

**BESSER MUSEUM FOR
NORTHEAST MICHIGAN**

Financial Statements For The Year
Ended June 30, 2021
(With Comparative Information for 2020)

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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, 2021 and 2020, and the related statement of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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.

Emphasis of Matter

As discussed in Note 17 of the financial statements of Besser Museum for Northeast Michigan, the Museum received coronavirus relief funds through the Paycheck Protection Program, the Employee Retention Credit, and the Michigan Small Business Survival Grant Program. As of June 30, 2021, the funds have been recognized as income on the statement of activities. The opinion of the Museum was not modified with respect to this matter.

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, 2021, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information for the Statement of Functional Expenses

We have previously audited Besser Museum for Northeast Michigan's 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated February 2, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Straley Lamp & Kraenzlein P.C.

May 26, 2022

Besser Museum of Northeast Michigan

Statement of Financial Position

Assets	June 30,	
	2021	2020
Cash and cash equivalents	\$ 375,291	\$ 334,015
Accounts and grants receivable	181,380	130,010
Promises to give, net	2,917	4,417
Gift shop and fundraising inventory	20,936	25,866
Prepaid expenses and other assets	215	215
Investment - quasi-endowment	86,692	77,230
Beneficial interest - Community Foundation (Note 13)	145,978	143,886
Property and equipment, net	1,232,441	1,381,489
 Total assets	 \$ 2,045,850	 \$ 2,097,128
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 11,366	\$ 3,731
Accrued expenses and other liabilities	12,339	8,476
 Total liabilities	 23,705	 12,207
 Net Assets		
Net assets without donor restrictions		
Undesignated - general operating	521,208	448,294
Board designated		
Designated for endowment	1,500	1,500
Designated as quasi-endowment	86,692	77,230
Total board designated	88,192	78,730
Net investment in property and equipment	1,232,441	1,381,489
Total net assets without donor restrictions	1,841,841	1,908,513
Net assets with donor restrictions		
Purpose restrictions	180,304	176,408
 Total net assets	 2,022,145	 2,084,921
 Total liabilities and net assets	 \$ 2,045,850	 \$ 2,097,128

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

Besser Museum of Northeast Michigan

Statement of Activities

(With summarized comparative totals for the year ended June 30, 2020)

	For the Year Ended June 30, 2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Comparative Total
Revenue, Support and Gains				
Admissions	\$ 21,771	\$ -	\$ 21,771	\$ 27,715
Memberships	22,702	-	22,702	19,272
Gift shop sales	20,256	-	20,256	15,512
Less cost of goods sold	(14,167)	-	(14,167)	(9,833)
Net gift shop sales	6,089	-	6,089	5,679
Net investment return	10,259	-	10,259	3,279
Grants	316,129	-	316,129	276,550
Coronavirus relief funds	136,703	-	136,703	42,700
Contributions	6,514	28,906	35,420	32,488
Donated professional services	1,182	-	1,182	250
Other revenue	1,273	-	1,273	150
Gross special events revenue	3,602	-	3,602	7,308
Less cost of events	(442)	-	(442)	(4,366)
Net special events revenue	3,160	-	3,160	2,942
Designated fund distributions from the Community Foundation	18,125	-	18,125	40,328
Net assets released from restrictions	25,010	(25,010)	-	-
Total revenue, support, and gains	568,917	3,896	572,813	451,353
Expenses and Losses				
Program services expense	482,679	-	482,679	396,612
Management and general	131,084	-	131,084	121,605
Fundraising and development	21,826	-	21,826	19,089
Total expenses	635,589	-	635,589	537,306
Change in net assets	(66,672)	3,896	(62,776)	(85,953)
Net assets, beginning of year	1,908,513	176,408	2,084,921	2,170,874
Net assets, end of year	\$ 1,841,841	\$ 180,304	\$ 2,022,145	\$ 2,084,921

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

Besser Museum of Northeast Michigan

Statement of Functional Expenses (With summarized comparative totals for the year ended June 30, 2020)

