies:**

**ORGANIZATION** – The Blowing Rock Art and History Museum, Inc. (the Organization), located in Blowing Rock, North Carolina, is organized and operated exclusively for charitable purposes in accordance with Section 501(c)(3) of the Internal Revenue Code. The mission of the Organization is to promote the visual arts, history, and heritage of the mountains through educational programs, exhibitions, and significant permanent collections. Funding for the Organization is derived primarily from donor contributions and membership dues.

**BASIS OF ACCOUNTING** - The financial statements of The Blowing Rock Art and History Museum, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**BASIS OF PRESENTATION** – Net assets of the organization and changes therein may be classified and reported as follows:

**Net Assets without Donor Restrictions**---Net assets that are not subject to donor-imposed stipulations.

**Net Assets with Donor Restrictions**---Net assets subject to donor-imposed stipulations that may or will be met either by actions of the organization and/or the passage of time.

**CASH AND EQUIVALENTS** - Cash and equivalents include cash on hand and term certificates of deposit at financial institutions with an initial maturity of three months or less.

**INVESTMENTS** – Investments in equity securities with readily determinable market values and all investments in debt securities are measured at fair value in the statement of financial position. The Organization’s investments include various types of investment securities which are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that changes in risks in the near term could materially affect the amounts reported in the financial statements. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the increase in net assets without donor restrictions in the accompanying statement of activities unless the income or loss is restricted by donor or law.

**DONATED ASSETS** –Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

**DONATED PROPERTY AND EQUIPMENT** – Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

**DONATED SERVICES** – Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During the fiscal years ended December 31, 2021 and 2020, professional services of \$0 and \$100 respectively were donated and recognized. A substantial number of volunteers also donated a significant amount of time to the Organization's operations and program services throughout the years that are not recognized as contributions in the financial statements since the recognition criteria were not met.

**FUNCTIONAL EXPENSES** – The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**REVENUE RECOGNITION** – During the year ended December 31, 2021 the Organization adopted ASC 606 using the modified retrospective method for those contracts which were not substantially completed as of the transition date. There was no material impact to any of the line items within the Organization's statements of activities or statements of financial position as a result of applying ASC 606 for the fiscal years ended December 31, 2021 and 2020.

**SUPPORT AND REVENUES** - Contributions are considered to be available for unrestricted use unless specifically restricted by the donor or designated by the Board of Trustees. Contributions that are received and have restrictions that are met in the same reporting period are reported as net assets without donor restrictions.

**ACCOUNTS RECEIVABLE** - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants, contracts, and others. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable. For the years ended December 31, 2021 and 2020 the Organization recognized bad debt expense of \$0 and \$0, respectively.

**MUSEUM COLLECTION** – The Organization maintains a collection of visual art and items of cultural significance. Items are capitalized and carried at cost if purchased, or at fair value as determined by independent appraisal on the date of gift if

donated. Items without an independent appraisal are catalogued and maintained by the Organization's staff, but are not accessed into the collection. Disposals of collection items through sale or trade are solely for the advancement of the museum's mission. Proceeds from the sale of collections shall only be used for other acquisitions or for direct care. The museum defines direct care as maintenance of collection items, including repairs and restorations.

**PROPERTY AND EQUIPMENT** - Property and equipment with estimated useful lives greater than one year and cost of more than \$5,000 are capitalized and carried at cost if purchased, or fair value at the date of gift if donated. Depreciation is charged over the estimated life of each asset on the straight-line method. Asset lives range from seven to forty years for buildings and improvements, and three to seven years for computers, office equipment, and furniture and fixtures.

**INCOME TAXES** – The Blowing Rock Art and History Museum, Inc. is an exempt organization for Federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code. The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2021, 2020, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

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

**PLEDGES** – Unconditional pledges to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional pledges are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional. Allowances for uncollectible accounts are established annually based on historical collection experience of the Organization. An allowance for uncollectible pledges was not deemed necessary for fiscal years ended December 31, 2021 and 2020.

**NOTE 2 – Fair Value Measurements:**

The carrying value of the Organization's receivables, pledges and accounts payable approximate the fair value of these financial instruments at December 31, 2021 and 2020 due to the short maturities of these instruments.

Fair value measurement rules define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and require the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. In that regard, accounting rules establish a fair value hierarchy for valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

**Level 1:** Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

**Level 2:** Inputs to valuation methodology include significant other observable inputs, other than Level 1 inputs, such as quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

A description of the valuation methodologies used for significant assets measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, are set forth below:

**Investments and Collections:** Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy.

Level 1 securities include short-term investment funds, money market funds, exchange traded equities, and fixed income mutual funds. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices or securities with similar characteristics, or discount cash flow.

Level 2 securities include alternative investments which are redeemable at net asset value per share within a reasonable time period.

Level 3 securities include funds which are valued at net asset value per share, which are not redeemable in the near term, and works of art accessed into the collection with independent certified appraisals.

