

**BESSER MUSEUM FOR
NORTHEAST MICHIGAN**

Financial Statements For The Year
Ended June 30, 2023
(With Comparative Information for 2022)

STRALEY LAMP & KRAENZLEIN P.C.

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Independent Auditor's Report

Board of Trustees
Besser Museum For Northeast Michigan
Alpena, Michigan

Opinion

We have audited the accompanying financial statements of Besser Museum for Northeast Michigan (a nonprofit organization) (the Museum), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Museum and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern within 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Museum'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 Museum's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Museum's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Straley Lamp & Kraenzlein P.C.

Alpena, MI
October 24, 2024

Besser Museum of Northeast Michigan

Statement of Financial Position

	June 30,	
	2023	2022
Assets		
Cash and cash equivalents	\$ 460,904	\$ 339,746
Accounts and grants receivable	167,586	150,692
Promises to give, net	68,607	-
Gift shop and fundraising inventory	57,214	56,648
Prepaid expenses and other assets	1,278	215
Investment - quasi-endowment	88,096	83,096
Beneficial interest - Community Foundation	145,737	28,009
Property and equipment, net	1,616,808	1,439,040
Total assets	<u>\$ 2,606,230</u>	<u>\$ 2,097,446</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 12,416	\$ 16,452
Accrued expenses and other liabilities	9,439	16,336
Unearned grant revenue	43,478	-
Total liabilities	<u>65,333</u>	<u>32,788</u>
Net Assets		
Net assets without donor restrictions		
Undesignated - general operating	431,648	483,486
Board designated		
Designated for endowment	1,500	1,500
Designated as quasi-endowment	88,096	83,096
Total board designated	<u>89,596</u>	<u>84,596</u>
Net investment in property and equipment	<u>1,616,808</u>	<u>1,439,040</u>
Total net assets without donor restrictions	<u>2,138,052</u>	<u>2,007,122</u>
Net assets with donor restrictions		
Purpose restrictions	<u>402,845</u>	<u>57,536</u>
Total net assets	<u>2,540,897</u>	<u>2,064,658</u>
Total liabilities and net assets	<u>\$ 2,606,230</u>	<u>\$ 2,097,446</u>

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, 2022)

	For the Year Ended June 30, 2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Comparative Total
Revenue, Support and Gains				
Admissions	\$ 34,342	\$ -	\$ 34,342	\$ 48,258
Memberships	23,489	-	23,489	31,610
Gift shop sales	26,514	-	26,514	30,482
Less cost of goods sold	(19,840)	-	(19,840)	(9,447)
Net gift shop sales	6,674	-	6,674	21,035
Net investment return	7,642	2,695	10,337	(4,312)
Grants	463,929	-	463,929	329,919
Contributions	22,588	400,892	423,480	33,210
Donated nonfinancial asset	-	-	-	2,500
Other revenue	1,536	-	1,536	2,849
Gross special events revenue	6,461	-	6,461	6,380
Less cost of events	(4,585)	-	(4,585)	(1,000)
Net special events revenue	1,876	-	1,876	5,380
Designated fund distributions from the Community Foundation	54,249	-	54,249	96,774
Net assets released from restrictions	58,278	(58,278)	-	-
Total revenue, support, and gains	674,603	345,309	1,019,912	567,223
Expenses and Losses				
Program services expense	372,058	-	372,058	413,806
Management and general	144,345	-	144,345	130,009
Fundraising and development	27,270	-	27,270	25,096
Total expenses	543,673	-	543,673	568,911
Change in net assets	130,930	345,309	476,239	(1,688)
Net assets , beginning of year, restated	2,007,122	57,536	2,064,658	2,066,346
Net assets , end of year	\$ 2,138,052	\$ 402,845	\$ 2,540,897	\$ 2,064,658

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, 2022)

