

**BESSER MUSEUM FOR
NORTHEAST MICHIGAN**

Financial Statements For The Year
Ended June 30, 2024
(With Comparative Information for 2023)

STRALEY LAMP & KRAENZLEIN P.C.

Contents

| | <u>Page</u> |
|--------------------------------------|--------------------|
| Independent Auditor's Report | 1 |
| Financial Statements | |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Functional Expenses | 5 |
| Statement of Cash Flows | 6 |
| Notes to Financial Statements | 7 |

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, 2024, 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, 2024, 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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Straley Lamp & Kraenzlein P.C.

Alpena, MI
April 24, 2025

Besser Museum of Northeast Michigan

Statement of Financial Position

| | June 30, | |
|--|---------------------|---------------------|
| | 2024 | 2023 |
| Assets | | |
| Cash and cash equivalents | \$ 588,909 | \$ 460,904 |
| Accounts and grants receivable | 130,010 | 167,586 |
| Promises to give, net | 43,349 | 68,607 |
| Gift shop and fundraising inventory | 50,391 | 57,214 |
| Prepaid expenses and other assets | 1,278 | 1,278 |
| Investment - quasi-endowment | 77,969 | 88,096 |
| Beneficial interest in assets held by others | 81,974 | 145,737 |
| Property and equipment, net | 2,084,871 | 1,616,808 |
| Total assets | <u>\$ 3,058,751</u> | <u>\$ 2,606,230</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable | \$ 11,074 | \$ 12,416 |
| Accrued expenses and other liabilities | 9,752 | 9,439 |
| Unearned grant revenue | 42,500 | 43,478 |
| Total liabilities | <u>63,326</u> | <u>65,333</u> |
| Net Assets | | |
| Net assets without donor restrictions | | |
| Undesignated - general operating | 371,429 | 431,648 |
| Board designated | | |
| Designated for endowment | 1,500 | 1,500 |
| Designated as quasi-endowment | 77,969 | 88,096 |
| Total board designated | <u>79,469</u> | <u>89,596</u> |
| Net investment in property and equipment | <u>2,084,871</u> | <u>1,616,808</u> |
| Total net assets without donor restrictions | <u>2,535,769</u> | <u>2,138,052</u> |
| Net assets with donor restrictions | | |
| Purpose restrictions | <u>459,656</u> | <u>402,845</u> |
| Total net assets | <u>2,995,425</u> | <u>2,540,897</u> |
| Total liabilities and net assets | <u>\$ 3,058,751</u> | <u>\$ 2,606,230</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, 2023)

| | For the Year Ended June 30, 2024 | | | 2023 |
|--|----------------------------------|----------------------------|---------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Comparative Total |
| Revenue, Support and Gains | | | | |
| Admissions | \$ 41,959 | \$ - | \$ 41,959 | \$ 34,342 |
| Memberships | 27,645 | - | 27,645 | 23,489 |
| Gift shop sales | 26,004 | - | 26,004 | 26,514 |
| Less cost of goods sold | (23,800) | - | (23,800) | (19,840) |
| Net gift shop sales | 2,204 | - | 2,204 | 6,674 |
| Net investment return | 23,017 | 4,041 | 27,058 | 10,337 |
| Grants | 750,612 | - | 750,612 | 463,929 |
| Contributions | 76,502 | 55,453 | 131,955 | 423,480 |
| Other revenue | 1,416 | - | 1,416 | 1,536 |
| Gross special events revenue | 3,779 | - | 3,779 | 6,461 |
| Less cost of events | (950) | - | (950) | (4,585) |
| Net special events revenue | 2,829 | - | 2,829 | 1,876 |
| Designated fund distributions from the Community Foundation | 35,797 | - | 35,797 | 54,249 |
| Net assets released from restrictions | 2,683 | (2,683) | - | - |
| Total revenue, support, and gains | 964,664 | 56,811 | 1,021,475 | 1,019,912 |
| Expenses and Losses | | | | |
| Program services expense | 397,506 | - | 397,506 | 372,058 |
| Management and general | 140,016 | - | 140,016 | 144,345 |
| Fundraising and development | 29,425 | - | 29,425 | 27,270 |
| Total expenses | 566,947 | - | 566,947 | 543,673 |
| Change in net assets | 397,717 | 56,811 | 454,528 | 476,239 |
| Net assets, beginning of year, restated | 2,138,052 | 402,845 | 2,540,897 | 2,064,658 |
| Net assets, end of year | <u>\$ 2,535,769</u> | <u>\$ 459,656</u> | <u>\$ 2,995,425</u> | <u>\$ 2,540,897</u> |