The following table summarizes significant assets measured at fair value on a recurring basis as of December 31, 2021, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Fair Value Measurements at December 31, 2021 Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities/Mutual funds	\$ 2,061,810	\$ 2,061,810	\$ -	\$ -
Museum Collection	1,717,267	-	-	1,717,267
	<u>\$ 3,779,077</u>	<u>\$ 2,061,810</u>	<u>\$ -</u>	<u>\$ 1,717,267</u>

The following table summarizes significant assets measured at fair value on a recurring basis as of December 31, 2020, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Fair Value Measurements at December 31, 2020 Using:					
	Quoted Prices in		Significant Other	Significant	Unobservable Inputs	
	Active Markets for				Observable Inputs	Unobservable Inputs
	Identical Assets		(Level 2)	(Level 3)		
	(Level 1)					
Equities/Mutual funds	\$ 1,285,193	\$ 1,285,193	\$ -	\$ -		
Museum Collection	1,573,917	-	-	-	1,573,917	
	<u>\$ 2,859,110</u>	<u>\$ 1,285,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,573,917</u>	

**NOTE 3 – Investment Income:**

Long-term investments are stated at fair value and consist of money market funds, governmental and corporate bonds, mutual funds and common stocks, and other investments. Investment income (loss) is composed of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 32,970	\$ 23,380
Realized and unrealized gains (losses)	<u>330,996</u>	<u>131,899</u>
Total investment return	<u>\$ 363,966</u>	<u>\$ 155,279</u>

**NOTE 4 – Interpretation of relevant law:**

The Organization’s endowment consists of various individual funds established for a variety of purposes. Its endowment includes funds designated by the Board to function as endowments as well as funds received with donor-imposed restrictions. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets and maintained as such for appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA and donors’ restrictions on use. 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 the organization.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide for a predictable stream of funding to support operations while seeking to maintain the purchasing power of the endowment assets. To satisfy this long-term objective, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment net asset composition by type of funds at December 31, 2021:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 809,471	\$ 809,471
Board-designated endowment funds	944,789	-	-	944,789
<b>Total Funds</b>	<b>\$ 944,789</b>	<b>\$ -</b>	<b>\$ 809,471</b>	<b>\$ 1,754,260</b>

Changes in the endowment net assets by type of funds at December 31, 2021:

	Beginning Balance	Contributions & Other Additions	Investment Earnings, net	Uses	Ending Balance
Donor-restricted endowment funds	\$ 751,771	\$ 57,700	\$ -	\$ -	\$ 809,471
Board-designated endowment funds	601,112	343,677	-	-	944,789
<b>Total funds</b>	<b>\$ 1,352,883</b>	<b>\$ 401,377</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,754,260</b>

Endowment net asset composition by type of funds at December 31, 2020:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 751,771	\$ 751,771
Board-designated endowment funds	601,112	-	-	601,112
<b>Total Funds</b>	<b>\$ 601,112</b>	<b>\$ -</b>	<b>\$ 751,771</b>	<b>\$ 1,352,883</b>

Changes in the endowment net assets by type of funds at December 31, 2020:

	Beginning Balance	Contributions & Other Additions	Investment Earnings, net	Uses	Ending Balance
Donor-restricted endowment funds	\$ 669,896	\$ 81,875	\$ -	\$ -	\$ 751,771
Board-designated endowment funds	438,485	167,677	-	(5,050)	601,112
Total funds	<u>\$ 1,108,381</u>	<u>\$ 249,552</u>	<u>\$ -</u>	<u>\$ (5,050)</u>	<u>\$ 1,352,883</u>

**NOTE 5 – Net Assets with Donor Restrictions:**

Net assets with temporary restrictions are available for the following purposes or periods at December 31:

	<u>2021</u>	<u>2020</u>
Acquisitions	\$ 6,362	\$ 1,362
Alexanders art lecture fund	-	-
Cultural fund	-	613
Flower fund	18,395	18,533
Exhibits fund	37,223	19,065
Executive director discretionary fund	1,955	2,135
Building fund	-	-
Education fund	52,220	18,769
Miscellaneous restricted funds	2,825	-
Programming fund	16,830	5,917
Capital campaign	-	-
Curator's discretionary fund	2,096	2,096
Membership societies fund	12,500	-
Professional development	-	1,138
Museum collection	1,717,267	1,573,917
Endowment fund	809,471	751,771
	<u>\$ 2,677,144</u>	<u>\$ 2,395,316</u>

Net assets with permanent restrictions consist of fund assets to be held indefinitely. The income generated from the assets can be used to support various Organization general activities at the discretion of the Board of Trustees. The Organization received donor-stipulated permanently restricted funds of \$57,700 and \$81,875 for the years ended 2021 and 2020, respectively. Total assets carrying permanent restrictions were \$809,471 at December 31, 2021 and \$751,771 at December 31, 2020.

**NOTE 6 – Fixed Assets:**

A detail of the fixed assets at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Building	\$ 6,941,042	\$ 6,921,446
Ginny Stevens Lane Paving	20,792	20,792
Computer and Office Equipment	108,887	102,948
Furniture & Fixtures	<u>288,628</u>	<u>288,628</u>
	7,359,349	7,333,814
Less accumulated depreciation	<u>2,150,549</u>	<u>1,955,587</u>
Total fixed assets, net	<u>\$ 5,208,800</u>	<u>\$ 5,378,227</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$194,962 and \$192,390, respectively. The Organization entered into a 50 year no cost lease agreement with the Town of Blowing Rock on August 12, 2003 for use of the land on which the museum is located. Accordingly, the Organization does not recognize the land as an asset.

