

Marin Art and Garden Center
Financial Statements
Year ended December 31, 2021
with
Report of Independent Auditors



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Report of Independent Auditors

Board of Trustees
Marin Art and Garden Center

Opinion

We have audited the accompanying financial statements of Marin Art and Garden Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marin Art and Garden Center 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Marin Art and Garden Center 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 opinion.

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 Marin Art and Garden Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 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, 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 Marin Art and Garden Center'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 Marin Art and Garden Center'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.

Report on Summarized Comparative Information

We have previously audited Marin Art and Garden Center's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 8, 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.

WMB², LLP

WMB², LLP
Larkspur, California
February 13, 2023

**MARIN ART AND GARDEN CENTER
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

Assets	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 438,093	\$ 427,439
Short-term investments	360,522	348,849
Accounts receivable	270	-
Contributions receivable short-term	25,000	20,000
Inventory	<u>7,115</u>	<u>3,899</u>
Total current assets	831,000	800,187
Noncurrent assets		
Property and equipment, net of accumulated depreciation of \$1,722,587 and \$1,658,511 in 2021 and 2020	1,249,391	1,290,304
Contributions receivable long-term	46,726	-
Long-term investments	<u>4,418,407</u>	<u>1,289,284</u>
Total noncurrent assets	<u>5,714,524</u>	<u>2,579,588</u>
Total assets	<u><u>\$ 6,545,524</u></u>	<u><u>\$ 3,379,775</u></u>
Liabilities and Net assets		
Current liabilities		
Accounts payable	\$ 56,211	\$ 31,333
Accrued expenses	37,978	37,184
Accrued interest	8,272	-
Deferred revenue	256,797	222,075
Grant advance - Paycheck Protection Program	-	147,702
Current portion of note payable Economic Injury Disaster Loan	<u>1,778</u>	<u>-</u>
Total current liabilities	361,036	438,294
Noncurrent liabilities		
Note payable - Economic Injury Disaster Loan	498,122	149,900
Rental deposits	<u>4,700</u>	<u>6,700</u>
Total noncurrent liabilities	<u>502,822</u>	<u>156,600</u>
Total liabilities	<u>863,858</u>	<u>594,894</u>
Net assets		
Without donor restrictions	4,927,388	2,517,729
With donor restrictions	<u>754,278</u>	<u>267,152</u>
Total net assets	<u>5,681,666</u>	<u>2,784,881</u>
Total liabilities and net assets	<u><u>\$ 6,545,524</u></u>	<u><u>\$ 3,379,775</u></u>

See accompanying notes.

**MARIN ART AND GARDEN CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
AND COMPARATIVE TOTALS FOR 2020**

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2021 Totals</u>	<u>2020 Totals only</u>
Revenue and support				
Contributions	\$ 2,519,102	\$ 525,000	\$ 3,044,102	\$ 653,664
Paycheck Protection Program grant	295,405	-	295,405	-
Short-term rentals	385,670	-	385,670	87,701
Long-term rentals	139,511	-	139,511	149,137
Preschool tuition	209,397	-	209,397	161,962
Other program fees	41,913	-	41,913	15,955
Expense reimbursements	8,936	-	8,936	17,092
Net investment return	309,694	-	309,694	104,326
Special events, net	83,603	-	83,603	89,355
Shop sales, net of cost of sales of \$16,899	20,923	-	20,923	7,327
Other income	7,236	-	7,236	2,511
Net assets released from restrictions	<u>37,874</u>	<u>(37,874)</u>	<u>-</u>	<u>-</u>
Total revenue and support	4,059,264	487,126	4,546,390	1,289,030
Expenses				
Program services	1,060,391	-	1,060,391	796,924
Management and general	377,833	-	377,833	378,305
Fundraising	<u>147,305</u>	<u>-</u>	<u>147,305</u>	<u>109,667</u>
Total expenses	<u>1,585,529</u>	<u>-</u>	<u>1,585,529</u>	<u>1,284,896</u>
Change in net assets before depreciation	2,473,735	487,126	2,960,861	4,134
Depreciation expense	<u>64,076</u>	<u>-</u>	<u>64,076</u>	<u>63,988</u>
Change in net assets	<u>2,409,659</u>	<u>487,126</u>	<u>2,896,785</u>	<u>(59,854)</u>
Net assets, beginning of year	<u>2,517,729</u>	<u>267,152</u>	<u>2,784,881</u>	<u>2,844,735</u>
Net assets, end of year	<u>\$ 4,927,388</u>	<u>\$ 754,278</u>	<u>\$ 5,681,666</u>	<u>\$ 2,784,881</u>

See accompanying notes.

