

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

Financial Statements

For the years ended December 31, 2019 and 2018

COMBS,

TENNANT & CARPENTER, P.C.
Certified Public Accountants

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

Officers and Trustees

December 31, 2019

President- Bo Henderson

Secretary- Teresa Caine

Treasurer- Don Hubble

Debbie Covington

Joseph Coyne

Florence Nelson Crisp

Carol Dabbs

Linda Gilleland

Lou Gottlieb

Dean Hamric

Sandra Huff

Gail Jennings-Mosley

Cindy Milner

Ralph Patterson

Lee Rocamora

Jim Tanner

Jess Wehrmann

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	8-15

COMBS, 
TENNANT & CARPENTER, P.C.

Certified Public Accountants

2348 Hwy. 105, Suite 5
P.O. Box 1098
Boone, NC 28607
828-264-6700
Fax: 828-264-7756

311 Linville Street
P.O. Box 1480
Newland, NC 28657
828-733-0066
Fax: 828-733-8689

Billy G. Combs, CPA
Douglas M. Tennant, CPA
Jason D. Carpenter, CPA
Brady L. Combs, CPA
Tanya L. Singleton, CPA
Emily W. Reynolds, CPA

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying 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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 financial statement presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of The Blowing Rock Art and History Museum, Inc. as of December 31, 2019 and 2018, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

COMBS, TENNANT & CARPENTER, P.C.

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

March 6, 2020

Financial Statements

THE BLOWING ROCK ART AND HISTORY MUSEUM, INC.

Statements of Financial Position

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets:		
Cash without restrictions	\$ 114,370	\$ 71,136
Cash with restrictions	121,609	115,867
Accounts receivable, net	27,550	12,203
Pledges receivable, net without restrictions	5,000	20,000
Pledges receivable, net with restrictions	10,000	-
Investments without restrictions	678,661	427,218
Investments with restrictions	613,396	540,896
Museum collection-restricted	1,358,917	1,225,542
Fixed assets, net	<u>5,537,455</u>	<u>5,697,039</u>
Total assets	<u>\$ 8,466,958</u>	<u>\$ 8,109,901</u>
Liabilities and net assets:		
Liabilities:		
Accounts payable	\$ 13,336	\$ 17,785
Accrued liabilities	10,812	1,756
Deferred revenue	<u>25,000</u>	<u>30,500</u>
Total liabilities	<u>49,148</u>	<u>50,041</u>
Net assets:		
Without donor restrictions	6,313,888	6,177,555
With donor restrictions	<u>2,103,922</u>	<u>1,882,305</u>
Total net assets	<u>8,417,810</u>	<u>8,059,860</u>
Total liabilities and net assets	<u>\$ 8,466,958</u>	<u>\$ 8,109,901</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, 2019 and 2018

Changes in net assets without donor restrictions:	<u>2019</u>	<u>2018</u>
Revenues and gains:		
Contributions	\$ 95,511	\$ 113,098
Memberships	355,063	322,220
Admissions and programs	31,886	31,975
Event revenues	177,191	102,868
Facility rents	5,116	3,950
Exhibit underwriting	10,564	55,205
In-kind contributions	650	100
Interest and dividends	40,801	37,455
Realized and unrealized gains (losses) on investments	228,180	(89,727)
Sales	36,380	22,609
	<hr/>	<hr/>
Total revenues and gains without donor restrictions	981,342	599,753
Net assets (added to) released from restrictions	275,457	14,326
	<hr/>	<hr/>
Total revenues, gains, and other support without donor restrictions	1,256,799	614,079
Expenses:		
Program services	794,048	515,664
General and administrative	282,013	261,395
Fund raising	34,405	93,738
	<hr/>	<hr/>
Total expenses	1,110,466	870,797
Increase (decrease) in net assets without donor restrictions	146,333	(256,718)
	<hr/>	<hr/>
Changes in net assets with donor restrictions:		
Contributions	353,699	329,121
Collection contributions	133,375	55,667
Net assets added to (released from) restrictions	(275,457)	(14,326)
	<hr/>	<hr/>
Increase (decrease) in net assets with donor restrictions	211,617	370,462
Increase (decrease) in net assets	357,950	113,744
Net assets at beginning of year	8,059,860	7,946,116
	<hr/>	<hr/>
Net assets at end of year	\$ 8,417,810	\$ 8,059,860
	<hr/>	<hr/>