**NOTE 7- Revenues from Contracts with Customers:**

The Blowing Rock Art and History Museum, Inc. recognizes all revenue from contracts when the good or service is delivered to the customer. Any revenue that is billed in advance of services is recorded as unearned revenue/deposits and disclosed as a liability until the revenue is earned and contract obligations are satisfied. If substantial work is performed on a signed contract but not completed and billed a contract asset is booked. As of December 31, 2021 and 2020 the Organization reported no contract assets or liabilities.

Contract revenues at December 31, 2021 are as follows:

	<u>Memberships</u>	<u>Facility Rents</u>	<u>Admissions/ Programs</u>
Type of customer			
Governmental	\$ -	\$ -	\$ -
Nongovernmental	7,087	12,945	43,440
Total	<u>\$ 7,087</u>	<u>\$ 12,945</u>	<u>\$ 43,440</u>
Major product/service line:			
Memberships	\$ 7,087	\$ -	\$ -
Facility Rents	-	12,945	-
Admissions/Programs	-	-	43,440
Total	<u>\$ -</u>	<u>\$ 12,945</u>	<u>\$ 43,440</u>

Contract revenues at December 31, 2020 are as follows:

	<u>Memberships</u>	<u>Facility Rents</u>	<u>Admissions/ Programs</u>
Type of customer			
Governmental	\$ -	\$ -	\$ -
Nongovernmental	6,341	2,130	35,089
Total	<u>\$ 6,341</u>	<u>\$ 2,130</u>	<u>\$ 35,089</u>
Major product/service line:			
Memberships	\$ 6,341	\$ -	\$ -
Facility Rents	-	2,130	-
Admissions/Programs	-	-	35,089
Total	<u>\$ -</u>	<u>\$ 2,130</u>	<u>\$ 35,089</u>

**NOTE 8 – Risk Management:**

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization carries commercial coverage for risk of loss. Claims did not exceed coverage in the past fiscal year. At December 31, 2021, the Organization’s deposit accounts had a carrying amount of \$442,852 and a bank balance of \$426,153. Of the bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation and the remaining amount was uninsured. At December 31, 2020, the Organization’s deposit accounts had a carrying amount of \$680,743 and a bank balance of \$686,416. Of the bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation and the remaining amount was uninsured.

**NOTE 9- Liquidity and Availability of Financial Assets:**

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

	<u>2021</u>	<u>2020</u>
Financial assets at year-end	\$ 2,524,455	\$ 2,035,334
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted to maintain as an endowment	809,471	751,771
Donor-restricted for other program services	150,406	69,628
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,564,578</u>	<u>\$ 1,213,935</u>

**NOTE 10 – Paycheck Protection Program Loan:**

On May 4, 2020, the Organization received loan proceeds in the amount of \$78,100 under the Paycheck Protection Program (PPP). The PPP provides funding for qualifying organizations under the Coronavirus Aid, Relief and Economic Security Act

(CARES Act). Forgiveness of the loan principal and accrued interest may be applied for after a twenty-four-week period. Forgiveness depends upon how the Organization uses the funds including, payroll, benefits, rent and utilities. The Organization applied for and received forgiveness of \$78,100 on January 8, 2021.

On February 17, 2021, the Organization received another loan in the amount of \$78,100 under the Paycheck Protection Program (PPP). Forgiveness of principal and interest was granted on December 3, 2021. Loans forgiven under the Paycheck Protection Program are recognized as grant revenue in the year ended December 31, 2021.

**NOTE 11 – SBA EIDL Loan:**

On August 17, 2020, the Organization received loan proceeds in the amount of \$150,000 under the SBA EIDL Loan Program. The loan requires monthly payments of \$641 beginning August 17, 2022, including interest at 2.75%. The loan proceeds were secured to provide working capital in the wake of the Coronavirus pandemic and is collateralized by the assets of the Organization. The Organization repaid \$78,583 of the loan during the year ended December 31, 2021. The repayment included \$3,583 of accrued interest. The remaining balance at December 31, 2021 was \$75,000.

Maturities of principal are as follows:

<u>Year Ending</u>	<u>Amount</u>
2021	\$ -
2022	-
2023	3,425
2024	3,521
2025	3,619
Thereafter	64,435
	<u>\$ 75,000</u>

**NOTE 12 – Subsequent Events:**

Management has evaluated subsequent events through May 31, 2021 – the date the financial statements were available to be issued.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of  
The Blowing Rock Art and History Museum, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Blowing Rock Art and History Museum, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 31, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Blowing Rock Art and History Museum, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Blowing Rock Art and History Museum, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Blowing Rock Art and History Museum, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Blowing Rock Art and History Museum, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*COMBS, TENNANT & CARPENTER, P.C.*

COMBS, TENNANT & CARPENTER, P.C.

Boone, NC

May 31, 2022