

**BESSER MUSEUM FOR
NORTHEAST MICHIGAN**

Financial Statements For The Years
Ended June 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Besser Museum For Northeast Michigan
Alpena, Michigan

We have audited the accompanying financial statements of **Besser Museum for Northeast Michigan** (a non-profit organization) (the "Museum"), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from 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 auditor's 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 the 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 Besser Museum for Northeast Michigan as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Straley Kamp & Kraenzlein P.C.

Alpena, Michigan

January 26, 2018

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BESSER MUSEUM FOR NORTHEAST MICHIGAN

Statements of Financial Position

	June 30,	
	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 230,295	\$ 195,268
Cash and cash equivalents - board-designated endowment fund	17,567	17,458
Investment - board-designated endowment fund	55,510	53,322
Grants receivable	131,008	126,098
Beneficial interest - CFNEM (Note 11)	182,157	130,882
Contributions receivable - capital campaign - net	34,344	70,255
Store and fundraiser inventory	18,795	14,453
Prepaid expenses	215	215
Total current assets	669,891	607,951
NONCURRENT ASSETS		
Beneficial interest - CFNEM (Note 11)	1,781	1,714
Fixed Assets		
Land	100,000	100,000
Building	2,564,100	2,564,100
Building improvements	2,058,019	2,028,246
Furniture and equipment	94,518	88,418
Total fixed assets	4,816,637	4,780,764
Less accumulated depreciation	3,144,339	2,984,713
Net fixed assets	1,672,298	1,796,051
Total assets	\$ 2,343,970	\$ 2,405,716
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 3,812	\$ 6,954
Accrued payroll taxes and withholding	3,338	2,761
Total current liabilities	7,150	9,715
NET ASSETS		
Unrestricted		
General operating	312,078	244,992
Net investment in fixed assets	1,672,298	1,796,051
Board-designated funds	73,077	70,780
Total unrestricted net assets	2,057,453	2,111,823
Temporarily restricted net assets	277,867	282,678
Permanently restricted net assets	1,500	1,500
Total net assets	2,336,820	2,396,001
	\$ 2,343,970	\$ 2,405,716

BESSER MUSEUM FOR NORTHEAST MICHIGAN

Statements of Activities

	Year Ended June 30, 2018				Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	OPERATING REVENUE AND SUPPORT							
Admissions	\$ 35,291	\$ -	\$ -	\$ 35,291	\$ 27,773	\$ -	\$ -	\$ 27,773
Gift shop	19,243	-	-	19,243	16,854	-	-	16,854
Memberships	24,017	-	-	24,017	18,776	-	-	18,776
Rent	2,170	-	-	2,170	220	-	-	220
Investment return (loss)	3,187	3,309	-	6,496	2,868	1,193	-	4,061
Besser Foundation grants	260,000	-	-	260,000	250,000	-	-	250,000
Capital campaign income	-	55,498	-	55,498	-	172,945	-	172,945
Individual contributions	64,797	30,852	-	95,649	31,193	26,663	-	57,856
State grants	1,000	-	-	1,000	-	-	-	-
Local grants	6,600	-	-	6,600	4,400	-	-	4,400
Special events - fundraising	18,378	411	-	18,789	12,452	65	-	12,517
In-kind contributions	4,158	-	-	4,158	8,561	-	-	8,561
Other income	57	-	-	57	65	-	-	65
Net assets released from restrictions	94,881	(94,881)	-	-	160,821	(160,821)	-	-
Total operating revenue and support	\$ 533,779	\$ (4,811)	\$ -	\$ 528,968	\$ 533,983	\$ 40,045	\$ -	\$ 574,028

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BESSER MUSEUM FOR NORTHEAST MICHIGAN

Statements of Activities (continued)