	Program Service	Supporting Services		Cost of Goods Sold	For the Year Ended June 30,	
		Management and General	Fundraising		2021	2020
Salaries and wages	\$ 138,230	\$ 45,021	\$ 13,646	\$ -	\$ 196,897	\$ 165,996
Employee benefits	32,323	8,784	2,576	-	43,683	33,811
Payroll taxes	10,702	3,486	1,056	-	15,244	13,272
Professional services	-	25,240	-	-	25,240	21,395
Contracted services	17,157	2,219	-	-	19,376	29,684
Advertising and promotion	14,960	-	-	-	14,960	9,563
Postage	723	950	-	-	1,673	1,604
Copying/Printing	2,059	1,467	-	-	3,526	4,518
Office expenses & supplies	13,998	4,739	-	-	18,737	22,244
Occupancy						
Facility expense	18,055	3,179	-	-	21,234	10,260
Utilities	33,383	5,891	-	-	39,274	34,925
Depreciation and amortization	133,775	23,607	-	-	157,382	158,915
Insurance	5,157	5,156	3,438	-	13,751	12,798
Professional development expense	420	1,115	-	-	1,535	2,729
Bank service charges	1,694	-	-	-	1,694	1,683
Cost of store inventory sold	-	-	-	14,167	14,167	9,833
Direct cost of special events	-	-	-	442	442	4,366
Direct grant expenses	59,461	-	-	-	59,461	12,731
Other	582	230	1,110	-	1,922	1,178
Total expenses by function	482,679	131,084	21,826	14,609	650,198	551,505
Less expenses included with revenues on the statement of activities						
Gift shop cost of goods sold	-	-	-	(14,167)	(14,167)	(9,833)
Direct cost of special events	-	-	-	(442)	(442)	(4,366)
Total expenses included in the expense section on the statement of activities	\$ 482,679	\$ 131,084	\$ 21,826	\$ -	\$ 635,589	\$ 537,306

Besser Museum for Northeast Michigan

Statement of Cash Flows

	For the Year Ended June 30,	
	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ (62,776)	\$ (85,953)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities:		
Depreciation and amortization	157,382	158,915
Change in beneficial interests in assets held by others	(2,092)	23,058
Realized and unrealized gains on investments	(8,520)	(1,100)
Changes in operating assets and liabilities:		
Accounts and grants receivable, net	(51,370)	-
Promises to give	1,500	6,000
Inventory	4,930	(4,211)
Accounts payable	7,635	(12,581)
Accrued expenses and other liabilities	3,863	(1,987)
Net Cash Provided by Operating Activities	50,552	82,141
Cash Flows from Investing Activities		
Purchases of property and equipment	(8,334)	(7,560)
Purchases of investments	(1,933)	(5,969)
Proceeds from sale of investments	991	5,792
Net Cash (Used in) Investing Activities	(9,276)	(7,737)
Net change in cash and cash equivalents	41,276	74,404
Cash and cash equivalents, beginning of the year	334,015	259,611
Cash and cash equivalents, end of the year	\$ 375,291	\$ 334,015
Supplemental Information		
Cash paid during the year for:		
Interest	\$ -	\$ -
Unrelated business income taxes	-	-
	\$ -	\$ -

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 providing the public with enriching cultural experiences in art, history, and science. The Museum fulfills its mission to educate the public by offering exhibits of artifacts and art, housing a full-dome planetarium and Foucault pendulum, and providing various other educational and/or historical programs at the on-site fossil park and historic village.

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

On an ongoing basis, a few major sources provide a significant amount of annual revenue. 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

Basis of Accounting. The financial statements of the Museum have been prepared utilizing the 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*”.

Basis of Presentation. Financial statement presentation follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-205 on “*Not-for-Profit Entities, Presentation of Financial Statements*”. Under the updated FASB ASC 958-205, the Museum is required to report information regarding its financial position and activities based on the existence or absence of donor or grantor-imposed restrictions. In addition, the Museum is required to present a statement of cash flows and a statement of functional expenses. Accordingly, net assets of the Museum and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, a board-designated quasi-endowment and board designated endowment at the Community Foundation for Northeast Michigan.

