PORT ANGELES WATERFRONT CENTER
A Washington Non-Profit Corporation

Financial Statements

For the Years Ended December 31, 2021 and 2020

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Aiken & Sanders, Inc PS
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Independent Auditor's Report

To the Board of Directors
Port Angeles Waterfront Center
Port Angeles, WA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Port Angeles Waterfront Center (the Center), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Center as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the Center's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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.

Aiken & Sanders

Aiken & Sanders, Inc., PS
Certified Public Accountants
& Consultants

Montesano, WA

March 22, 2022

Port Angeles Waterfront Center
A Washington Non-Profit Corporation

Statement of Financial Position

As of December 31,	2021	2020
Assets		
Current Assets:		
Cash & cash equivalents	$ 816,155	$ 5,154,221
Accounts receivable	-	39,500
Contributions receivable short term-net	485,123	89,677
Prepaid expense	5,287	3,977
Total Current Assets	**1,306,565**	**5,287,375**
Fixed Assets:		
Construction in process	31,334,295	27,951,818
Land	1,766,324	1,766,324
Total Fixed Assets	**33,100,619**	**29,718,142**
Other Assets:		
Investments	4,305,076	4,054,566
Contributions receivable long term-net	294,413	115,468
Assets restricted for endowment	3,796,079	3,384,654
Total Other Assets	**8,395,568**	**7,554,688**
Total Assets	**$ 42,802,752**	**$ 42,560,205**
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	$ 7,354	$ 2,827,936
Payroll liabilities	12,683	2,387
Lease deposit	228,210	228,210
Total Current Liabilities	**248,247**	**3,058,533**
Long-Term Liabilities:		
Total Long-Term Liabilities	**10,051,638**	**10,051,638**
Net Assets:		
Without donor restrictions:		
Undesignated	27,927,252	25,858,687
Total Net Assets Without Donor Restrictions	**27,927,252**	**25,858,687**
With donor restrictions	4,575,615	3,591,347
Total Net Assets	32,502,867	29,450,034
Total Liabilities and Net Assets	**$ 42,802,752**	**$ 42,560,205**

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

Port Angeles Waterfront Center
A Washington Non-Profit Corporation

Statement of Activities and Changes in Net Assets

For the Year Ended December 31,			**2021**
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Support and Revenue:			
Public support:			
Contributions	$ 2,223,103	$ 961,436	$ 3,184,539
Inkind contributions	72,032	-	72,032
Interest and dividends	53,973	24,147	78,120
Net realized & unrealized gain (loss) on investments	13,148	508,064	521,212
Net assets released from restrictions	509,379	(509,379)	-
Total Support and Revenue	**2,871,635**	**984,268**	**3,855,903**
Expenses:			
Program Services	484,336	-	484,336
Management and General	135,797	-	135,797
Fundraising	182,937	-	182,937
Total Expenses	**803,070**	**-**	**803,070**
Increase (Decrease) in Net Assets	**2,068,565**	**984,268**	**3,052,833**
Net Assets, Beginning of Year	25,858,687	3,591,347	29,450,034
Net Assets, End of Year	**$ 27,927,252**	**$ 4,575,615**	**$ 32,502,867**

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

Port Angeles Waterfront Center
A Washington Non-Profit Corporation

Statement of Activities and Changes in Net Assets

For the Year Ended December 31,			2020
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Support and Revenue:			
Public support:			
Contributions	$ 613,509	$ 76,346	$ 689,855
Inkind contributions	4,874	-	4,874
Grants	2,571,065	-	2,571,065
Interest and dividends	16,372	165,069	181,441
Net realized & unrealized gain (loss) on investments	(34,271)	324,202	289,931
Net assets released from restrictions	14,884,616	(14,884,616)	-
Total Support and Revenue	**18,056,165**	**(14,318,999)**	**3,737,166**
Expenses:			
Program Services	232,041	-	232,041
Management and General	138,705	-	138,705
Fundraising	109,320	-	109,320
Total Expenses	**480,066**	**-**	**480,066**
Increase (Decrease) in Net Assets	**17,576,099**	**(14,318,999)**	**3,257,100**
Net Assets, Beginning of Year	8,282,588	17,910,346	26,192,934
Net Assets, End of Year	**$ 25,858,687**	**$ 3,591,347**	**$ 29,450,034**