	Year Ended June 30, 2018				Year Ended June 30, 2017			
	Unrestricted	Temporarily	Permanently	Total	Unrestricted	Temporarily	Permanently	Total
		Restricted	Restricted			Restricted	Restricted	
EXPENSES								
Salaries and benefits								
Salaries	\$ 180,000	\$ -	\$ -	\$ 180,000	\$ 171,254	\$ -	\$ -	\$ 171,254
Payroll taxes	14,426	-	-	14,426	13,458	-	-	13,458
Benefits	25,990	-	-	25,990	23,541	-	-	23,541
Total salaries and benefits	<u>220,416</u>	<u>-</u>	<u>-</u>	<u>220,416</u>	<u>208,256</u>	<u>-</u>	<u>-</u>	<u>208,256</u>
Marketing								
Advertising	12,576	-	-	12,576	8,882	-	-	8,882
Postage and shipping	1,792	-	-	1,792	1,400	-	-	1,400
Printing and supplies	3,717	-	-	3,717	2,473	-	-	2,473
Total marketing	<u>18,085</u>	<u>-</u>	<u>-</u>	<u>18,085</u>	<u>12,755</u>	<u>-</u>	<u>-</u>	<u>12,755</u>
Accounting	16,961	-	-	16,961	16,295	-	-	16,295
Bad debt	65	-	-	65	963	-	-	963
Bank fees	2,869	-	-	2,869	1,971	-	-	1,971
Collections expense	6,909	-	-	6,909	4,942	-	-	4,942
Cost of sales	11,726	-	-	11,726	9,041	-	-	9,041
Depreciation	159,956	-	-	159,956	156,521	-	-	156,521
In-kind expense (restated note 5)	4,158	-	-	4,158	8,561	-	-	8,561
Fundraising	5,878	-	-	5,878	4,429	-	-	4,429
Insurance	15,634	-	-	15,634	15,359	-	-	15,359
Professional development	3,943	-	-	3,943	4,734	-	-	4,734
Professional fees	557	-	-	557	637	-	-	637
Supplies	60,349	-	-	60,349	45,913	-	-	45,913
Repairs and maintenance	25,774	-	-	25,774	14,750	-	-	14,750
Utilities	34,789	-	-	34,789	35,488	-	-	35,488
Miscellaneous	80	-	-	80	-	-	-	-
Total expenses	<u>588,149</u>	<u>-</u>	<u>-</u>	<u>588,149</u>	<u>540,615</u>	<u>-</u>	<u>-</u>	<u>540,615</u>
REVENUE OVER (UNDER) EXPENSES	(54,370)	(4,811)	-	(59,181)	(6,632)	40,045	-	33,413
NET ASSETS - beginning of the year, as previously stated	2,111,823	282,678	1,500	2,396,001	2,118,455	242,216	-	2,360,671
PRIOR PERIOD ADJUSTMENT (NOTE 14)	-	-	-	-	-	417	1,500	1,917
NET ASSETS - beginning of the year, as restated	2,111,823	282,678	1,500	2,396,001	2,118,455	242,633	1,500	2,362,588
NET ASSETS - end of the year	\$ 2,057,453	\$ 277,867	\$ 1,500	\$ 2,336,820	\$ 2,111,823	\$ 282,678	\$ 1,500	\$ 2,396,001

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

BESSER MUSEUM FOR NORTHEAST MICHIGAN

Statements of Cash Flows

	Year Ended June 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Revenue over (under) expenses	\$ (59,181)	\$ 33,413
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	159,956	156,521
Unrealized (gain) loss on investments	(2,127)	(2,573)
Changes in:		
Grants receivable	(4,910)	(1,100)
Beneficial interest - CFNEM	(51,342)	(45,330)
Store and fundraiser inventory	(4,342)	(6,252)
Prepaid expenses	-	(5)
Accounts payable	(3,142)	1,455
Accrued payroll taxes and withholding	577	1,943
Net cash provided by (used in) operating activities	35,489	138,072
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(36,204)	(130,582)
Proceeds from investments	7,914	8,991
Purchase of investments	(7,974)	(9,049)
Net cash provided by (used in) investing activities	(36,264)	(130,640)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for long-term purposes:		
Contributions receivable for capital campaign	35,911	(19,026)
Net cash provided by (used in) financing activities	35,911	(19,026)
NET CHANGE IN CASH AND CASH EQUIVALENTS	35,136	(11,594)
CASH AND CASH EQUIVALENTS - beginning of the year	212,726	224,320
CASH AND CASH EQUIVALENT- end of the year	\$ 247,862	\$ 212,726
 SUPPLEMENTAL INFORMATION	2018	2017
Non-cash in-kind contribution income	\$ 4,158	\$ 8,561
Non-cash in-kind contribution expenses	(4,158)	(8,561)

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

BESSER MUSEUM FOR NORTHEAST MICHIGAN

Notes to the Financial Statements

NOTE 1. NATURE OF ACTIVITIES

Organization. The Besser Museum for Northeast Michigan (the “Museum”) is a Michigan non-profit organization. The Museum is an educational institution in Northeast Michigan dedicated to serving the public in art, history, and science.

The Museum is supported through grants, as well as individual contributions through various fundraising events and projects.

