

Marin Art and Garden Center  
Financial Statements  
Year ended December 31, 2020  
with  
Report of Independent Auditors



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## Report of Independent Auditors

Board of Trustees  
Marin Art and Garden Center

We have audited the accompanying financial statements of the Marin Art and Garden Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statement of activities and changes in net assets, functional expenses and cash flows for the year 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 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 opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marin Art and Garden Center as of December 31, 2020, 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 the financial statements of the Marin Art and Garden Center as of and for the year ended December 31, 2019 and, in our report dated July 30, 2020, we expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which the management of the Marin Art and Garden Center derived it.

WMB<sup>2</sup>, LLP  
WMB<sup>2</sup>, LLP  
Larkspur, California  
June 8, 2021

**MARIN ART AND GARDEN CENTER  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020 AND 2019**

	<b>Assets</b>	
	<u>2020</u>	<u>2019</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 427,439	\$ 478,321
Short-term investments	348,849	287,706
Accounts receivable:	20,000	270
Inventory	<u>3,899</u>	<u>-</u>
Total current assets	800,187	766,297
<b>Property and equipment</b>		
Property, plant and equipment, net of accumulated depreciation of \$1,658,511 and \$1,594,523 in 2020 and 2019	1,290,304	1,300,517
<b>Long-term investments</b>	<u>1,289,284</u>	<u>1,217,248</u>
Total noncurrent assets	<u>2,579,588</u>	<u>2,517,765</u>
<b>Total assets</b>	<u><u>\$ 3,379,775</u></u>	<u><u>\$ 3,284,062</u></u>
	<b>Liabilities and Net assets</b>	
<b>Current liabilities</b>		
Accounts payable	\$ 31,333	\$ 33,682
Accrued expenses	37,184	45,287
Accrued commissions	-	17,960
Deferred revenue	222,075	313,280
Fiscal agency liability	-	22,018
Grant advance - Paycheck Protection Program	<u>147,702</u>	<u>-</u>
Total current liabilities	438,294	432,227
<b>Noncurrent liabilities</b>		
Note payable - Economic Injury Disaster Loan	149,900	-
Rental deposits	<u>6,700</u>	<u>7,100</u>
Total noncurrent liabilities	<u>156,600</u>	<u>7,100</u>
<b>Total liabilities</b>	<u>594,894</u>	<u>439,327</u>
<b>Net assets</b>		
Without donor restrictions	2,517,729	2,606,037
With donor restrictions	<u>267,152</u>	<u>238,698</u>
Total net assets	<u>2,784,881</u>	<u>2,844,735</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 3,379,775</u></u>	<u><u>\$ 3,284,062</u></u>

See accompanying notes.

**MARIN ART AND GARDEN CENTER  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
AND COMPARATIVE TOTALS FOR 2019**

	Without donor restrictions	With donor restrictions	2020 Totals	2019 Totals only
<b>Revenue and support</b>				
Contributions	\$ 592,614	\$ 61,050	\$ 653,664	\$ 323,986
Short-term rentals	87,701	-	87,701	604,778
Long-term rentals	149,137	-	149,137	215,263
Preschool tuition	161,962	-	161,962	353,725
Other program fees	15,955	-	15,955	66,205
Expense reimbursements	17,092	-	17,092	31,925
Net investment return	104,326	-	104,326	239,045
Special events, net	89,355	-	89,355	66,590
Shop sales, net of cost of sales of \$9,535	7,327	-	7,327	-
Other income	2,511	-	2,511	2,850
Net assets released from restrictions	32,596	(32,596)	-	-
<b>Total support and other revenue</b>	<b>1,260,576</b>	<b>28,454</b>	<b>1,289,030</b>	<b>1,904,368</b>
<b>Expenses</b>				
Program services	796,924	-	796,924	1,137,114
Management and general	378,305	-	378,305	351,041
Fundraising	109,667	-	109,667	138,360
<b>Total expenses</b>	<b>1,284,896</b>	<b>-</b>	<b>1,284,896</b>	<b>1,626,515</b>
Change in net assets before depreciation	(24,320)	28,454	4,134	277,853
Depreciation expense	63,988	-	63,988	63,212
<b>Change in net assets</b>	<b>(88,308)</b>	<b>28,454</b>	<b>(59,854)</b>	<b>214,641</b>
<b>Net assets, beginning of year</b>	<b>2,606,037</b>	<b>238,698</b>	<b>2,844,735</b>	<b>2,630,094</b>
<b>Net assets, end of year</b>	<b>\$ 2,517,729</b>	<b>\$ 267,152</b>	<b>\$ 2,784,881</b>	<b>\$ 2,844,735</b>

See accompanying notes.