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

Port Angeles Waterfront Center

A Washington Non-Profit Corporation

Statement of Functional Expenses

For the Year Ended December 31, 2021

	Program Services	Management & General	Fundraising	Total
Salaries and wages	$ 120,241	$ 14,607	$ 56,206	$ 191,054
Payroll tax expense	8,918	1,083	4,170	14,171
Employee benefits	15,772	1,916	7,374	25,062
Licenses & fees	-	3,843	-	3,843
Dues & subscriptions	-	3,475	-	3,475
Professional fees	-	86,785	75,775	162,560
Inkind expense	71,000	2,032	-	73,032
Insurance	-	5,634	-	5,634
Occupancy	26,282	3,189	12,290	41,761
Travel and events	32,543	3,952	15,210	51,705
Office expense	-	2,344	3,148	5,492
Bank fees	-	1,643	353	1,996
Advertising and promotion	-	5,293	8,412	13,705
Property tax	1,508	-	-	1,508
Interest expense	200,000	-	-	200,000
Printing and postage	8,072	-	-	8,072
Total	**$ 484,336**	**$ 135,797**	**$ 182,937**	**$ 803,070**

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

Port Angeles Waterfront Center
A Washington Non-Profit Corporation

Statement of Functional Expenses

For the Year Ended December 31, 2020

	Program Services	Management & General	Fundraising	Total
Salaries and wages	$ 86,302	$ 10,484	$ 40,342	$ 137,128
Payroll tax expense	7,469	907	3,492	11,868
Employee benefits	12,495	1,518	5,841	19,854
Licenses & Fees	-	3,970	-	3,970
Dues & subscriptions	-	3,826	-	3,826
Professional fees	-	106,281	-	106,281
Insurance	3,785	459	1,770	6,014
Occupancy	20,483	2,487	9,573	32,543
Travel and events	-	2,361	24,783	27,144
Office expense	-	5,396	-	5,396
Bank fees	-	316	-	316
Advertising and promotion	-	-	16,222	16,222
Property tax	1,508	-	-	1,508
Interest expense	100,000	-	-	100,000
Printing and postage	-	699	7,297	7,996
Total	**$ 232,041**	**$ 138,705**	**$ 109,320**	**$ 480,066**

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

Port Angeles Waterfront Center
A Washington Non-Profit Corporation

Statement of Cash Flows

For the Years Ended December 31,		2021		2020
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in Net Assets	$	3,052,833	$	3,257,100
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:				
(Gain) loss on investments		(521,212)		(289,931)
(Increase) Decrease in contributions and accounts receivable		(534,891)		57,372
(Increase) Decrease in prepaid expense		(1,310)		12,926
Increase (Decrease) in accounts payable		(2,820,582)		1,974,313
Increase (Decrease) in payroll liabilities		10,296		2,387
Increase (Decrease) in lease deposits		-		-
Net Cash Provided (Used) by Operating Activities		**(814,866)**		**5,014,167**
CASH FLOWS FROM INVESTING ACTIVITIES:				
Construction in process additions		(3,389,877)		(20,399,484)
Cash received from investments		2,366,334		11,907,153
Cash paid for investments		(2,499,657)		(1,449,273)
Net Cash Provided (Used) By Investing Activities		**(3,523,200)**		**(9,941,604)**
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash received from loans		-		10,051,638
Net Cash Provided (Used) By Financing Activities		**-**		**10,051,638**
Net Increase (Decrease) in Cash		(4,338,066)		5,124,201
Cash, Beginning of Year		5,154,221		30,020
Cash, End of Year	**$**	**816,155**	**$**	**5,154,221**
Cash Paid For Interest	**$**	**200,000**	**$**	**100,000**

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

A. PURPOSE OF THE CENTER:

Organization's purpose--
The Port Angeles Waterfront Center (the Center) is a non-profit corporation established for the purpose of designing, constructing, and operating a performing and fine arts center in Port Angeles, Washington.

The Center was formed in response to an estate bequest from a local resident that was restricted to purpose for the building of a performing arts and conference center. The bequest was initially gifted to the Peninsula College Foundation who, in collaboration with local arts groups, determined that a separate entity would be best suited to develop and operate the facility. The Center was incorporated on June 20, 2016 and the bequest principal was transferred to the Center in 2017.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of accounting--
The Center's policy is to prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation--
The Center follows accounting prescribed by the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958 Not-for Profit Entities. Under ASC 958, the Center is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions, and without donor restrictions.

With Donor Restrictions: Net assets that result from contributions whose use by the Center is restricted by donor imposed stipulations that may expire with the passage of time or can be fulfilled or otherwise removed by actions of the Center.