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, 2019

	Supporting Services			Totals December 31, 2019
	Program Services	General and Administrative	Fund Raising	
Salaries and wages	\$ 269,202	\$ 138,744	\$ 7,375	\$ 415,321
Taxes and licenses	-	2,009	-	2,009
Utilities	31,004	15,503	5,167	51,674
Repairs and maintenance	212	43,426	212	43,850
Advertising	10,820	3,607	3,607	18,034
Office equipment	-	13,419	-	13,419
Insurance	2,293	18,344	2,293	22,930
Dues and subscriptions	-	2,070	-	2,070
Professional fees	-	15,338	-	15,338
Postage	222	667	222	1,111
Printing	-	-	-	-
Membership	-	-	6,423	6,423
Events	65,373	-	953	66,326
Meetings and travel	-	-	-	-
Bank charges	-	8	2,790	2,798
Merchant fees	2,908	1,454	2,908	7,270
Bad debt	-	1,900	-	1,900
Gift shop	-	24,121	-	24,121
Exhibits	211,437	528	-	211,965
Programming	13,248	-	-	13,248
Miscellaneous	484	875	2,455	3,814
Depreciation	186,845	-	-	186,845
Total expenses	\$ 794,048	\$ 282,013	\$ 34,405	\$ 1,110,466

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, 2018

	Program Services		Supporting Services		Totals December 31, 2018
	General and Administrative	Fund Raising	Total Supporting Services		
Salaries and wages	\$ 167,577	\$ 66,042	\$ 199,034	\$ 366,611	
Taxes and licenses	801	801	1,201	2,002	
Utilities	33,794	5,633	22,531	56,325	
Repairs and maintenance	-	-	53,705	53,705	
Advertising	12,924	4,308	8,616	21,540	
Office equipment	-	1,296	1,296	1,296	
Insurance	-	19,858	19,858	19,858	
Dues and subscriptions	493	492	1,477	1,970	
Professional fees	-	15,605	15,605	15,605	
Postage	137	137	548	685	
Printing	-	26	26	26	
Membership	10	-	8,541	8,551	
Events	47,803	1,350	2,623	50,426	
Meetings and travel	-	174	174	174	
Bank charges	44	22	2,086	2,130	
Merchant fees	1,763	1,763	2,645	4,408	
Bad debt	-	-	-	-	
Gift shop	-	10,606	10,606	10,606	
Exhibits	42,499	-	-	42,499	
Programming	15,980	-	-	15,980	
Miscellaneous	391	1,954	4,561	4,952	
Depreciation	191,448	-	-	191,448	
Total expenses	\$ 515,664	\$ 93,738	\$ 355,133	\$ 870,797	

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from revenues and gains	\$ 1,104,370	\$ 634,970
Cash paid to employees and suppliers	<u>(973,171)</u>	<u>(344,420)</u>
Net cash provided (used) by operating activities	<u>131,199</u>	<u>290,550</u>
Cash flows from investing activities:		
(Purchases) sales of investments	(54,964)	(237,843)
(Purchases) sales of property and equipment	<u>(27,259)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(82,223)</u>	<u>(237,843)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	-	-
Payments on long-term debt	<u>-</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>-</u>	<u>-</u>
Increase (decrease) in cash	48,976	52,707
Beginning cash	<u>187,003</u>	<u>134,296</u>
Ending cash	<u>\$ 235,979</u>	<u>\$ 187,003</u>
Reconciliation of change in net assets to net cash used by operating activities:		
Change in net assets	<u>\$ 357,950</u>	<u>\$ 113,744</u>
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	186,845	191,448
Interest and dividend income	(40,801)	(37,455)
Unrealized (gains) and losses	(228,180)	89,727
(Increase) decrease in accounts receivable	(15,347)	(2,665)
(Increase) decrease in pledges receivable	5,000	(17,785)
(Increase) decrease in museum collection	(133,375)	(55,667)
Increase (decrease) in accounts payable	(4,449)	2,996
Increase (decrease) in deferred revenue	(5,500)	5,030
Increase (decrease) in accrued liabilities	<u>9,056</u>	<u>1,177</u>
Total adjustments	<u>(226,751)</u>	<u>176,806</u>
Cash flows provided (used) by operating activities	<u>\$ 131,199</u>	<u>\$ 290,550</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, 2019 and 2018

NOTE 1 – Summary of Significant Accounting Policies:

ORGANIZATION – The Blowing Rock Art and History Museum, Inc., 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 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 in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, 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, 2019 and 2018, professional services of \$650 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 under SFAS No. 116 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.

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.

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, 2019 and 2018 the Organization recognized bad debt expense of \$1,900 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.

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 2019, 2018, and 2017 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, 2019 and 2018.

NOTE 2 – Pledges receivable:

The following table presents the unconditional promises to give based on the expected collection period as of December 31, 2019 and 2018, respectively. There were no conditional promises to give as of December 31, 2019 or 2018.