**MARIN ART AND GARDEN CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
AND COMPARATIVE TOTALS FOR 2020**

	Program Services	Management and General	Fundraising	2021 Totals	2020 Totals only
Salaries	\$ 498,321	\$ 186,426	\$ 77,106	\$ 761,853	\$ 642,269
Payroll taxes	44,359	15,015	6,472	65,846	55,544
Employee benefits	8,295	3,103	1,283	12,681	27,911
Bank fees	-	34,403	-	34,403	17,606
Donation	-	-	-	-	5,213
Facility maintenance	195,866	577	2,463	198,906	118,012
Information technology	194	12,278	-	12,472	5,843
Insurance	57,969	6,820	3,410	68,199	76,140
Interest expense	-	8,272	-	8,272	-
Marketing and promotion	20,538	8,174	5,041	33,753	33,890
Other	3,248	2,083	-	5,331	5,230
Professional fees	103,462	80,065	38,189	221,716	171,473
Property taxes	42,948	-	-	42,948	38,311
Supplies	30,500	7,472	10,124	48,096	24,785
Travel and entertainment	150	6,564	-	6,714	14,957
Utilities	54,541	6,581	3,217	64,339	47,712
	<u>\$ 1,060,391</u>	<u>\$ 377,833</u>	<u>\$ 147,305</u>	<u>\$ 1,585,529</u>	<u>\$ 1,284,896</u>

See accompanying notes.

**MARIN ART AND GARDEN CENTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 2,896,785	\$ (59,854)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation expense	64,076	63,988
Unrealized loss (gain) on investments	8,514	(125,588)
Realized (gain) loss on investments	(317,450)	41,502
(Increase) decrease in assets:		
Receivables	(51,996)	(19,730)
Inventory	(3,216)	(3,899)
Increase (decrease) in liabilities:		
Accounts payable	24,878	(2,349)
Accrued expenses	794	(8,103)
Accrued interest	8,272	-
Accrued commissions	-	(17,960)
Deferred revenue	34,722	(91,205)
Grant advance - Paycheck Protection Program	(147,702)	147,702
	<u>2,517,677</u>	<u>(97,514)</u>
Net cash provided (used) by operating activities		
Cash flows from investing activities		
Purchases of property and equipment	(23,163)	(53,775)
Purchases of short-term investments	(634)	(63,871)
Proceeds from sale of short-term investments	8,877	-
Purchases of long-term investments	(5,024,826)	(1,056,182)
Proceeds from sale of long-term investments	2,200,426	1,071,199
Interest and dividend reinvested	(15,703)	(239)
Change in rental deposits	(2,000)	(400)
	<u>(2,857,023)</u>	<u>(103,268)</u>
Net cash used for investing activities		
Cash flows from financing activities		
Proceeds from note payable - Economic Injury Disaster Loan	350,000	149,900
	<u>350,000</u>	<u>149,900</u>
Net cash provided by financing activities		
Net increase (decrease) in cash and cash equivalents	10,654	(50,882)
Cash and cash equivalents, beginning of year	<u>427,439</u>	<u>478,321</u>
Cash and cash equivalents, end of year	<u>\$ 438,093</u>	<u>\$ 427,439</u>

See accompanying notes.

Marin Art and Garden Center
Notes to Financial Statements
December 31, 2021

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 are 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, 2021

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 and equity securities, mutual funds, money market funds, and cash held for investment purposes. MAGC reports the fair value of investments in debt and equity securities, mutual funds and money market funds, 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.

Marin Art and Garden Center
Notes to Financial Statements
December 31, 2021

Note 2 - Summary of significant accounting policies (continued)

Contributions receivable

Contributions receivable short-term are recorded at net realizable value. Contributions receivable long-term are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities.

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, 2021, 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.

Marin Art and Garden Center
Notes to Financial Statements
December 31, 2021

Note 2 - Summary of significant accounting policies (continued)

Revenue

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

MAGC recognizes tuition from the Garden School during the year in which the related service is provided to students. The performance obligation of delivering educational services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the academic year. Payment for tuition may be required before the start of the academic year. All amounts received prior to the commencement of the academic year, including enrollment deposits, are deferred and fully recognized as revenue within the next fiscal year.

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

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.

Marin Art and Garden Center
Notes to Financial Statements
December 31, 2021

Note 2 - Summary of significant accounting policies (continued)

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 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 2021 are open for examination by the Internal Revenue Service and years 2017 to 2021 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.