Without Donor Restrictions: Net assets that are not restricted by donor stipulation.

Gifts of goods and equipment are reported as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used.

Estimates--
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income tax--
The Center is a tax exempt non-profit organization under Internal Revenue Code Section 501(c)(3) and is not classified as a private foundation. Accordingly, the financial statements do not include any provision for income taxes. In addition, the Center qualifies for the charitable contribution deduction under Section 170(b)(1)(a).

Advertising--
The Center's policy is to expense advertising costs as they are incurred.

Functional allocation of expenses--
Expenses are charged to program activities when mission related activities benefit. Administration costs include those expenses that are not directly identifiable with any specific program function but provide for the overall support and direction of the Center. Fundraising costs, including costs of special events, are incurred to persuade potential donors to make contributions to the Center. Expenses are recorded, when appropriate, to the function receiving direct benefit. When expenses benefit more than one function, an allocation is made based on relative benefits provided to each function.

Cash and cash equivalents--
All time deposits, certificates of deposit, and short-term highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

Investments--
The Center's investment objectives are to maximize total return and preserve capital while minimizing credit risk and avoiding excessive market risk. An investment company is currently managing the majority of the Center's investments. Investments in equity securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position.

Investments are reported in the statements as investments and as assets restricted for endowments.

Recognition of Contribution Revenue--
Contributions are recognized when received or when a donor makes an unconditional promise to give to the organization. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional promises to give (pledges receivable) are recognized as revenues in the period the pledge is received. Long term pledges (collection expected in greater than one year) are discounted to the net present value of future cash flows. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

C. FINANCING ARRANGEMENTS:

On December 13, 2019, the Center signed a promissory note and loan agreement with a Center board member. The promissory note allowed the Center to access a business line of credit of $10,000,000 held and secured by the board member at Kitsap Bank.

On July 24, 2020, The Center signed a modification of the loan agreement and promissory note. The Center, rather than borrowing through the business line of credit, received a direct loan of $10,051,638 from the board member. The modification requires quarterly interest payments based on a 2% annual interest rate continuing through the lifetime of the lender. The Center paid a total of $200,000 and $100,000 in interest during 2021 and 2020, respectively. The note is secured by the Center's interest in real property and improvements. The modification also required The Center to deposit $2,000,000 of the loan proceeds into a segregated account to use to pay the quarterly interest payments and any principal and interest on funds borrowed from a commercial lender that provides bridge financing through completion of The Center's capital campaign. $1,653,729 remained in this account at December 31, 2021. The account is included in investments in the financial statements.

Subsequent Event: Subsequent to December 31, 2021, the Center was informed by the board member providing the loan that she intends to forgive the entire loan balance of $10,000,000, along with accrued interest. The segregated account would also become available for unrestricted use. The loan forgiveness is expected to be formally granted in late March or early April of 2022, and will be recognized as contribution revenue in the financial records at that time.

The Center received a loan from the United States Small Business Administration of $37,425 during 2020. The loan was received through the paycheck protection program in response to the Covid-19 pandemic. The loan was intended to support payroll and related costs, and, if used for those purposes, was eligible for forgiveness. The Center used the loan proceeds for qualified expenses and received loan forgiveness for the entire loan balance. The $37,425 is reported as part of grant income in the financial statements for 2020.

D. ASSETS RESTRICTED FOR ENDOWMENT:

The Center, in addition to the receipt of funds restricted for the construction of a performing arts and conference center, has also received funds to support the operation of the facility once built and to help defray the costs for the use of the facility by local performing and fine arts groups. These funds have been contributed by an estate to an operations endowment established by the Center.

Use of the funds has been restricted by the donor and permit the expenditure of 5% of the net fair market value of assets held in this fund, measured as of the first day of the taxable year of the Center. The Center received additional contributions to the operations endowment in 2020 and anticipates raising additional funds for the operations endowment in future years.

The Center manages endowed funds and restricted and unrestricted funds to meet organization objectives. The primary investment objectives of the Center are to provide adequate liquidity to meet the distribution needs of the Center, to foster stability and growth in asset values and net income, and to introduce a suitable balance of quality and diversification to all assets within the endowment fund.

The Center adheres to Washington State's Uniform Prudent Management of Institutional Funds Act requirements for investment management and endowment fund spending. The Center's return objective is to earn an average real rate of return of 5% as measured over a three to five year market period. Distributions are determined annually in accordance with Center policy and donor restrictions, as applicable.