Net Assets with Donor Restrictions – The Museum reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash Equivalents. The Museum considers all highly liquid investments purchased with an original maturity of one year or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents. Cash and highly liquid financial instruments restricted to endowments or quasi-endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Grants Receivable. Grants receivable consists of a general operating grant from Besser Foundation, an unrelated philanthropic organization and the employee retention credit described in Note 17.

Besser Museum for Northeast Michigan

Notes to the Financial Statements

Note 2. Summary of Significant Accounting Policies *(continued)*

Promises to Give. The Museum records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years 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, the amortization of the discounts is included in contribution revenue in the statements of activities. The allowance for uncollectible promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At June 30, 2021 and 2020, there was no balance in the allowance for uncollectible accounts as all promises are deemed collectible.

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.

Property and Equipment. The Museum capitalizes all expenditures for property and equipment in excess of \$2,500. 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 \$157,382 and \$158,915 for the years ended June 30, 2021 and 2020, respectively.

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

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 \$14,960 and \$9,563 for the years ended June 30, 2021 and 2020, respectively.

Revenue Recognition. Effective July 1, 2020, the Museum adopted a new revenue recognition policy in accordance with Accounting Standard Codification (ASC) 606, *Revenue from Contracts with Customers*, on the modified retrospective approach. Prior to fiscal year ending June 30, 2021, the revenue recognition policy was in accordance with ASC 605, *Revenue Recognition*. The Museum determines revenue recognition through the following steps: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when, or as, the Museum satisfies a performance obligation.

As part of the adoption of ASC 606, the Museum elected to use the following transition practical expedients: (i) completed contracts that begin and end in the same annual reporting period have not been restated; (ii) the Museum used the known transaction price for completed contracts; (iii) to exclude disclosures of transaction prices allocated to remaining performance obligations when the Museum expects to recognize such revenue for all periods prior to the date of initial application of the ASC; and (iv) the Museum has reflected the aggregate of all contract modifications that occurred prior to the date of initial application when identifying the performance obligations, determining the transaction price, and allocating the transaction price.

Besser Museum for Northeast Michigan

Notes to the Financial Statements

Note 2. Summary of Significant Accounting Policies *(continued)*

The adoption of ASC 606 did not have any impact on the Museum's financial statements. All of the Museum's revenue arrangements generally consist of a single performance obligation to provide services. There was no outstanding asset or liability at year-end recognized for contracts with customers. The Museum generally does not have any variable considerations, such as early payment discounts. Any contracts with variable considerations would be immaterial to the Museum's financial statements. The Museum recognizes revenue net of sales tax and other government-assessed and imposed taxes on revenue generating activities that are charged to customers.

Based on the Museum's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. Consequently, no changes were required to previously reported revenues as result of the adoption. Admissions, memberships, and gift shop sale revenue recognized on the statement of activities is considered contract revenue under ASC 606.

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Grants and Contracts. Grants and contracts are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Grant awards that are contributions – Unconditional grants are reported as fair value at the date the grant is received. Conditional grants are recognized only when the conditions on which they depend are substantially met and the grant becomes unconditional. Grants that qualify as conditional contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses are included in refundable advances in the accompanying statement of financial position.

Grant awards that are exchanges – Exchange transactions are reimbursed based on a predetermined rate for services performed in accordance with the terms of the award and ASC Topic 958-606. Revenue is recognized when control of the promised goods or services are transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

Donated Services and In-Kind Contributions. Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements may not reflect the value of these contributed services if they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Museum records donated professional services at the respective fair values of the services received.

Functional Allocation of Expenses. The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, such costs have been allocated among the various functions. Such allocations are determined by management and are allocated in one of three ways:

Besser Museum for Northeast Michigan

Notes to the Financial Statements

Note 2. Summary of Significant Accounting Policies *(continued)*

- By actual expense incurred, generally for program expenses and management & general expenses;
- Allocated by some reasonable consistent measure (for example occupancy expenses are allocated based on building square footage); or
- An allocation method determined by management to be reasonable.