**MARIN ART AND GARDEN CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
AND COMPARATIVE TOTALS FOR 2019**

	Program Services	Management and General	Fundraising	2020 Totals	2019 Totals only
Salaries	\$ 378,136	\$ 200,879	\$ 63,254	\$ 642,269	\$ 767,125
Payroll taxes	34,589	16,292	4,663	55,544	64,476
Employee benefits	16,432	8,730	2,749	27,911	33,371
Bank fees	-	17,606	-	17,606	27,988
Donation	5,213	-	-	5,213	-
Facility maintenance	117,438	-	574	118,012	177,243
Information technology	289	5,554	-	5,843	6,110
Insurance	73,262	2,878	-	76,140	77,077
Marketing and promotion	28,294	584	5,012	33,890	15,929
Other	4,218	937	75	5,230	6,246
Professional fees	43,286	112,500	15,687	171,473	275,925
Property taxes	38,311	-	-	38,311	36,467
Supplies	10,817	8,315	5,653	24,785	54,284
Travel and entertainment	1,927	2,030	11,000	14,957	26,032
Utilities	44,712	2,000	1,000	47,712	58,240
	<u>\$ 796,924</u>	<u>\$ 378,305</u>	<u>\$ 109,667</u>	<u>\$ 1,284,896</u>	<u>\$ 1,626,515</u>

See accompanying notes.

**MARIN ART AND GARDEN CENTER  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (59,854)	\$ 214,641
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation expense	63,988	63,212
Unrealized gain on investments	(125,588)	(164,882)
Realized loss (gain) on investments	41,502	(33,410)
(Increase) decrease in assets:		
Accounts receivable	(19,730)	(270)
Inventory	(3,899)	-
Increase (decrease) in liabilities:		
Accounts payable	(2,349)	(22,467)
Accrued expenses	(8,103)	854
Accrued commissions	(17,960)	(291)
Deferred revenue	(91,205)	30,585
Fiscal agency liability	(22,018)	(4,403)
Grant advance - Paycheck Protection Program	147,702	-
<b>Net cash (used) provided by operating activities</b>	(97,514)	83,569
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(53,775)	(48,359)
Purchases of short-term investments	(63,871)	(87,317)
Proceeds from sale of short-term investments	-	7,728
Purchases of long-term investments	(1,056,182)	(642,179)
Proceeds from sale of long-term investments	1,071,199	648,176
Interest and dividend reinvested	(239)	(45,401)
Change in rental deposits	(400)	-
<b>Net cash used for investing activities</b>	(103,268)	(167,352)
<b>Cash flows from financing activities</b>		
Proceeds from note payable - Economic Injury Disaster Loan	149,900	-
<b>Net cash provided by financing activities</b>	149,900	-
<b>Net decrease in cash and cash equivalents</b>	(50,882)	(83,783)
<b>Cash and cash equivalents, beginning of year</b>	478,321	562,104
<b>Cash and cash equivalents, end of year</b>	\$ 427,439	\$ 478,321

See accompanying notes.

Marin Art and Garden Center  
Notes to Financial Statements  
December 31, 2020

Note 1 – Description of operations

Organization

The Marin Art and Garden Center (MAGC), is a nonprofit corporation organized under the laws of the State of California. MAGC consists of eleven acres of gardens that include ancient trees, rolling lawns, a butterfly habitat and herb and native plant gardens and facilities that serve as a venue for educational programs for all ages including classes for the home gardener, art, theater, and dance. MAGC was established in 1945 and its facilities are located in Ross, California. In addition, MAGC operates a licensed preschool (Garden School).

Note 2 - Summary of significant accounting policies

Basis of accounting

MAGC prepares its financial statements using accounting principles generally accepted in the United States of America (US-GAAP). MAGC recognizes contributions when promised, revenue when earned and expenses when incurring the related obligation.

Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets 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 (or certain grantor) restrictions.

*Net assets with donor restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.



Marin Art and Garden Center  
Notes to Financial Statements  
December 31, 2020

Note 2 - Summary of significant accounting policies (continued)

Fair value

MAGC uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets. Level 3 inputs consist of unobservable inputs that reflect internal judgments and have the lowest priority.

MAGC uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, MAGC measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. MAGC only uses Level 3 inputs when Level 1 or Level 2 inputs are not available.

Cash and cash equivalents

Cash and cash equivalents consist of amounts on hand and on deposit with a commercial bank, available within 90 days of demand.

Investments

Investments include debt securities, exchange traded funds, money market funds, and cash held for investment purposes. MAGC reports the fair value of investments in money market funds, exchange traded funds and debt securities with readily determinable fair values. MAGC reports all other investments at cost. Net investment return consists of interest, dividends, gain or loss on the sale of investments, and appreciation or depreciation of holding investments, net of investment management fees. MAGC recognizes net investment return when earned.

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Notes to Financial Statements  
December 31, 2020

Note 2 - Summary of significant accounting policies (continued)

Allowance for uncollectible receivables

MAGC uses the allowance method to account for uncollectible receivables. Under this method, MAGC reviews all receivables for any problems with collectability. If MAGC feels that there may be a problem with collections, an allowance is provided for the receivable. When attempts to collect a specific receivable are unsuccessful, the account is considered uncollectible and is written off against the allowance. As of December 31, 2020, the management of MAGC concluded that an allowance for doubtful accounts was not material to the financial position of MAGC.

Property and equipment

MAGC records purchased property and equipment at acquisition cost. Donated land and facilities are valued at the estimated fair value at the time of receipt. MAGC records depreciation using the straight-line method over estimated useful lives of from five to thirty-nine years. MAGC generally capitalizes outlays of \$5,000 and above. Amounts expended for maintenance and repairs that do not improve or extend the lives of the respective assets are recorded as expenses.

Inventory

Inventory consists of products such as educational books, toys, crafts, and other items used for the house and garden. Inventory is valued at the lower of cost or net realizable value. MAGC utilizes the first in, first out method of inventory valuation.

Deferred revenue

Deferred revenue consists principally of Garden School tuition and short-term rental income received in advance.

Revenue

MAGC earns revenue from its various educational programs, including the Garden School. MAGC recognizes program revenue when the related program occurs.

MAGC recognizes revenue from the Shop upon sale of the merchandise. Estimated returns are not material.

Marin Art and Garden Center  
Notes to Financial Statements  
December 31, 2020

Note 2 - Summary of significant accounting policies (continued)

Revenue (continued)

For long-term rental, MAGC recognizes revenue when due under the related lease agreements, instead of on the straight-line rent method as it would be required by US-GAAP. The difference is not material to the financial position of MAGC. In addition, tenants are required to reimburse MAGC for their share of operating expenses, including common area maintenance, insurance and other direct expenses. Tenants are billed for their share of operating expenses in accordance with their respective lease agreements. MAGC recognizes expense reimbursement revenue when earned.

For short-term rental, MAGC recognizes revenue when the event takes place. Rental payments received prior to the event are included in deferred revenue.

Special events

Special events revenue, net of direct donor benefit costs, is recognized when the fundraising event takes place.

Contributed goods and services

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized when received if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not donated. MAGC makes significant use of the services of volunteers; however, these services do not meet the criteria for valuation and recordation.

Income taxes

The Internal Revenue Service (IRS) and State of California Franchise Tax Board approved MAGC as exempt from federal income tax under the Internal Revenue Code (IRC) and from California bank and corporation taxes under the California Revenue and Taxation Code. In addition, the IRS approved MAGC to receive contributions that qualify for the charitable contribution deduction under the IRC and as a publicly supported organization as described in the IRC. Accordingly, donors are entitled to the maximum charitable contribution deduction allowed by

Marin Art and Garden Center  
Notes to Financial Statements  
December 31, 2020

Note 2 - Summary of significant accounting policies (continued)

Income taxes (continued)

law. Management of MAGC concluded that no activities of MAGC jeopardized its exemption from income taxes, its classification as a “public charity” or subjected MAGC to taxes on unrelated business income. Consequently, MAGC did not provide for any income taxes.