Endowment Composition-December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 3,796,079	$ 3,796,079

Changes in Endowment Assets for the Year Ended December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted net assets beginning of period	$ -	$ 3,384,654	$ 3,384,654
Investment return:			
Investment income	-	45,020	45,020
Investment fee	-	(20,873)	(20,873)
Net appreciation (realized and unrealized)	-	508,064	508,064
Total investment return	-	532,211	532,211
Contributions	-	-	-
Appropriation of donor restricted assets for expenditure	-	(120,786)	(120,786)
Donor Restricted net assets end of period	$ -	$ 3,796,079	$ 3,796,079

Endowment Composition-December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 3,384,654	$ 3,384,654

Changes in Endowment Assets for the Year Ended December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted net assets beginning of period	$ -	$ 3,025,067	$ 3,025,067
Investment return:			
Investment income	-	63,173	63,173
Investment fee	-	(17,471)	(17,471)
Net appreciation (realized and unrealized)	-	342,460	342,460
Total investment return	-	388,162	388,162
Contributions	-	-	-
Appropriation of donor restricted assets for expenditure	-	(28,575)	(28,575)
Donor Restricted net assets end of period	$ -	$ 3,384,654	$ 3,384,654

E. NET ASSET COMPOSITION:

	2021	2020
Without Donor Restrictions:		
Undesignated	$ 27,927,252	$ 25,858,687
Total:	$ 27,927,252	$ 25,858,687
With Donor Restrictions:		
Restricted for Center Construction	$ 779,536	$ 206,693
Endowment	3,796,079	3,384,654
Total:	$ 4,575,615	$ 3,591,347

F. INVESTMENTS:

Following are the aggregate carrying amounts and cost basis of investments as of December 31, 2021:

	Investments	Assets Restricted for Endowment	Carrying Amount	Investments Cost Basis
Invested Assets	$ 4,305,076	$ 3,796,079	$ 8,101,155	$ 7,513,493
	$ 4,305,076	$ 3,796,079	$ 8,101,155	$ 7,513,493

Following are the aggregate carrying amounts and cost basis of investments as of December 31, 2020:

	Investments	Assets Restricted for Endowment	Carrying Amount	Investments Cost Basis
Invested Assets	$ 4,054,566	$ 3,384,654	$ 7,439,220	$ 7,380,170
	$ 4,054,566	$ 3,384,654	$ 7,439,220	$ 7,380,170

Investment income is composed of the following for the years ended December 31, 2021 and 2020:

	2021	2020
Dividends	$ 63,655	$ 112,937
Interest	55,362	100,989
Less; Investement Exepense	(40,897)	(32,485)
Realized Gains (Losses)	684,259	(40,031)
Unrealized Gains (Losses)	(163,047)	329,962
Investment Income	$ 599,332	$ 471,372

G. CONCENTRATION OF CREDIT RISK:

The Center maintains accounts with one stock brokerage firm. The accounts contain cash and securities. Cash balances deposited at participating outside banks by the stock brokerage firm are insured up to $250,000 per institution by the Federal Deposit Insurance Corporation. Security balances are insured up to $500,000 (with limits of $250,000 for cash) by the Securities Investor Protection Corporation (SIPC). The brokerage firm has purchased additional SIPC (Excess SIPC) protection from London insurers with an aggregate firm limit of $150 million, including a maximum cash limit of $900,000 per customer for cash above the basic SIPC Protection.

H. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The Center, although it expects to receive current support to fund operations for 2022 and later years, has $3,173,089 and $7,248,923 of financial assets available within one year of the statement of financial position dates on December 31, 2021 and 2020, respectively, to meet cash needs for general operating expenditures of the Center. Financial assets available within one year consist of the following:

	2021	2020
Financial assets at year end	$ 9,402,433	$ 12,730,824
Restricted investment balance	(1,653,729)	(1,890,554)
Donor restricted to purpose	(4,575,615)	(3,591,347)
Financial assets available to meet cash needs within one year	$ 3,173,089	$ 7,248,923

I. COMMITMENTS:

Certain contributions and bequests require the fulfillment of conditions accompanying the gift. Failure to fulfill the conditions could result in the return of the funds to donors. Although that is a possibility, the management and the board of the Center considers the return of such funds remote, since by accepting the gifts and their terms it has accepted the responsibility for and intends to fulfill its conditions.