In the current year, a significant amount of revenue was provided by a few major sources. It is always considered reasonably possible that events, projects, grantors, or contributors might be lost in the near term.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation. The Museum’s financial statements have been prepared on an accrual basis of accounting and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, “*Not-for-Profit Entities, Presentation of Financial Statements*”. Under FASB ASC 958, the Museum is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Museum is required to present a statement of cash flows. Accordingly, net assets of the Museum and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Museum and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that require the principal to be invested into perpetuity. Generally, the donors of these assets permit an organization to use all or part of the income earned for general or specific purposes. The Museum’s permanently restricted net assets were \$1,500 for the years ended June 30, 2018 and 2017.

Cash Equivalents. The Museum considers all highly liquid investments purchased with original maturity of one year or less to be cash equivalents.

Property and Equipment. Property and equipment are carried at cost or, if donated, at the estimated fair market value at the date of donation. No depreciation is recorded against Museum exhibits. Maintenance is expensed as incurred. Depreciation expense is \$159,956 and \$156,521 for the years ended June 30, 2018 and 2017, respectively.

BESSER MUSEUM FOR NORTHEAST MICHIGAN

Notes to the Financial Statements

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation expense is recognized on a straight-line basis over the estimated useful lives of the assets, as follows:

Building	40 years
Building Improvements	20 years
Furniture and Equipment	3-10 years

Inventory. Inventory, which consists of items from the Museum store is stated at the lower of cost or net realizable value, determined by the first-in, first-out (FIFO) method.

Investments. Marketable debt and equity securities are recorded at fair value. Gains and losses on realized market activity are recognized at the date of the transaction. Variations in market value due to market fluctuations are recorded as unrealized appreciation or depreciation and included in earnings.

Advertising. The Museum expenses all costs associated with advertising when incurred. Advertising expense amounted to \$12,576 and \$8,882 during each of the years ended June 30, 2018 and 2017, respectively.

Grants receivable. Grants receivable consists of a general operating grant from Besser Foundation, an unrelated philanthropic organization.

Contributions. The Museum has also adopted FASB ASC 958-605, “*Not-for-Profit Entities, Revenue Recognition*”. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulation of time restriction ends, or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. The Museum had temporarily restricted net assets of \$277,867 and \$282,678 during each of the years ended June 30, 2018 and 2017, respectively.

Risks and Uncertainties. The Museum invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the balance sheet.

Reclassifications. Certain amounts, as previously reported in 2017 financial statements may have been reclassified to conform to the 2018 presentation.

BESSER MUSEUM FOR NORTHEAST MICHIGAN

Notes to the Financial Statements

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes. The Museum is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Museum's tax-exempt purpose is subject to taxation as unrelated business income, if applicable. In addition, the Museum qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The Museum is also exempt from Michigan corporate income tax.

Private Foundation Status. Beginning July 1, 2008, the Museum had applied for termination of their private foundation status and was given an advance ruling for a 60-month period, ending June 30, 2013. The Museum timely filed a Request for Miscellaneous Determination with the IRS for termination of private foundation status under section 507(b)(1)(B). On September 12, 2014 the IRS granted the termination of private foundation status.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results may differ from those estimates.

Collections. The Museum's collections are made up of objects of historical, cultural or scientific significance that are held for educational, research, scientific and curatorial purposes. Each of the items is cataloged, preserved and cared for, and activities verifying their existence and assessing its condition are performed continuously.

In accordance with the practice generally followed by museums, the value of objects in collections is excluded from the financial statements. Such collections have been acquired through purchases and contributions since the Museum's inception. Purchases of collection items are recorded as decreases in unrestricted net assets (an expense) in the year in which the items are acquired, or as decreases in temporarily restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected in the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in net assets. There were no sales of collection items in 2018 or 2017.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

On June 30, 2018 and 2017, cash and cash equivalents had a bank balance of \$242,577 and \$202,971, respectively. Of the bank balance held with financial institutions, the full amount was covered by Federal Depository Insurance Corporation (FDIC) as of June 30, 2018 and 2017. Management believes the interest rate or other financial risk associated with these deposits is not significant.

BESSER MUSEUM FOR NORTHEAST MICHIGAN

Notes to the Financial Statements

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

The following summarizes returns from the Museum's cash and investments as stated in the statement of activities:

	2018	2017
Interest and dividends	\$ 1,001	\$ 1,274
Net realized and unrealized gains/(losses)	2,641	2,117
Management fees	(555)	(523)
Totals	<u>\$ 3,087</u>	<u>\$ 2,868</u>

NOTE 4. BOARD-DESIGNATED FUND

The Board of Directors established a board-designated fund in which the amounts held in this fund would be retained and invested; that there would be no withdrawal of the funds except upon Board approval; and that the earnings from the fund's investments be retained in the fund except upon approval of the Board. For the years ended June 30, 2018 and 2017, the Board did not appropriate any funds for expenditure. The value of the board-designated endowment funds was \$73,077 and \$70,780, respectively, for the years ended June 30, 2018 and 2017.