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, 2023)

| | Program Services | Supporting Services | | Cost of Goods Sold | For the Year Ended June 30, | |
|--|---------------------|------------------------------|-----------------------------------|--------------------------|--------------------------------|------------------|
| | | Management and General | Fundraising and Development | | 2024 | 2023 |
| Salaries and wages | \$ 150,520 | \$ 49,028 | \$ 14,753 | \$ - | \$214,301 | \$211,400 |
| Employee benefits | 20,217 | 11,076 | 3,264 | - | 34,557 | 35,337 |
| Payroll taxes | 12,055 | 3,926 | 1,182 | - | 17,163 | 16,767 |
| Professional services | - | 20,505 | - | - | 20,505 | 23,355 |
| Contracted services | 7,004 | 1,620 | - | - | 8,624 | 6,606 |
| Advertising and promotion | 17,349 | 550 | - | - | 17,899 | 17,908 |
| Postage | 403 | 1,311 | 538 | - | 2,252 | 2,200 |
| Copying/Printing | 3,781 | 2,640 | 4,489 | - | 10,910 | 6,349 |
| Office expenses & supplies | 8,510 | 7,335 | - | - | 15,845 | 20,611 |
| Occupancy | | | | | | |
| Facility expense | 24,318 | 4,291 | - | - | 28,609 | 23,942 |
| Utilities | 45,295 | 7,993 | - | - | 53,288 | 44,814 |
| Depreciation and amortization | 96,523 | 17,034 | - | - | 113,557 | 99,373 |
| Insurance | 7,731 | 7,731 | 5,154 | - | 20,616 | 16,710 |
| Professional development expense | - | 4,195 | - | - | 4,195 | 1,592 |
| Bank service charges | - | 1,763 | - | - | 1,763 | 1,476 |
| Uncollectible pledges expense (collections) | - | (1,502) | - | - | (1,502) | 3,995 |
| Cost of store inventory sold | - | - | - | 23,800 | 23,800 | 19,840 |
| Direct cost of special events | - | - | - | 950 | 950 | 4,585 |
| Direct grant expenses | 1,728 | - | - | - | 1,728 | 3,528 |
| Other | 2,072 | 520 | 45 | - | 2,637 | 7,710 |
| Total expenses by function | 397,506 | 140,016 | 29,425 | 24,750 | 591,697 | 568,098 |
| Less expenses included with revenues on the statement of activities | | | | | | |
| Gift shop cost of goods sold | - | - | - | (23,800) | (23,800) | (19,840) |
| Direct cost of special events | - | - | - | (950) | (950) | (4,585) |
| Total expenses included in the expense section on the statement of activities | <u>\$ 397,506</u> | <u>\$ 140,016</u> | <u>\$ 29,425</u> | <u>\$ -</u> | <u>\$566,947</u> | <u>\$543,673</u> |