J. SUBSEQUENT EVENTS:

On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. COVID-19 has required the Center to make adjustments to operating practice. The Center has continued to operate and implemented innovative solutions to support its mission and Center employees. Management is closely monitoring the evolution of this pandemic, including how it may affect the economy and general population.

See Note C for a material subsequent event. With the exception of that item, no other events have occurred through March 22, 2022, which is the date the financial statements were available to be issued based on Center facts and circumstances, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2021.

K. CONTRIBUTIONS RECEIVABLE:

The Center receives promises to give from numerous sources. No allowance for uncollectible contributions has been provided as all contributions receivable are expected to be collected. As of December 31, 2021 and 2020, total contributions receivable was $779,536 and $221,195, respectively. The Center has provided a discount to present value of $55,859 and $16,051 for the years ended December 31, 2021 and 2020, for that portion of pledges to be collected in periods greater than one year. A discount rate of 4% has been used. Future maturities of pledge receivables are as follows as of December 31, 2021:

		2021
Year Ended December 31:		
2022	$	516,304
2023		109,630
2024		78,461
2025		131,000
Discount		(55,859)
	$	779,536

L. UNCERTAIN TAX POSITIONS:

The Center files income tax returns in the U.S. federal jurisdiction. The Center is subject to income tax examination for tax returns for the 2021, 2020 and 2019 years. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

As of December 31, 2021, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

M. FAIR VALUE MEASUREMENT:

The Center has adopted Accounting Standards Codification 958. ASC 958, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted 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 under ASC 958 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

Level 2: Inputs to valuation methodology include: Quoted prices for similar assets or liabilities in active markets. Quoted prices for identical or similar assets or liabilities in inactive markets. Inputs other than quoted prices that are observable for the asset or liability. Inputs that are principally from or corroborated by observable market data by correlation or other means.

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

The asset 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021.

Corporate Stock and Mutual Funds: Valued at quoted prices on public exchanges.

Corporate and Government Bonds: Valued at quoted prices in public markets.

Certificates of Deposit and Money Funds: The investments are reported at face value plus accrued interest.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Center's assets at fair value as of December 31, 2021:

Assets at Fair Value as of December 31, 2021

		Level 1		Level 2		Level 3		Total
Corporate Bonds	$	1,134,192	$	-	$	-	$	1,134,192
Government Bonds		492,910		-		-		492,910
Mutual Funds		6,275,851		-		-		6,275,851
Money Funds		-		198,202		-		198,202
Total Assets at Fair Value:	$	7,902,953	$	198,202	$	-	$	8,101,155

The following table sets forth by level, within the fair value hierarchy, the Center's assets at fair value as of December 31, 2020:

Assets at Fair Value as of December 31, 2020

		Level 1		Level 2		Level 3		Total
Corporate Bonds	$	1,261,493	$	-	$	-	$	1,261,493
Government Bonds		606,724		-		-		606,724
Mutual Funds		3,021,254		-		-		3,021,254
Money Funds		-		2,549,749		-		2,549,749
Total Assets at Fair Value:	$	4,889,471	$	2,549,749	$	-	$	7,439,220

N. RETIREMENT PLAN:

The Center adopted a Simple Individual Retirement plan during 2017. All employees are eligible to participate in the plan which provides opportunity for employees to defer a portion of their compensation, tax deferred, into the plan with the Center providing a match up to 3% of compensation. The Center contributed $5,091 and $4,114 to the plan in the years ended December 31, 2021 and 2020, respectively.

O. MEMORANDUM OF AGREEMENT AND LEASE DEPOSIT:

The Center has entered into a memorandum of agreement (MOA) with two local groups who desire to construct a Marine Discovery Center (MDC) on a portion of the land the Center has obtained and where it will construct and operate the performing arts and conference center. The MOA indicates all party's intention to negotiate a long term ground lease. The MDC would be constructed and operated adjacent to the Center's performing arts and conference center in Port Angeles, WA.

The MOA is not binding on any party and is subject to the outside group's ability to raise sufficient funds to construct the MDC and the ability of all to reach a lease agreement.

During 2017, as part of the contribution of funds to the operations endowment detailed in Note D, the Center also received an additional $228,210, which the donor specified was to be used to partially fund future ground lease payments on behalf of the two groups who intend to construct the MDC. The Center has classified this receipt as a lease deposit liability. If a ground lease agreement is reached, the deposit will be amortized to lease income by the Center as earned under the terms of the lease. If no agreement is reached, or not all of the deposit is necessary to cover future required lease payments, the donor of the funds has stipulated that the Center may use the funds for general operations.