	Program Service	Supporting Services		Cost of Goods Sold	For the Year Ended June 30,	
		Management and General	Fundraising		2023	2022
Salaries and wages	\$ 147,417	\$ 49,047	\$ 14,936	\$ -	\$ 211,400	\$ 211,548
Employee benefits	22,101	10,223	3,013	-	35,337	33,804
Payroll taxes	11,692	3,890	1,185	-	16,767	16,706
Professional services	-	23,355	-	-	23,355	21,656
Contracted services	5,337	1,269	-	-	6,606	2,434
Advertising and promotion	17,178	280	450	-	17,908	19,111
Postage	192	1,411	597	-	2,200	2,031
Copying/Printing	720	4,153	1,476	-	6,349	5,135
Office expenses & supplies	9,081	12,838	39	-	21,958	13,911
Occupancy						
Facility expense	20,351	3,591	-	-	23,942	18,179
Utilities	38,092	6,722	-	-	44,814	40,566
Depreciation and amortization	84,467	14,906	-	-	99,373	129,751
Insurance	6,267	6,266	4,177	-	16,710	16,034
Professional development expense	-	1,592	-	-	1,592	1,833
Bank service charges	1,476	-	-	-	1,476	2,180
Uncollectible pledges expense	-	3,995	-	-	3,995	2,917
Cost of store inventory sold	-	-	-	19,840	19,840	9,447
Direct cost of special events	-	-	-	4,585	4,585	1,000
Direct grant expenses	3,528	-	-	-	3,528	27,460
Other	4,159	807	1,397	-	6,363	3,655
Total expenses by function	372,058	144,345	27,270	24,425	568,098	579,358
Less expenses included with revenues on the statement of activities						
Gift shop cost of goods sold	-	-	-	(19,840)	(19,840)	(9,447)
Direct cost of special events	-	-	-	(4,585)	(4,585)	(1,000)
Total expenses included in the expense section on the statement of activities	<u>\$ 372,058</u>	<u>\$ 144,345</u>	<u>\$ 27,270</u>	<u>\$ -</u>	<u>\$ 543,673</u>	<u>\$ 568,911</u>

Besser Museum for Northeast Michigan

Statement of Cash Flows

	For the Year Ended June 30,	
	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 476,239	\$ (1,688)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities:		
Depreciation and amortization	99,373	129,751
Change in beneficial interests in assets held by others	(117,728)	117,969
Realized and unrealized gains on investments	(1,279)	5,411
Allowance for uncollectible promises to give	3,995	2,917
Discount on promises to give	7,298	-
Changes in operating assets and liabilities:		
Accounts and grants receivable, net	(16,894)	30,688
Promises to give	(79,900)	-
Inventory	(566)	(30,311)
Prepaid expenses and other assets	(1,063)	-
Accounts payable	(4,036)	5,086
Unearned grant revenue	43,478	-
Accrued expenses and other liabilities	(6,897)	3,997
Net Cash Provided by Operating Activities	402,020	263,820
Cash Flows from Investing Activities		
Purchases of property and equipment	(277,142)	(297,550)
Purchases of investments	(65,925)	(3,292)
Proceeds from sale of investments	62,205	1,477
Net Cash (Used in) Investing Activities	(280,862)	(299,365)
Net change in cash and cash equivalents	121,158	(35,545)
Cash and cash equivalents, beginning of the year	339,746	375,291
Cash and cash equivalents, end of the year	<u>\$ 460,904</u>	<u>\$ 339,746</u>
Supplemental Information		
Cash paid during the year for:		
Interest	\$ -	\$ -
Unrelated business income taxes	-	-
	<u>\$ -</u>	<u>\$ -</u>

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 are either considered a contribution or exchange transaction based on criteria contained in the grant award.

Besser Museum for Northeast Michigan

Notes to the Financial Statements

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

Grant awards that are contributions – Unconditional grants are reported at 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.

Grants 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.

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 uncollectable 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 uncollectable. At June 30, 2023 and 2022, the balance in the allowance for uncollectible pledges was \$3,995 and \$2,917, respectively, as the remaining pledges related to the capital campaign were deemed uncollectible.

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. Permanent, significant exhibits are capitalized and depreciated; Maintenance is expensed as incurred.