Besser Museum for Northeast Michigan

Statement of Cash Flows

| | For the Year Ended June 30, | |
|---|-----------------------------|-------------------|
| | 2024 | 2023 |
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 454,528 | \$ 476,239 |
| Adjustments to reconcile change in net assets to net cash from (used for) operating activities: | | |
| Depreciation and amortization | 113,557 | 99,373 |
| Change in beneficial interests in assets held by others | 63,763 | (117,728) |
| Realized and unrealized gains on investments | (5,793) | (1,279) |
| Allowance for uncollectible promises to give | (1,502) | 3,995 |
| Discount on promises to give | (3,273) | 7,298 |
| Changes in operating assets and liabilities: | | |
| Accounts and grants receivable, net | 37,576 | (16,894) |
| Promises to give | 30,033 | (79,900) |
| Inventory | 6,823 | (566) |
| Prepaid expenses and other assets | - | (1,063) |
| Accounts payable | (1,342) | (4,036) |
| Unearned grant revenue | (978) | 43,478 |
| Accrued expenses and other liabilities | 313 | (6,897) |
| Net Cash Provided by Operating Activities | 693,705 | 402,020 |
| Cash Flows from Investing Activities | | |
| Purchases of property and equipment | (581,620) | (277,142) |
| Purchases of investments | (2,415) | (65,925) |
| Proceeds from sale of investments | 18,335 | 62,205 |
| Net Cash (Used in) Investing Activities | (565,700) | (280,862) |
| Net change in cash and cash equivalents | 128,005 | 121,158 |
| Cash and cash equivalents, beginning of the year | 460,904 | 339,746 |
| Cash and cash equivalents, end of the year | <u>\$ 588,909</u> | <u>\$ 460,904</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, 2024 and 2023, the balance in the allowance for uncollectable pledges was \$2,493 and \$3,995, respectively, as the remaining pledges related to the capital campaign were deemed uncollectable.

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 \$17,899 and \$17,908 for the years ended June 30, 2024 and 2023, 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.

All of the Museum's revenue arrangements generally consist of a single performance obligation to provide goods or 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.

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. Admissions, memberships, and gift shop sale revenue recognized on the statement of activities is considered contract revenue under ASC 606.

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.

Beneficial Interest in Assets Held by Others. 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.

Besser Museum for Northeast Michigan

Notes to the Financial Statements

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

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 2024 or 2023.

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, 2024 or 2023.

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, 2023, from which the comparative total amounts were derived.

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

Besser Museum for Northeast Michigan

Notes to the Financial Statements

Note 3. Cash and Cash Equivalents and Investments

Cash and cash equivalents as of June 30, 2024 and 2023 consist of:

| | 2024 | 2023 |
|--------------------|-------------------|-------------------|
| Checking | \$ 242,091 | \$ 460,554 |
| Petty cash | 350 | 350 |
| Money market funds | 346,468 | - |
| Totals | <u>\$ 588,909</u> | <u>\$ 460,904</u> |

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, 2024, \$0 of the Museum's bank balance of \$243,174 was exposed to custodial credit risk because it did not exceed FDIC insurance limits. As of June 30, 2023, \$217,240 of the Museum's bank balance of \$467,240 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, 2024:

| | Net assets without donor restrictions | Net assets with donor restrictions | Total |
|--|--|---------------------------------------|------------------|
| Interest and dividends | \$ 26,057 | \$ - | \$ 26,057 |
| Net realized and unrealized gains/(losses) | 155 | 5,638 | 5,793 |
| Management fees | (3,195) | (1,597) | (4,792) |
| Totals | <u>\$ 23,017</u> | <u>\$ 4,041</u> | <u>\$ 27,058</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, 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> |

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, 2024 and 2023, the Board did not appropriate any funds to the investment balance. The Board elected to transfer \$17,266 out of the quasi-endowment fund during the year ended June 30, 2024. The funds were transferred to a cash equivalent account for building-related upgrades necessary for the installation of the Discover Northeast Michigan Exhibit. The Board did not appropriate any funds for expenditure for the year ended June 30, 2023. The fair market value of the board-designated quasi-endowment funds was \$77,968 at June 30, 2024 and \$88,096 at June 30, 2023.