The management of MAGC is required to report information regarding its exposure to various tax positions taken by MAGC and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold. Management believes that MAGC has adequately addressed all tax positions and that there are no unrecorded tax liabilities. Tax years 2018 to 2020 are open for examination by the Internal Revenue Service and years 2017 to 2020 by the California Franchise Tax Board.

Use of estimates

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

Functional expenses

MAGC summarizes the costs of providing the various programs and other activities on a functional basis in the accompanying statement of activities and changes in net assets and in the statement of functional expenses. Accordingly, MAGC allocates certain costs among the programs and supporting services based on estimates of time and usage. MAGC evaluates and updates those estimates as needed.

Prior year totals

The columns on the accompanying financial statements captioned 2019 totals represent certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity US-GAAP. Accordingly, such information should be read in conjunction with MAGC’s financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Marin Art and Garden Center  
Notes to Financial Statements  
December 31, 2020

Note 2 - Summary of significant accounting policies (continued)

Prior year totals

MAGC has reclassified certain prior year amounts to conform to the current year presentation.

Note 3 – Property and equipment

As of December 31, 2020, property and equipment net of accumulated depreciation total as follows:

Property and equipment, at cost	
Land	\$ 77,485
Building and improvements	2,573,899
Furniture and equipment	282,617
Construction in progress	14,814
	2,948,815
Accumulated depreciation	(1,658,511)
Property and equipment, net	\$ 1,290,304

Note 4 – Investments

As of December 31, 2020, investments total as follows:

<u>Class and type</u>	<u>Short-term investments</u>	<u>Long-term investments</u>	<u>Totals</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 277,532	\$ 12,456	\$ 289,988	\$ -	\$ -
Money market funds	71,317	-	71,317	71,317	-
Exchange traded funds	-	931,829	931,829	931,829	-
Debt securities					
US-Treasury bill		344,999	344,999	-	344,999
			344,999		
Total	\$ 348,849	\$ 1,289,284	\$ 1,638,133	\$ 1,003,146	\$ 344,999

Marin Art and Garden Center  
Notes to Financial Statements  
December 31, 2020

Note 4 – Investments (continued)

During the year ended December 31, 2020, MAGC did not transfer any investments among the different fair value input levels.

During the year ended December 31, 2020, net investment return totals as follows:

Interest	\$ 2,894
Dividends	22,523
Realized loss	(41,502)
Unrealized appreciation	125,588
Fees and charges	<u>(5,177)</u>
Total	<u>\$ 104,326</u>

Note 5 – Grant advance - Paycheck Protection Program

MAGC was granted a \$147,702 loan under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. MAGC is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. MAGC has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if MAGC maintains employment levels during its 24-week covered period and uses the funds for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended December 31, 2020. Payments of principal and interest were deferred for the first six months of the loan. MAGC was required to repay any remaining balance, plus interest accrued at 1% per annum in monthly payments beginning on October 16, 2020. Principal and interest payments were required through the maturity date, April 16, 2022. On April 16, 2021, MAGC was legally released from the loan obligation by the SBA.

Marin Art and Garden Center  
Notes to Financial Statements  
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Note 6 – Note payable – Economic Injury Disaster Loan

On July 14, 2020, MAGC received loan proceeds in the amount of \$150,000 from the Small Business Administration (SBA) Economic Injury Disaster Loan (EIDL) program. The proceeds of the loan are solely for working capital to alleviate economic injury caused by the Covid 19 virus. The loan is secured by MAGC's assets. The note bears interest at 2.75% and requires monthly payment of \$641 including principal and interest. Payments are deferred for the first twenty four months (originally twelve months) of the loan from the date of the note. The loan matures May 18, 2050.