Beneficial Interest in Assets Held by the Community Foundation. With a contribution of \$1,500, the Museum previously established an endowment fund that is perpetual in nature at the Community Foundation for Northeast Michigan (“Community Foundation”). The fund is held and invested by the Community Foundation for the Museum’s benefit and is reported at fair value in the statement of financial position, and as a board designated net asset with distributions and changes in fair value recognized in the statement of activities. This fund is discussed further in Note 13.

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.

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.

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 net assets without donor restrictions (an expense) in the year in which the items are acquired, or as decreases in net assets with donor restrictions 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 2021 or 2020.

Comparative Totals. The financial statements include certain prior-year comparative total amounts. The statement of activities and the statement of functional expenses presents prior year summarized totals which do not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such amounts should be read in conjunction with the Museum’s financial statements for the year ended June 30, 2020, from which the comparative total amounts were derived.

Besser Museum for Northeast Michigan

Notes to the Financial Statements

Note 2. Summary of Significant Accounting Policies *(continued)*

Reclassification. Certain items reported in the 2020 financial statements may have been reclassified to conform with the presentation for the current year.

Note 3. Cash and Cash Equivalents and Investments

The Museum's cash is on deposit with one financial institution located in the Alpena area. The balances are insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2021, \$130,003 of the Museum's bank balance of \$380,003 was exposed to custodial credit risk because it exceeded FDIC insurance limits. As of June 30, 2020, \$89,767 of the Museum's bank balance of \$334,015 was exposed to the same custodial credit risk.

The following summarizes returns from the Museum's cash and investments as stated in the statement of activities for the years ended June 30, 2021:

	Net assets without donor	Net assets with donor	Total
Interest and dividends	\$ 1,785	\$ 737	\$ 2,522
Net realized and unrealized gains/(losses)	8,520	-	8,520
Management fees	(639)	(144)	(783)
Totals	<u>\$ 9,666</u>	<u>\$ 593</u>	<u>\$ 10,259</u>

The following summarizes returns from the Museum's cash and investments as stated in the statement of activities for the years ended June 30, 2020:

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Interest and dividends	\$ 37	\$ 2,143	\$ 2,180
Net realized and unrealized gains/(losses)	2,190	-	2,190
Management fees	(589)	(502)	(1,091)
Totals	<u>\$ 1,638</u>	<u>\$ 1,641</u>	<u>\$ 3,279</u>

Besser Museum for Northeast Michigan

Notes to the Financial Statements

Note 4. Board-Designated Quasi-Endowment Fund

The Board of Directors established a board-designated quasi-endowment 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, 2021 and 2020, the Board did not appropriate any funds for expenditure nor add to the investment balance. The fair market value of the board-designated quasi-endowment funds was \$ 86,692 at June 30, 2021 and \$77,230 at June 30, 2020.

The investment portfolio is allocated as follows at June 30:

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 18,078	\$ 17,885
Mutual funds	45,248	37,043
Exchange traded funds	<u>23,366</u>	<u>22,302</u>
Totals	<u>\$ 86,692</u>	<u>\$ 77,230</u>

Note 5. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 100,000	\$ 100,000
Buildings	2,564,100	2,564,100
Building improvements	2,082,865	2,082,865
Furniture and equipment	106,852	98,518
Less accumulated depreciation	<u>(3,621,376)</u>	<u>(3,463,994)</u>
	<u>\$ 1,232,441</u>	<u>\$ 1,381,489</u>

Depreciation expense amounted to \$157,382 and \$158,915 for the years ended June 30, 2021 and 2020, respectively.

Besser Museum for Northeast Michigan

Notes to the Financial Statements

Note 6. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following specified purposes at June 30:

	<u>2021</u>	<u>2020</u>
Capital Campaigns	\$ 150,986	\$ 150,985
Collections	3,111	6,639
Chinook	7,896	-
Green School	2,247	2,247
Fine arts	-	596
McCabin	-	150
Facility Cleaning	-	5,540
Historic Village	16,064	10,251
	<u>\$ 180,304</u>	<u>\$ 176,408</u>

Note 7. In-Kind 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 nonfinancial 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 received donated advertising of \$725 and donated prizes for their special event of \$457 during the year ended June 30, 2021 and \$250 for construction services during the year ended June 30, 2020.