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
Permanent Exhibits	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 \$17,908 and \$19,111 for the years ended June 30, 2023 and 2022, respectively.

Besser Museum for Northeast Michigan

Notes to the Financial Statements

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

Revenue and 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.

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.

Contributions of Nonfinancial Assets. 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:

- 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.

Besser Museum for Northeast Michigan

Notes to the Financial Statements

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

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 (the Community Foundation). The Museum granted variance power to the Community Foundation, which allows the Community Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the Community Foundation's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. 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, 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. Proceeds from deaccessions may only be used to acquire new collection items or for the direct care of existing collections. The Museum follows ethical guidelines per the American Association of Museums for the direct care of collection items. Direct care invests in existing collections by enhancing their life, usefulness or quality and thereby ensuring they will continue to benefit the public. There were no sales of collection items in 2023 or 2022.

Leases. The Museum adopted FASB ASC 842, *Leases*, as of July 1, 2021. For leases with a lease term greater than one year, the Museum recognizes a right-of-use leased asset and a lease liability for the corresponding lease obligation. The Museum determines whether an arrangement is or contains a lease at contract inception. The Museum has not entered into any material lease agreements in excess of one year as of June 30, 2023 or 2022.

Besser Museum for Northeast Michigan

Notes to the Financial Statements

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

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. In addition, there was a prior period adjustment as disclosed in Note 18. Accordingly, such amounts should be read in conjunction with the Museum's financial statements for the year ended June 30, 2022, from which the comparative total amounts were derived, in addition to Note 18.

Reclassifications – Certain prior year amounts have been reclassified to conform to the current year presentation.

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, 2023, \$217,240 of the Museum's bank balance of \$467,240 was exposed to custodial credit risk because it exceeded FDIC insurance limits. As of June 30, 2022, \$106,019 of the Museum's bank balance of \$356,019 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 year ended June 30, 2023:

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Interest and dividends	\$ 9,671	\$ -	\$ 9,671
Net realized and unrealized gains/(losses)	(1,443)	2,924	1,481
Management fees	(586)	(229)	(815)
Totals	<u>\$ 7,642</u>	<u>\$ 2,695</u>	<u>\$ 10,337</u>

The following summarizes returns from the Museum's cash and investments as stated in the statement of activities for the year ended June 30, 2022:

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Interest and dividends	\$ 3,389	\$ 111	\$ 3,500
Net realized and unrealized gains/(losses)	(6,550)	(504)	(7,054)
Management fees	(731)	(27)	(758)
Totals	<u>\$ (3,892)</u>	<u>\$ (420)</u>	<u>\$ (4,312)</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, 2023 and 2022, 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 \$88,096 at June 30, 2023 and \$83,096 at June 30, 2022.

The investment portfolio is allocated as follows at June 30:

	2023	2022
Money market funds	\$ 18,848	\$ 18,250
Mutual funds	36,552	43,222
Exchange traded funds	32,696	21,624
Totals	<u>\$ 88,096</u>	<u>\$ 83,096</u>

Note 5. Property and Equipment

Property and equipment consist of the following at June 30:

	2023	2022
Land	\$ 100,000	\$ 100,000
Buildings	2,740,300	2,564,100
Building improvements	2,448,669	2,213,666
Furniture and equipment	106,852	106,852
Projects in progress	71,488	205,550
Less accumulated depreciation	(3,850,501)	(3,751,128)
	<u>\$ 1,616,808</u>	<u>\$ 1,439,040</u>

Depreciation expense amounted to \$99,373 and \$129,751 for the years ended June 30, 2023 and 2022, respectively.