Annual maturities based on the above terms are as follows for the years ended December 31:

2021	\$ -
2022	2,106
2023	3,690
2024	3,793
2025	3,899
Thereafter	<u>136,412</u>
	149,900
Less amount due within one year	<u>-</u>
	<u>\$ 149,900</u>

Note 7 – Net assets without donor restrictions

The Board has designated certain amounts of MAGC's net assets as follows:

Designated for Endowment Fund	\$ 1,289,284
Undesignated	<u>1,228,445</u>
Total	<u>\$ 2,517,729</u>

Marin Art and Garden Center  
Notes to Financial Statements  
December 31, 2020

Note 8 – Net assets with donor restrictions

As of and during the year ended December 31, 2020, net assets with donor restrictions reconcile as follows:

Purpose restricted

<u>Activity</u>	<u>2019</u>	<u>Additions</u>	<u>Releases</u>	<u>2020</u>
Capital Campaign	\$ -	\$ 60,000	\$ -	\$ 60,000
Carl Hungerford Lecture Series	82,450	1,050	-	83,500
Livermore Deck Restoration	68,250	-	-	68,250
Master Plan Phases	45,000	-	(18,266)	26,734
Tree Care	29,038	-	(14,330)	14,708
	224,738	61,050	(32,596)	253,192
<u>Perpetual in nature</u>	<u>13,960</u>	<u>-</u>	<u>-</u>	<u>13,960</u>
Total	<u>\$238,698</u>	<u>\$ 61,050</u>	<u>\$(32,596)</u>	<u>\$267,152</u>

Note 9 – Endowment Funds

Endowment funds consist of several individual funds established for a variety of purposes. Endowment funds include both donor-restricted funds that MAGC must hold in perpetuity or for a donor-specified period and board-designated funds.

MAGC is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, therefore, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions until the Board appropriates amounts for expenditure and any purpose restrictions have been met. MAGC's board has interpreted SPMIFA as requiring the maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, MAGC would consider the fund to be underwater if



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Notes to Financial Statements  
December 31, 2020

Note 9 – Endowment Funds (continued)

the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. MAGC has interpreted SPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The fund is not currently underwater.

In accordance with SPMIFA, MAGC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the funds
2. The purposes of MAGC and the endowment funds
3. General economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of MAGC
7. The investment policy of MAGC

MAGC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. The investment policy of MAGC is to preserve and protect assets of the organization while earning an appropriate rate of return of each

category of assets. The goals that will govern MAGC's investment activities are, in order of priority:

1. Safety and preservation of principal
2. Liquidity of investments sufficient to meet cash flow requirements
3. To maximize return on investments while meeting objectives 1 and 2 above

Board designated endowment funds are subject to redesignations at any time, including redesignations as other than endowment funds.

Marin Art and Garden Center  
Notes to Financial Statements  
December 31, 2020

Note 9 – Endowment Funds (continued)

As of December 31, 2020, endowment funds total as follows:

	Net assets without donor restrictions	Net assets with donor restrictions	Totals
Donor designated	\$ -	\$ 13,960	\$ 13,960
Board designated	<u>1,289,284</u>	<u>-</u>	<u>1,289,284</u>
Total endowment funds	<u>\$ 1,289,284</u>	<u>\$ 13,960</u>	<u>\$ 1,303,244</u>

The composition of endowment net assets and the changes in endowment net assets as of December 31, 2020, are as follows:

	Net assets without donor restrictions	Net assets with donor restrictions	Totals
Endowment net assets, December 31, 2019	\$ 1,217,248	\$ 13,960	\$ 1,231,208
Contributions	5,505	-	5,505
Net investment return	97,925	-	97,925
Appropriations for expenditure	(44,940)	-	(44,940)
Board designations	<u>13,546</u>	<u>-</u>	<u>13,546</u>
Endowment net assets, December 31, 2020	<u>\$ 1,289,284</u>	<u>\$ 13,960</u>	<u>\$ 1,303,244</u>

Note 10 – Liquidity and availability of financial assets

The following reflect MAGC's financial statements as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts available include donor restricted amounts that

Marin Art and Garden Center  
Notes to Financial Statements  
December 31, 2020

Note 10 – Liquidity and availability of financial assets (continued)

are available for general expenditure in the following year. Amounts not available include amounts set aside as an endowment, for special projects and capital improvements that could be drawn upon if the Board of directors approves that action.