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 8. 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:

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.

Besser Museum for Northeast Michigan

Notes to the Financial Statements

Note 8. Fair Value Measurements *(continued)*

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, 2021:

	Fair Value Measurements at Reporting Date			
	Fair Value	Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Net assets without donor restrictions				
Money market funds	\$ 18,078	\$ 18,078	\$ -	\$ -
Mutual funds	45,248	-	45,248	-
Exchange traded products	23,366	-	23,366	-
Total	\$ 86,692	\$ 18,078	\$ 68,614	\$ -

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, 2020:

	Fair Value Measurements at Reporting Date			
	Fair Value	Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Net assets without donor restrictions				
Money market funds	\$ 17,885	\$ 17,885	\$ -	\$ -
Mutual funds	37,043	-	37,043	-
Exchange traded products	22,302	-	22,302	-
Total	\$ 77,230	\$ 17,885	\$ 59,345	\$ -

Note 9. Retirement Plan

The Museum participates in a defined contribution SIMPLE retirement plan. Employer contributions were \$3,685 and \$3,420 for the years ended June 30, 2021 and 2020, respectively.

Besser Museum for Northeast Michigan

Notes to the Financial Statements

Note 10. 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 13 for additional information on this fund.

Unconditional promises to give. Unconditional promises to give relating to the Capital Campaign were \$2,917 and \$4,417 as of June 30, 2021 and 2020, respectively. There was no allowance recorded for uncollectible promises to give. The entire amount is due within the next fiscal year.

Note 11. 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 2019 through 2021, 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, 2021 or 2020.

Note 12. 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. Upon a successful grant application, the spendable portion of the fund represents the limited amount the Museum could request from the Community Foundation.

The funds held at the Community Foundation for the benefit of the Museum are as follows:

	June 30, 2021	
	Balance	Spendable
Besser Museum for NE MI Endowment Fund	\$ 772,975	\$ 83,563
Besser Museum Art Endowment Fund	15,589	4,006
The Park Museum Endowment Fund	118,814	29,769
Harry Johnson Museum Endowment Fund	129,597	13,056
Candace Smith Museum Endowment Fund	67,572	1,923
George & Edith Cook Family Designated Fund	13,372	13,372
	<u>\$ 1,117,919</u>	<u>\$ 145,689</u>

Besser Museum for Northeast Michigan

Notes to the Financial Statements

Note 12. Other Funds (continued)

	June 30, 2020	
	Balance	Spendable
Besser Museum for NE MI Endowment Fund	\$ 618,435	\$ 61,143
Besser Museum Art Endowment Fund	12,436	3,554
The Park Museum Endowment Fund	94,782	26,276
Harry Johnson Museum Endowment Fund	104,152	8,923
Candace Smith Museum Endowment Fund	58,209	4,504
George & Edith Cook Family Designated Fund	18,456	18,456
	\$ 906,470	\$ 122,856

The Museum is also the beneficiary of a portion of the annual transfer of various family funds and received the following amounts during the years ended June 30:

	2021	2020
Reitz Family Fund	\$ 250	\$ 250
Pfeiffenberger Fund	1,007	1,007
Steele Fund	700	703
	\$ 1,957	\$ 1,960

Note 13. 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. 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 balance held by the Community Foundation in the capital campaign fund was \$142,874 at June 30, 2021 and \$141,447 at June 30, 2020.

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 the purpose of distributions. The amount of funds held by the Community Foundation in the Special Project Fund totaled \$7,589 at June 30, 2019. These funds were fully utilized for their restricted purpose during the 2020 fiscal year-end and there was no remaining balance at June 30, 2020.

Besser Museum for Northeast Michigan

Notes to the Financial Statements

Note 13. Beneficial Interest in Assets Held by The Community Foundation of Northeast Michigan *(continued)*

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 was \$3,104 at June 30, 2021 and \$ 2,439 at June 30, 2020.