NOTE 5. DONATIONS

Donated Services. The Museum recognized in-kind donated services in accordance with FASB ASC 958-605-25. These standards require that only contributions that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation be recorded. The Museum had donated services of \$4,158 and \$8,561 for the years ended June 30, 2018 and 2017, respectively.

Individuals volunteer their time and perform a variety of tasks that assist the Museum. These services have not been valued in the financial statements in as much as there is no objective basis available to measure the value of such services and they do not meet the requirements of FASB ASC 958-605-25.

NOTE 6. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 "Fair Value Measurements and Disclosures" are described as follows:

BESSER MUSEUM FOR NORTHEAST MICHIGAN

Notes to the Financial Statements

NOTE 6. FAIR VALUE MEASUREMENTS (continued)

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

Level 2: Inputs to the 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 derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Input to the valuation methodology is 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Museum's financial instruments measured at fair value as of June 30, 2018 and 2017:

	Fair Value Measurements at Reporting Date			
	Fair Value	Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2018				
Unrestricted				
Mutual funds	\$ 39,439	\$ -	\$ 39,439	\$ -
Exchange traded products	16,071	-	16,071	-
Total	\$ 55,510	\$ -	\$ 55,510	\$ -
June 30, 2017				
Unrestricted				
Mutual funds	\$ 37,499	\$ -	\$ 37,499	\$ -
Exchange traded products	15,823	-	15,823	-
Total	\$ 53,322	\$ -	\$ 53,322	\$ -

NOTE 7. RETIREMENT PLAN

The Museum participates in a defined contribution SIMPLE retirement plan. Employer contributions were \$1,738 and \$2,343 for the years ended June 30, 2018 and 2017, respectively.

BESSER MUSEUM FOR NORTHEAST MICHIGAN

Notes to the Financial Statements

NOTE 8. BESSER MUSEUM 50th ANNIVERSARY CAPITAL CAMPAIGN

On October 30th, 2015 the Museum began the Besser Museum 50th Anniversary Capital Campaign (“Capital Campaign”) to improve, refurbish and upgrade the Museum’s planetarium and other exhibits and collections. This fund is held at the Community Foundation of Northeast Michigan and is a beneficial interest to the Museum. See Note 11 for additional information on this fund.

Unconditional promises to give. Unconditional promises to give relating to the Capital Campaign consists of the following:

	2018	2017
Unrestricted promises	\$ 39,392	\$ 77,300
Less discount for time	1,683	3,180
Net present value	37,709	74,120
(Allowance for doubtful accounts)	(3,365)	(3,865)
Total unconditional promise to give	<u>\$ 34,344</u>	<u>\$ 70,255</u>

	2018	2017
Amounts due in:		
Less than one year	\$ 31,221	\$ 36,715
One to five years	6,488	37,405
Total	<u>\$ 37,709</u>	<u>\$ 74,120</u>

An imputed interest rate of 3.75% for the Capital Campaign was used to calculate the net present value for 2018.

For the year ended June 30, 2018 and 2017, an allowance for uncollectable promises to give has been recorded in the amount of \$3,365 and \$3,865, respectively.

NOTE 9. ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

The Museum has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles. The Museum has analyzed the tax positions taken in its filings with the Internal Revenue Service and state jurisdictions where it operates. The Museum’s management believes tax years 2014 through 2017, following the administrative practice of taxing authorities, remain open and subject to review. Management believes its income tax filing positions will be sustained upon examination and does not anticipate any adjustments would result in a material adverse effect on its financial condition, results of operations or cash flows. Accordingly, for all open tax years, the Museum has not recorded any reserves or related accruals for uncertain income tax positions at June 30, 2018 and 2017.

BESSER MUSEUM FOR NORTHEAST MICHIGAN

Notes to the Financial Statements

NOTE 10. OTHER FUNDS

The Community Foundation for Northeast Michigan carries certain funds which are for the benefit of the Museum. These funds are not included in the Museum's financial statements, but limited amounts would be available upon a successful grant application to the Foundation's Trustees.