Projects in progress consist of the following projects at June 30:

	2023	2022
Discover Northeast Michigan Exhibit	\$ 53,213	\$ 12,060
Great Lakes Fisheries Exhibit	18,275	-
HVAC/Chiller	-	193,490
	<u>\$ 71,488</u>	<u>\$ 205,550</u>

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:

	2023	2022
Capital Campaigns	\$ 392,738	\$ 25,325
Collections/Digitization Project	4,877	6,502
Green School	2,546	2,247
Great Lakes Fisheries Heritage	2,684	23,462
	<u>\$ 402,845</u>	<u>\$ 57,536</u>

Note 7. Contributions of Nonfinancial Assets

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 inventory with an estimated value of \$2,500 during the year ended June 30, 2022. The value of donated services for the years ended June 30, 2023 and 2022 are immaterial to the Museum's financial statements.

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.

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.

Besser Museum for Northeast Michigan

Notes to the Financial Statements

Note 8. Fair Value Measurements *(continued)*

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, 2023:

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	\$ 18,848	\$ 18,848	\$ -	\$ -
Mutual funds	36,552	-	36,552	-
Exchange traded products	32,696	-	32,696	-
Total	<u>\$ 88,096</u>	<u>\$ 18,848</u>	<u>\$ 69,248</u>	<u>\$ -</u>

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, 2022:

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	\$ 18,250	\$ 18,250	\$ -	\$ -
Mutual funds	43,222	-	43,222	-
Exchange traded products	21,624	-	21,624	-
Total	<u>\$ 83,096</u>	<u>\$ 18,250</u>	<u>\$ 64,846</u>	<u>\$ -</u>

Note 9. Retirement Plan

The Museum participates in a defined contribution SIMPLE retirement plan. Employer contributions were \$3,234 and \$3,407 for the years ended June 30, 2023 and 2022, respectively.

Besser Museum for Northeast Michigan

Notes to the Financial Statements

Note 10. Besser Museum Capital Campaigns

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. There were no remaining unconditional promises to give relating to the 50th Anniversary Capital Campaign at of June 30, 2023 or 2022. During the year ended June 30, 2022, management recorded an allowance for uncollectible promises to give for the entire amount, as the collection now appears doubtful, resulting in an ending balance of zero.

Discover Northeast Michigan History Exhibit Capital Campaign. During 2022, the Museum began the visioning process for the Discover Northeast Michigan History (DNEMH) exhibit. During October 2022, after receiving the backing from significant donors, the first official DNEMH Capital Campaign brochure was distributed to the public. The purpose of the DNEMH Campaign is to raise funds to envision, design, install, and transform existing exhibit space into the modern, immersive Discover Northeast Michigan History Exhibit. The Museum has enlisted the assistance of the Community Foundation for Northeast Michigan to provide assistance with the pledge campaign, handling pledge payments, and monitoring outstanding promises. The fund 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 consists of the following:

	2023
Unrestricted promises	\$ 79,900
Less discount for time	7,298
Net present value	72,602
(Allowance for doubtful accounts)	(3,995)
	<u>\$ 68,607</u>
Amounts due in:	
Less than one year	\$ 29,200
One to five years	43,402
	<u>\$ 72,602</u>

An imputed interest rate of 5.25% for the Capital Campaign was used to calculate the net present value for 2023.

For the year ended June 30, 2023, an allowance for uncollectable promises to give has been recorded in the amount of \$3,995.

Besser Museum for Northeast Michigan

Notes to the Financial Statements

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 2020 through 2023, 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, 2023 or 2022.

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, 2023	
	Balance	Spendable
Robert & Jacquelyn Granum Besser Museum Fund	\$ 970,768	\$ 38,672
Besser Museum for NE MI Endowment Fund	619,671	46,687
Besser Museum Art Endowment Fund	14,779	5,188
The Park Museum Endowment Fund	71,782	-
Harry Johnson Museum Endowment Fund	104,738	7,678
Candace Smith Museum Endowment Fund	62,467	7,932
Timothy J. and Dorothy J. Kent Besser Museum Fund	57,853	57,853
George & Edith Cook Family Designated Fund	13,255	13,255
	<u>\$ 1,915,313</u>	<u>\$ 177,265</u>