Note 14. Concentrations

A sole contributor/grantor provided 48% and 60% of the museum's revenue for the years ended June 30, 2021 and 2020, respectively.

Note 15. Leasing Arrangements

In 2017, the Museum entered into a 60-month lease agreement for a copier. Expenses for this lease were \$1,380 for the year ended June 30, 2021 and \$ 1,265 for the year ended June 30, 2020. As of June 30, 2021, outstanding minimum lease payments are \$768 to be expensed in the year ended June 30, 2022.

Note 16. Liquidity

The Museum receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, and central to its annual operations to be available to meet cash needs for general expenditures. The Museum manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability via a budget, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that any long-term obligations will be discharged.

In addition, the Museum has certain funds for their benefit held by the Community Foundation. The Museum can request distributions from these funds; however, the Community Foundation will determine whether the funds will be distributed. These funds are discussed in Note 12 and are not included in the Museum's financial statements.

Besser Museum for Northeast Michigan

Notes to the Financial Statements

Note 16. Liquidity (continued)

The Museum has financial assets that are available within one year of the statement of financial position date as of June 30 as follows:

	2021	2020
Cash and cash equivalents	\$ 375,291	\$ 334,015
Accounts and grants receivable, net	181,380	130,010
Promises to give, net	2,917	4,417
Investment - quasi-endowment	86,692	77,230
Beneficial interest in assets held by the Community Foundation	145,978	143,886
Total financial assets	<u>792,258</u>	<u>689,558</u>
Less amounts unavailable for general expenditures within one year:		
Net assets designated by the board		
Board designated endowment	(1,500)	(1,500)
Board designated quasi-endowment	(86,692)	(77,230)
Net assets with donor-imposed restrictions	<u>(180,304)</u>	<u>(176,408)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 523,762</u>	<u>\$ 434,420</u>

Note 17. Coronavirus relief funds

The Museum received loan proceeds in the amount of \$42,700 under first draw of the Paycheck Protection Program (“PPP”) during the year ended June 30, 2020. The Museum received loan proceeds of \$46,500 in under the second draw of the PPP loan program during the year ended June 30, 2021. The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after an 8 or 24 week period as long as the borrower maintains payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities.

Both loans received under the PPP by the Museum were used for qualifying purposes and have been deemed forgiven and, accordingly, are recorded as revenue in the statement of activities in the year received. The forgiveness for PPP1 and PPP2 was granted on October 20, 2020 and December 21, 2021, respectively.

In addition, the Museum also applied for the Employee Retention Credit (ERC), which is also part of the CARES Act. The ERC acts as a fully-refundable credit against the employer portion of Social Security taxes based on the amount of qualified wages that an eligible employer has incurred. The Museum was eligible for \$75,203 of ERCs for the fiscal year ended June 30, 2021, which is recorded as revenue in the statement of activities. As of June 30, 2021, there was a receivable of \$44,283 recognized on the statement of financial position for ERCs that were not received as of year-end.

In response to the economic impact of COVID-19 the State of Michigan allocated funds to implement the Michigan Small Business Survival Grant Program. The Museum received \$15,000 from this program to give assistance due to the decrease in size of gatherings that were enforced and hindered the Museum’s admissions. The funds were recorded as revenue in the statement of activities during the year ended June 30, 2021.

Besser Museum for Northeast Michigan

Notes to the Financial Statements

Note 18. 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 year-end, the Museum received notification of the renewal of the Besser Foundation operating grant for the calendar year 2022 in the amount of \$260,000 and an additional \$50,563 of one-time grants from various granting organizations for operations and special projects. These subsequent events do not affect the financial statements for the year ended June 30, 2021.

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic and the pandemic has continued through the fiscal year ended June 30, 2021. The extent of the ultimate impact of the pandemic on the Museum's operational and financial performance will depend on various developments over time, including the duration of the spread of the outbreak and its impact on customers, employees, and vendors, all of which cannot be reasonably predicted at this time, even as some pandemic concerns have eased. Management currently does not know the impact COVID-19 will have on the Museum's financial position, changes in financial position, and the timing and amounts of cash flows. The related financial consequences and duration are highly uncertain.