	Year Ended June 30	
	2018	2017
Besser Museum for Northeast Michigan Art Fund	\$ 11,920	\$ 11,192
Besser Museum for Northeast Michigan Endowment Fund	610,648	592,349
The Park Museum Fund	90,893	85,413
The Steele Fund	14,402	14,184
Candace Smith Besser Museum Endowment Fund	57,144	56,829
Harry Johnson Fund	104,433	108,675
George & Edith Cook Family Besser Museum Fund	31,861	24,990
Lucas & Janet Pfeiffenberger Fund	20,734	19,991
	<u>\$ 942,035</u>	<u>\$ 913,623</u>

NOTE 11. BENEFICIAL INTEREST IN ASSETS HELD BY THE COMMUNITY FOUNDATION OF NORTHEAST MICHIGAN

In accordance with generally accepted accounting principles, funds transferred to the Community Foundation are reflected in the Statement of Financial Position as a beneficial interest in assets held by the Community Foundation. Following is a brief description of the key terms of these funds.

Besser Museum 50th Anniversary Capital Campaign Fund. In 2015, the Museum began the Besser Museum 50th Anniversary Capital Campaign Fund. This fund is a non-endowed fund held by the Community Foundation of Northeast Michigan ("Community Foundation"). The Community Foundation administers investment management services for this fund. The purpose of this fund is to improve, refurbish and upgrade the Museum's planetarium and other exhibits and collections. The capital campaign funds may be distributed at the sole discretion of and upon recommendations from the Board of Trustees of the Museum. The amount of funds held by the Community Foundation in the capital campaign fund were \$173,370 and \$109,538 for the years ended June 30, 2018 and 2017, respectively.

BESSER MUSEUM FOR NORTHEAST MICHIGAN

Notes to the Financial Statements

NOTE 11. BENEFICIAL INTEREST IN ASSETS HELD BY THE COMMUNITY FOUNDATION OF NORTHEAST MICHIGAN (continued)

Besser Museum Special Project Fund. In 2016, the Museum began the Besser Museum Special Project Fund (“Special Project Fund”). This fund is a non-endowed fund held by the Community Foundation. The Community Foundation administers investment management services for the Special Project Fund. The purpose of this fund is to enhance (restore, expand, interpret) current exhibits and create future exhibits and outreach programs pertaining to art, history and science. The Community Foundation’s Board of Trustees will have the final responsibility for approval of disbursements from the Special Project Fund, however the Museum’s Board of Trustees may make recommendations on what the funds should be distributed for. The amount of funds held by the Community Foundation in the Special Project Fund were \$8,246 and \$20,884 for the years ended June 30, 2018 and 2017, respectively.

Besser Museum for Northeast Michigan Endowment Agency Fund. In 1999, the Museum irrevocably transferred \$1,500 to the Community Foundation establishing an agency endowment fund. This is an endowment fund held by the Community Foundation. The Community Foundation administers the investment management services of this fund. The purpose of this fund is to support the Museum’s operating expenses. The Board of Trustees of the Museum has discretion upon how the earnings of this fund shall be distributed. The amount of funds held by the Community Foundation in the Besser Museum for Northeast Michigan Endowment Agency Fund were \$2,322 and \$2,174 for the years ended June 30, 2018 and 2017, respectively.

NOTE 12. CONCENTRATIONS

The Museum received approximately 68% and 62% of its contributions and grants from a sole contributor for the years ended June 30, 2018 and 2017, respectively.

NOTE 13. LEASING ARRANGEMENTS

In 2017, the Museum entered into a 60-month lease agreement with Applied Imaging. Expenses for this lease were \$1,152 for the year ended June 30, 2018.

NOTE 14. PRIOR PERIOD ADJUSTMENTS

Based on information obtained from the Community Foundation as to how they are recording this asset, it was determined the Museum should recognize their beneficial interest in the Special Project Fund and the Besser Museum for Northeast Michigan Endowment Agency Fund. A prior period adjustment has been recorded to recognize this beneficial interest. This resulted in an increase in operating revenue and support on the statement of activities for individual contributions and investment returns of \$20,010 and \$1,193, respectively, in addition to an increase in professional fees expense of \$63. As a result of recording the beneficial interest in the Community Foundation, the 2017 change in net assets increased by \$21,140 and the beginning net assets increased by \$1,917.

The Museum’s 2017 financial statements have been restated to include fundraising inventory. As a result, inventory increased and fundraising expense decreased by \$5,522, resulting in an increase in net assets of \$5,522 as of June 30, 2017.

BESSER MUSEUM FOR NORTHEAST MICHIGAN

Notes to the Financial Statements

NOTE 15. SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were readily available to be issued.

Subsequent to June 30, 2018, Besser Museum of Northeast Michigan entered into a contract in the amount of \$20,700 for a basement interior and building exterior study.

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