	Less than 1 year	1-5 years	Greater than 5 years	Total
Pledges receivable	\$ 15,000	\$ -	\$ -	\$ 15,000
Less: Allowance for uncollectible pledges	-	-	-	-
	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,000</u>

	Less than 1 year	1-5 years	Greater than 5 years	Total
Pledges receivable	\$ 15,000	\$ 5,000	\$ -	\$ 20,000
Less: Allowance for uncollectible pledges	-	-	-	-
	<u>\$ 15,000</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 20,000</u>

NOTE 3 – Fair Value Measurements:

The carrying value of the Organization’s receivables and accounts payable approximate the fair value of these financial instruments at December 31, 2019 and 2018 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, 2019, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Fair Value Measurements at December 31, 2019 Using:			
	Quoted Prices in			
	Active Markets for	Significant Other	Significant	
	Identical Assets	Observable Inputs	Unobservable Inputs	
	(Level 1)	(Level 2)	(Level 3)	
Equities/Mutual funds	\$ 1,292,057	\$ 1,292,057	\$ -	\$ -
Museum Collection	1,358,917	-	-	1,358,917
	<u>\$ 2,650,974</u>	<u>\$ 1,292,057</u>	<u>\$ -</u>	<u>\$ 1,358,917</u>

The following table summarizes significant assets measured at fair value on a recurring basis as of December 31, 2018, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Fair Value Measurements at December 31, 2018 Using:			
	Quoted Prices in			
	Active Markets for	Significant Other	Significant	
	Identical Assets	Observable Inputs	Unobservable Inputs	
	(Level 1)	(Level 2)	(Level 3)	
Equities/Mutual funds	\$ 968,114	\$ 968,114	\$ -	\$ -
Museum Collection	1,225,542	-	-	1,225,542
	<u>\$ 2,193,656</u>	<u>\$ 968,114</u>	<u>\$ -</u>	<u>\$ 1,225,542</u>

NOTE 4 – 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 40,801	\$ 37,455
Realized and unrealized gains (losses)	<u>228,180</u>	<u>(89,727)</u>
Total investment return	<u>\$ 268,981</u>	<u>\$ (52,272)</u>

NOTE 5 – 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.

Endowment net asset composition by type of funds at December 31, 2019:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 669,896	\$ 669,896
Board-designated endowment funds	438,485	-	-	438,485
Total Funds	<u>\$ 438,485</u>	<u>\$ -</u>	<u>\$ 669,896</u>	<u>\$ 1,108,381</u>

Endowment net asset composition by type of funds at December 31, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 16,000	\$ 562,396	\$ 578,396
Board-designated endowment funds	216,841	-	-	216,841
Total Funds	\$ 216,841	\$ 16,000	\$ 562,396	\$ 795,237

NOTE 6 – Net Assets with Donor Restrictions:

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

	2019	2018
Acquisitions	\$ 1,835	\$ 2,782
Alexanders art lecture fund	-	1,238
Cultural fund	613	613
Flower fund	18,533	19,105
Exhibits fund	15,212	21,480
Executive director discretionary fund	1,218	1,571
Building fund	1,625	1,625
Education fund	18,035	2,729
Miscellaneous restricted funds	12,350	33,800
Programming fund	2,617	2,361
Capital campaign	-	-
Curator's discretionary fund	2,251	2,560
Donations for admissions	-	2,553
Professional development	820	1,950
Museum collection	1,358,917	1,225,542
Endowment fund	669,896	562,396
	\$ 2,103,922	\$ 1,882,305

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 \$107,500 and \$258,695 for the years ended 2019 and 2018, respectively. Total assets carrying permanent restrictions were \$669,896 at December 31, 2019 and \$562,396 at December 31, 2018.

NOTE 7 – Fixed Assets:

A detail of the fixed assets at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Building	\$ 6,897,578	\$ 6,874,578
Chestnut Street Paving	20,792	20,792
Computer and Office Equipment	95,927	95,927
Furniture & Fixtures	<u>286,353</u>	<u>282,094</u>
	7,300,650	7,273,391
Less accumulated depreciation	<u>1,763,195</u>	<u>1,576,352</u>
Total fixed assets, net	<u>\$ 5,537,455</u>	<u>\$ 5,697,039</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$186,845 and \$191,448, 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 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, 2019, The Organization's deposit accounts had a carrying amount of \$235,979 and a bank balance of \$234,728. At December 31, 2018, The Organization's deposit accounts had a carrying amount of \$187,003 and a bank balance of \$182,694. All of the bank balance was insured by the Federal Deposit Insurance Corporation for both periods.

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>2019</u>	<u>2018</u>
Financial assets at year-end	\$ 1,570,586	\$ 1,187,320
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted to maintain as an endowment	669,896	562,396
Donor-restricted for other program services	1,434,026	1,319,909
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 900,690</u>	<u>\$ 624,924</u>

NOTE 10 – Subsequent Events:

Management has evaluated subsequent events through March 6, 2020 – the date the financial statements were available to be issued.