Marin Art and Garden Center
Notes to Financial Statements
December 31, 2021

Note 2 - Summary of significant accounting policies (continued)

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 2020 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, 2020, from which the summarized information was derived.

Prior year totals

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

Note 3 – Contributions receivable

As of December 31, 2021, contributions receivable total as follows:

Receivable in less than one year	\$ 25,000
Receivable in one to five years	<u>50,000</u>
	75,000
Less discount to net present value at 2.75%	<u>(3,274)</u>
	<u>\$ 71,726</u>

Marin Art and Garden Center
Notes to Financial Statements
December 31, 2021

Note 4 – Property and equipment

As of December 31, 2021, property and equipment net of accumulated depreciation total as follows:

Property and equipment, at cost	
Land	\$ 77,485
Building and improvements	2,611,876
Furniture and equipment	282,617
	<u>2,971,978</u>
Accumulated depreciation	<u>(1,722,587)</u>
Property and equipment, net	<u>\$ 1,249,391</u>

Note 5 – Investments

As of December 31, 2021, investments total as follows:

Class and type	Short-term investments	Long-term investments	Totals	Level 1	Level 2
Cash and cash equivalents	\$ 202,527	\$ 214,654	\$ 417,181	\$ -	\$ -
Money market funds	157,995	-	157,995	157,995	-
Mutual funds	-	218,499	218,499	218,499	-
Equity securities					
Common stock	-	2,177,660	2,177,660	2,177,660	-
Debt securities					
Corporate bonds	-	407,950	407,950	-	407,950
Certificates of deposit	-	99,658	99,658	-	99,658
US-Treasury bill	-	1,299,986	1,299,986	-	1,299,986
Total	<u>\$ 360,522</u>	<u>\$ 4,418,407</u>	<u>\$ 4,778,929</u>	<u>\$ 2,554,154</u>	<u>\$ 1,807,594</u>

Marin Art and Garden Center
Notes to Financial Statements
December 31, 2021

Note 5 – Investments (continued)

During the year ended December 31, 2021, MAGC did not transfer any investments among the different fair value input levels.

During the year ended December 31, 2021, net investment return totals as follows:

Interest	\$ 3,771
Dividends	11,932
Realized gain	317,450
Unrealized deppreciation	(8,514)
Fees and charges	<u>(14,945)</u>
Total	<u>\$ 309,694</u>

Note 6 – Paycheck Protection Program grant

MAGC was granted two loans under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner. The loans were uncollateralized and fully guaranteed by the Federal government. MAGC was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. MAGC initially recorded the loans as refundable advances and recorded the forgiveness in accordance with guidance for conditional contributions when there was no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions were explicitly waived. Proceeds from the loan were eligible for forgiveness if MAGC maintained employment levels during its 8 or 24-week covered period and used the funds for certain payroll, rent, and utility expenses.

On April 16, 2020, MAGC received loan proceeds of \$147,702 from the first PPP which was recognized as a grant advance at December 31, 2020. During the year ended December 31, 2020, MAGC met the PPP requirements for forgiveness and when the loan was legally released by the SBA on April 15, 2021, MAGC recognized the proceeds as contribution revenue.

Marin Art and Garden Center
Notes to Financial Statements
December 31, 2021

Note 6 – Paycheck Protection Program grant (continued)

On February 2, 2021, MAGC received loan proceeds of \$147,703 from the second PPP which it recognized as a grant advance at the time of receipt. MAGC met the PPP requirements for forgiveness during the year ended December 31, 2021 and when the loan was legally released by the SBA on October 7, 2021, MAGC recognized the proceeds as contribution revenue.

Note 7 – 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. On October 26, 2021, MAGC received an additional \$350,000 from the SBA. The total 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 \$2,196 including principal and interest. Payments are deferred for the first twenty four months of the loan from the date of the original note. The loan matures July 10, 2050.