The investment portfolio is allocated as follows at June 30:

| | 2024 | 2023 |
|-----------------------|------------------|------------------|
| Money market funds | \$ 1,544 | \$ 18,848 |
| Mutual funds | 38,882 | 36,552 |
| Exchange traded funds | 37,542 | 32,696 |
| Totals | <u>\$ 77,968</u> | <u>\$ 88,096</u> |

Note 5. Property and Equipment

Property and equipment consist of the following at June 30:

| | 2024 | 2023 |
|-------------------------------|---------------------|---------------------|
| Land | \$ 100,000 | \$ 100,000 |
| Buildings | 2,740,301 | 2,740,300 |
| Building improvements | 2,474,939 | 2,448,669 |
| Furniture and equipment | 106,852 | 106,852 |
| Projects in progress | 626,838 | 71,488 |
| Less accumulated depreciation | (3,964,059) | (3,850,501) |
| | <u>\$ 2,084,871</u> | <u>\$ 1,616,808</u> |

Depreciation expense amounted to \$113,557 and \$99,373 for the years ended June 30, 2024 and 2023, respectively.

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

| | 2024 | 2023 |
|-------------------------------------|-------------------|------------------|
| Discover Northeast Michigan Exhibit | \$ 393,081 | \$ 53,213 |
| Great Lakes Fisheries Exhibit | 233,757 | 18,275 |
| | <u>\$ 626,838</u> | <u>\$ 71,488</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:

| | 2024 | 2023 |
|----------------------------------|-------------------|-------------------|
| Capital Campaigns | \$ 452,233 | \$ 392,738 |
| Collections/Digitization Project | 4,877 | 4,877 |
| Green School | 2,546 | 2,546 |
| Great Lakes Fisheries Heritage | - | 2,684 |
| | <u>\$ 459,656</u> | <u>\$ 402,845</u> |

Note 7. Contributions of Nonfinancial Assets

Donated Services. The Museum recognizes contributions of nonfinancial donated services or assets 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 value of contributed nonfinancial donated services or assets for the years ended June 30, 2024 and 2023 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.

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.

Besser Museum for Northeast Michigan

Notes to the Financial Statements

Note 8. Fair Value Measurements *(continued)*

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, 2024:

| | 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 | \$ 348,012 | \$ 348,012 | \$ - | \$ - |
| Mutual funds | 38,882 | - | 38,882 | - |
| Exchange traded products | 37,542 | - | 37,542 | - |
| Total | <u>\$ 424,436</u> | <u>\$ 348,012</u> | <u>\$ 76,424</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, 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> |

Note 9. Retirement Plan

The Museum participates in a defined contribution SIMPLE retirement plan. Employer contributions were \$3,394 and \$3,234 for the years ended June 30, 2024 and 2023, respectively.

Note 10. Besser Museum Capital Campaigns

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 Community Foundation for Northeast Michigan to provide assistance with the pledge campaign, handle pledge payments, and monitor outstanding promises. The fund is a beneficial interest to the Museum. See Note 13 for additional information on this fund.

Besser Museum for Northeast Michigan

Notes to the Financial Statements

Note 10. Besser Museum Capital Campaigns *(continued)*

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

| | 2024 | 2023 |
|---|----------------------|----------------------|
| Unrestricted promises | \$ 49,867 | \$ 79,900 |
| Less discount for time | 4,025 | 7,298 |
| Net present value | 45,842 | 72,602 |
| (Allowance for doubtful accounts) | (2,493) | (3,995) |
| Total unconditional promise to give | <u>\$ 43,349</u> | <u>\$ 68,607</u> |
| Amounts due in: | | |
| Less than one year | \$ 22,884 | \$ 29,200 |
| One to five years | 22,958 | 43,402 |
| Total | <u>\$ 45,842</u> | <u>\$ 72,602</u> |

An imputed interest rate of 5.25% for the Capital Campaign was used to calculate the net present value for 2024 and 2023.

For the year ended June 30, 2024, and 2023 an allowance for uncollectable promises to give has been recorded in the amount of \$2,493 and \$3,995, respectively.