	June 30, 2022	
	Balance	Spendable
Robert & Jacquelyn Granum Besser Museum Fund	\$ 896,611	\$ 11,040
Besser Museum for NE MI Endowment Fund	624,001	63,077
Besser Museum Art Endowment Fund	13,403	4,488
The Park Museum Endowment Fund	86,663	15,744
Harry Johnson Museum Endowment Fund	97,402	2,128
Candace Smith Museum Endowment Fund	58,050	4,782
George & Edith Cook Family Designated Fund	13,032	13,032
	<u>\$ 1,789,162</u>	<u>\$ 114,291</u>

Besser Museum for Northeast Michigan

Notes to the Financial Statements

Note 12. Other Funds (continued)

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:

	2023	2022
Reitz Family Fund	\$ 250	\$ 250
Pfeiffenberger Fund	1,056	1,041
Steele Fund	743	697
	<u>\$ 2,049</u>	<u>\$ 1,988</u>

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. There was no balance held by the Community Foundation in the capital campaign fund at June 30, 2023. The balance held by the Community Foundation in the capital campaign fund was \$28,242 at June 30, 2022. The fund was formally closed during the fiscal year ended June 30, 2023.

Besser Museum DNEMH Capital Campaign Fund. The Museum began the Discover Northeast Michigan History Capital Campaign Fund during the fiscal year ended June 30, 2023. 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 and tracks donor activity, including promises to give. The purpose of this fund is to provide funding and grant matching funds to complete the Discover Northeast Michigan History exhibit. 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 \$222,746 at June 30, 2023.

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 \$2,891 at June 30, 2023 and \$2,684 at June 30, 2022.

Note 14. Concentrations

A sole contributor/grantor provided 42% and 51% of the museum's revenue for the years ended June 30, 2023 and 2022, respectively.

Besser Museum for Northeast Michigan

Notes to the Financial Statements

Note 15. 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.

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

	2023	2022
Cash and cash equivalents	\$ 460,904	\$ 339,746
Accounts and grants receivable, net	167,586	150,692
Promises to give, net	68,607	-
Investment - quasi-endowment	88,096	83,096
Beneficial interest in assets held by the Community Foundation	145,737	28,009
Total financial assets	930,930	601,543
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	(88,096)	(83,096)
Net assets with donor-imposed restrictions	(402,845)	(57,536)
Financial assets available to meet cash needs for general expenditures within one year	\$ 438,489	\$ 459,411

Note 16. Pandemic Aid Programs

The Museum applied for and received several governmentally sponsored pandemic aid grants. At June 30, 2022, the Museum had not yet received the final grants related to the Employee Retention Credit (ERC) which was 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 credits are included as governmental coronavirus grants in prior fiscal years. For the year ended June 30, 2022, \$40,392 was received during the fiscal year and \$3,891 is included in grants receivable at June 30, 2022. During the year ended June 30, 2023, the final amount of \$3,891 was received. There are no remaining balances due under the pandemic aid programs.

Besser Museum for Northeast Michigan

Notes to the Financial Statements

Note 17. Commitments

As of June 20, 2023, the Museum has outstanding commitments related to the Discover Northeast Michigan History Exhibit of \$49,290 for construction, approximately \$1,225,000 related to custom exhibit design and fabrication, and various other informal time and material agreements. The project is ongoing with a total budget for both phases of \$1,800,000.

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. These subsequent events do not affect the financial statements for the year ended June 30, 2023.

Subsequent to year-end, the Museum has received notification of the renewal of the Besser Foundation operating grant for the calendar year 2024 in the amount of \$260,000. The Museum has also been notified of non-recurring grants for the Discover Northeast Michigan History Exhibit in the amount of \$433,554 and \$386,500 related to the Great Lakes Fisheries Heritage Exhibit. Individual donor support for the Discover Northeast Michigan History Exhibit has been outstanding and exceeds \$400,000. In addition, other funds at the Community Foundation of \$326,520 have been committed to the Discover Northeast Michigan History Exhibit. The exhibit installation is scheduled for December 2024.

The Museum also has outstanding construction-related commitments related to the Great Lakes Fisheries Heritage Exhibit of approximately \$195,000.