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

2022	\$ 1,778
2023	15,116
2024	15,814
2025	15,715
2026	15,613
Thereafter	435,864
	499,900
Less amount due within one year	1,778
	\$498,122

Marin Art and Garden Center
Notes to Financial Statements
December 31, 2021

Note 8 – Net assets without donor restrictions

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

Designated for Endowment Fund	\$2,918,287
Designated for Capital Campaign	1,000,120
Undesignated	<u>1,008,981</u>
 Total	 <u><u>\$4,927,388</u></u>

Note 9 – Net assets with donor restrictions

As of and during the year ended December 31, 2021, net assets with donor restrictions reconcile as follows:

<u>Purpose restricted</u>				
Activity	<u>2020</u>	<u>Additions</u>	<u>Releases</u>	<u>2021</u>
Capital Campaign	\$ 60,000	\$500,000	\$ -	\$560,000
Carl Hungerford Lecture Series	83,500	-	-	83,500
Livermore Deck Restoration	68,250	-	-	68,250
Master Plan Phases	26,734	-	(26,734)	-
Tree Care	14,708	25,000	(11,140)	28,568
	<u>253,192</u>	<u>525,000</u>	<u>(37,874)</u>	<u>740,318</u>
 <u>Perpetual in nature</u>	 <u>13,960</u>	 <u>-</u>	 <u>-</u>	 <u>13,960</u>
 Total	 <u><u>\$267,152</u></u>	 <u><u>\$525,000</u></u>	 <u><u>\$(37,874)</u></u>	 <u><u>\$754,278</u></u>

Marin Art and Garden Center
Notes to Financial Statements
December 31, 2021

Note 10 – 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 to the contrary. As a result of this interpretation, MAGC would consider the fund to be underwater if 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 instruments. 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

Marin Art and Garden Center
Notes to Financial Statements
December 31, 2021

Note 10 – Endowment Funds (continued)

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.

As of December 31, 2021, endowment funds total as follows:

	Net assets without donor restrictions	Net assets with donor restrictions	Totals
Donor designated	\$ -	\$ 13,960	\$ 13,960
Board designated	2,918,287	-	2,918,287
Total endowment funds	\$ 2,918,287	\$ 13,960	\$ 2,932,247

The composition of endowment net assets and the changes in endowment net assets as of December 31, 2021 are as follows:

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Note 10 – Endowment Funds (continued)

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions</u>	<u>Totals</u>
Endowment net assets, December 31, 2020	\$ 1,289,284	\$ 13,960	\$ 1,303,244
Contributions	-	-	-
Net investment return	297,906	-	297,906
Appropriations for expenditure	(48,758)	-	(48,758)
Board designations	<u>1,379,855</u>	<u>-</u>	<u>1,379,855</u>
Endowment net assets, December 31, 2021	<u>\$ 2,918,287</u>	<u>\$ 13,960</u>	<u>\$ 2,932,247</u>

Note 11 – 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 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.

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Note 11 – Liquidity and availability of financial assets (continued)

Financial assets, at year-end:

Cash and cash equivalents	\$ 438,093
Investments	4,778,929
Receivables	71,996
	5,289,018

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	2,918,287
Board designated for capital campaign	1,000,120
Donor restricted for capital campaign	560,000
	7,512,367

Financial assets available to meet cash needs
for general expenditures within one year

\$ 796,651

Note 12 – 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:

2022	\$ 124,012
2023	124,822
2024	119,261
2025	97,465
2026	59,452
Subsequent	7,095
	742,067
Total future minimum rental payments receivable	\$ 532,107

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Note 12 – 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 April 4, 2027.

Note 13 – Special events

Special events net revenue for the year ended December 31, 2021 consists of the following:

	<u>Harvest dinner</u>
Support and revenue	\$ 108,734
Direct donor benefit costs	<u>25,131</u>
Net	<u>\$ 83,603</u>

Note 14 – 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, 2021, MAGC contributed \$1,244 to the 403(b) plan.

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Note 15 – 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, 2021.

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, 2021.

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 15 – Concentrations, contingencies, credit and market risk

During the year ended December 31, 2021, MAGC received a one-time unrestricted contribution in the total amount of \$2,030,828 from the settlement of an estate. MAGC designated \$1 million of the total proceeds to the capital campaign and the remaining balance to the board designated endowment fund. In addition, during the year ended December 31, 2021, MAGC received a one-time \$500,000 donor restricted contribution for the capital campaign. Proceeds from these large donations totaled 56% of total revenue and support.

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 during 2020 and 2021. Some of MAGC's long-term tenants did not renew leases or ceased operations, reducing the rent collected from tenants. Some staff members were furloughed, and most other staff had their wages reduced during 2020. In 2021, events resumed with the lifting of health orders in June. Staff wage reductions were restored in June as recovery began. The Garden School preschool re-opened in September 2021.

Note 17 – Subsequent events

MAGC evaluated subsequent events for recognition and disclosure through February 13, 2023, the date which these financial statements were available to be issued. Subsequent to year end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic and the Russia-Ukraine war. MAGC is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. MAGC's financial statements do not include adjustments to fair value that have resulted from these declines.