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 2021 through 2024, 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, 2024 or 2023.

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.

Besser Museum for Northeast Michigan

Notes to the Financial Statements

Note 12. Other Funds (continued)

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

| | June 30, 2024 | |
|---|---------------------|-------------------|
| | Balance | Spendable |
| Robert & Jacquelyn Granum Besser Museum Fund | \$ 1,088,327 | \$ 78,552 |
| Besser Museum for NE MI Endowment Fund | 680,493 | 76,167 |
| Besser Museum Art Endowment Fund | 16,194 | 5,658 |
| The Park Museum Endowment Fund | 78,338 | 4,030 |
| Harry Johnson Museum Endowment Fund | 114,684 | 12,738 |
| Candace Smith Museum Endowment Fund | 68,426 | 10,752 |
| Timothy J. and Dorothy J. Kent Besser Museum Fund | 57,097 | 57,097 |
| George & Edith Cook Family Designated Fund | 88,835 | 88,835 |
| | <u>\$ 2,192,394</u> | <u>\$ 333,829</u> |

| | 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> |

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:

| | 2024 | 2023 |
|---------------------|-----------------|-----------------|
| Reitz Family Fund | \$ 250 | \$ 250 |
| Pfeiffenberger Fund | 1,032 | 1,056 |
| Steele Fund | 715 | 743 |
| | <u>\$ 1,997</u> | <u>\$ 2,049</u> |

Note 13. Beneficial Interest in Assets Held by The Community Foundation for 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 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 DNEMH Capital Campaign Fund. The Museum began the Discover Northeast Michigan History Capital Campaign Fund during the fiscal year ended June 30, 2024. 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 \$122,007 and \$222,746 at June 30, 2024 and 2023, respectively.

Besser Museum for Northeast Michigan Endowment Agency Fund. In 1999, the Museum irrevocably transferred \$1,500 to the Community Foundation establishing an agency endowment fund. This is an endowment fund held by the Community Foundation. The Community Foundation administers the investment management services of this fund. The purpose of this fund is to support the Museum's operating expenses. The Board of Trustees of the Museum has discretion upon how the earnings of this fund shall be distributed. The amount of funds held by the Community Foundation in the Besser Museum for Northeast Michigan Endowment Agency Fund was \$3,167 at June 30, 2024 and \$2,891 at June 30, 2023.

Note 14. Concentrations

A sole contributor/grantor provided 45% and 42% of the museum's revenue for the years ended June 30, 2024 and 2023, respectively.

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.

Besser Museum for Northeast Michigan

Notes to the Financial Statements

Note 15. 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:

| | | |
|--|------------|------------|
| Cash and cash equivalents | \$ 588,909 | \$ 460,904 |
| Accounts and grants receivable, net | 130,010 | 167,586 |
| Promises to give, net | 43,349 | 68,607 |
| Investment - quasi-endowment | 77,969 | 88,096 |
| Beneficial interest in assets held by others | 81,974 | 145,737 |
| Total financial assets | 922,211 | 930,930 |
| 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 | (77,969) | (88,096) |
| Net assets with donor-imposed restrictions | (459,656) | (402,845) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 383,086 | \$ 438,489 |

Note 16. Commitments

As of June 20, 2024, the Museum has outstanding commitments related to the Discover Northeast Michigan History Exhibit of approximately \$1,134,000 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 17. 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, 2024.

Subsequent to year-end, the Museum has received notification of the renewal of the Besser Foundation operating grant for the calendar year 2025 in the amount of \$260,000. The Museum has subsequently received non-recurring grants/large donor support for the Discover Northeast Michigan History Exhibit in the amount of approximately \$585,000. To complete the matching requirements of one of the grants from the Michigan Economic Development Corporation, the Museum carried out a special campaign and raised over \$46,000 which met the grant's matching requirement. The exhibit installation occurred in December 2024 and opened to the public in January 2025.