Financial assets, at year-end:

Cash and cash equivalents	\$ 427,439
Investments	1,638,133
Accounts receivable	<u>20,000</u>
	2,085,572
Less those unavailable for general expenditures within one year, due to:	
Donor restricted to maintain as an endowment	13,960
Board designated to maintain as an endowment	1,289,284
Board designated for capital campaign	<u>60,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 722,328</u></u>

Note 11 – Rental income

MAGC rents certain of its facilities on a short-term or daily use basis or under long-term arrangements with terms of up to five years. Long-term arrangements may include an option to renew for five additional years. Under the terms of the operating leases, MAGC expects to receive minimum rental payments during the years ending December 31, totaling as follows:

2021	\$ 122,812
2022	<u>29,520</u>
Total future minimum rental payments receivable	<u><u>\$ 152,332</u></u>

Marin Art and Garden Center  
Notes to Financial Statements  
December 31, 2020

Note 11 – Rental income (continued)

Operating leases also require additional payments for each tenant's proportionate share of certain building operating expenses. Operating leases expire variously through June 30, 2022.

Note 12 – Special events

Special events net revenue for the year ended December 31, 2020, consists of the following:

	<u>Harvest dinner</u>
Support and revenue	\$ 91,185
Direct donor benefit costs	<u>1,830</u>
Net	<u><u>\$ 89,355</u></u>

Note 13 – Retirement plan

Effective January 1, 2016, MAGC adopted a qualified 403(b) retirement plan (Plan) and eligible employees may elect to defer a portion of their annual compensation, up to the maximum allowed by the Internal Revenue Service. The Plan provides for discretionary matching contributions determined annually by the Board. Employees eligible for the match vest immediately for the match. During the year ended December 31, 2020, MAGC did not make a contribution to the 403(b) plan.

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Note 14 – Concentrations, contingencies, credit and market risk

Cash and cash equivalents held by commercial banks exceeded federal deposit insurance limits at various times during the year ended December 31, 2020.

One investment firm holds all the investments of MAGC and makes investment decisions for MAGC, based on investment policies approved by the board of directors of MAGC.

Investments held by the investment firm exceeded Securities Investor Protection Corporation at various times during the year ended December 31, 2020.

Investments are subject to credit, interest rate and market risks. Credit risk is the probability that parties holding or supporting an investment will default or otherwise fail to perform. Interest rate risk is the risk that interest rates in the market will change relative to the interest rates earned on MAGC investments. Market risk is the inherent change in the fair value of an investment due to changes in conditions. MAGC manages risk to its investments by periodically reviewing investments for compliance with their investment policy and investment returns for comparability to the general market and specific investment class returns.

In the normal course of its business, MAGC enters into leases with tenants where it is exposed to potential loss due to changes in economic conditions (market risk) or failure of the other party to perform (credit risk). The policy of MAGC is to continuously monitor its exposure to market and credit risk using a variety of reporting and control procedures. In addition, MAGC reviews the credit standing of each tenant and retains a security deposit. Historical losses have not been material to the financial position of MAGC.

MAGC receives certain support and revenue that may be subject to audit or review by the donors. The management of MAGC concluded that MAGC complied with all aspects of related grant provisions and that disallowed costs, if any, would be immaterial to the financial position of MAGC.

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Note 14 – Concentrations, contingencies, credit and market risk

MAGC has been advised that it will be the recipient of proceeds from an estate. The amount has not been accurately determined or received as of December 31, 2020. MAGC has been led to believe that MAGC could receive approximately \$2,000,000. This amount has not been included in the accompanying financial statements and will not be included until received.

Note 15 – Subsequent events

MAGC evaluated subsequent events for recognition and disclosure through June 8, 2021, the date which these financial statements were available to be issued.

On February 1, 2021, MAGC received additional loan proceeds in the amount of \$147,702 under the Paycheck Protection Program (PPP). MAGC intends to use the proceeds for purposes consistent with the PPP.

Note 16 – COVID -19 pandemic response

On March 16, 2020, Marin County instituted a Shelter at Home order. Most MAGC staff began working from home, and all in-person programs were suspended. MAGC is heavily dependent on rental income from both short-term and long-term rentals. Developments such as physical distancing and shelter-in-place directives impacted MAGC's ability to hold previously scheduled events, and demand for MAGC's venues greatly decreased. Some of MAGC's long-term tenants did not renew leases or ceased operations, reducing the rent collected from tenants. The Garden School also did not re-open in the fall of 2020 due to the impact of the pandemic, and it remains closed, although it is expected to reopen for the fall of 2021. Some staff members were furloughed, and most other staff had their wages reduced.