

AUDITED FINANCIAL STATEMENTS

CANTON MUSEUM OF ART

June 30, 2021 and 2020



HALL, KISTLER & COMPANY LLP
CONSULTANTS AND CERTIFIED PUBLIC ACCOUNTANTS

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C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees and Members
Canton Museum of Art
Canton, Ohio

We have audited the accompanying financial statements of Canton Museum of Art (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, cash flows and functional expenses for the years 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 Canton Museum of Art as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Canton Museum of Art and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Canton Museum of Art'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, including omissions, 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 Canton Museum of Art'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 Canton Museum of Art'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.

Hall, Kistler & Company LLP
Certified Public Accountants

Canton, Ohio
September 16, 2021



STATEMENTS OF FINANCIAL POSITION

CANTON MUSEUM OF ART

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 619,721	\$ 460,966
Receivables:		
Grants	12,065	33,323
Other	11,368	5,352
Inventory	11,380	5,130
Prepaid expenses	25,573	71,108
TOTAL CURRENT ASSETS	<u>680,107</u>	<u>575,879</u>
Art collections (see Notes A and F)	-	-
<u>IMPROVEMENTS AND EQUIPMENT</u>		
Improvements	682,509	676,940
Office furniture, fixtures and equipment	189,505	186,123
Assets not placed in service	-	6,011
	<u>872,014</u>	<u>869,074</u>
Less accumulated depreciation	<u>567,338</u>	<u>542,358</u>
	304,676	326,716
<u>OTHER ASSETS</u>		
Investments	5,301,553	4,251,889
Beneficial interest in assets held by Stark Community Foundation	585,397	453,648
	<u>5,886,950</u>	<u>4,705,537</u>
TOTAL ASSETS	<u>\$ 6,871,733</u>	<u>\$ 5,608,132</u>

See independent auditor's report and notes to financial statements.



STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	<u>2021</u>	<u>2020</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 59,006	\$ 22,835
Accrued expenses	51,293	50,862
Current portion of long-term debt	4,600	40,083
TOTAL CURRENT LIABILITIES	<u>114,899</u>	<u>113,780</u>
<u>LONG-TERM DEBT, less current portion</u>	265,657	240,815
<u>OTHER LIABILITIES</u>		
Accrued interest	4,125	-
TOTAL LIABILITIES	<u>384,681</u>	<u>354,595</u>
<u>NET ASSETS</u>		
Without donor restrictions	4,670,509	3,629,484
With donor restrictions	1,816,543	1,624,053
	<u>6,487,052</u>	<u>5,253,537</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,871,733</u>	<u>\$ 5,608,132</u>



STATEMENTS OF ACTIVITIES

CANTON MUSEUM OF ART

For the years ended June 30, 2021 and 2020

	2021		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<u>REVENUES, GAINS AND OTHER SUPPORT</u>			
Grants and contributions	\$ 139,214	\$ 793,027	\$ 932,241
Forgiveness of debt income - PPP Loan	120,898	-	120,898
In-kind contribution - use of facilities	420,180	-	420,180
Memberships	24,348	-	24,348
Investment income:			
Interest and dividends	110,033	14,056	124,089
Net realized gains and losses	132,508	17,763	150,271
Net unrealized gains and losses	992,129	115,253	1,107,382
Special events and benefits	11,950	-	11,950
Educational fees and outreach programs	35,398	-	35,398
Admissions	33,966	-	33,966
Rent	131	-	131
Sale of books, prints and miscellaneous	29,078	-	29,078
Other	5,225	-	5,225
TOTAL REVENUES, GAINS AND OTHER SUPPORT	2,055,058	940,099	2,995,157
NET ASSETS RELEASED FROM RESTRICTIONS	739,310	(739,310)	-
<u>EXPENSES</u>			
Program services:			
Education	316,435	-	316,435
Exhibits and general gallery	937,082	-	937,082
Supporting services:			
General and administrative	314,413	-	314,413
Operation and maintenance of facilities	95,445	-	95,445
Fundraising	89,968	-	89,968
TOTAL EXPENSES	1,753,343	-	1,753,343
CHANGE IN NET ASSETS BEFORE COLLECTION OF ART NOT CAPITALIZED	1,041,025	200,789	1,241,814
<u>COLLECTION OF ART NOT CAPITALIZED</u>			
Deaccession (accession) of art, net	-	(8,299)	(8,299)
CHANGE IN NET ASSETS	1,041,025	192,490	1,233,515
NET ASSETS - BEGINNING OF YEAR	3,629,484	1,624,053	5,253,537
NET ASSETS - END OF YEAR	\$ 4,670,509	\$ 1,816,543	\$ 6,487,052

See independent auditor's report and notes to financial statements.



STATEMENTS OF ACTIVITIES (CONTINUED)

	2020		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<u>REVENUES, GAINS AND OTHER SUPPORT</u>			
Grants and contributions	\$ 382,433	\$ 630,473	\$ 1,012,906
In-kind contribution - use of facilities	420,180	-	420,180
Memberships	29,112	-	29,112
Investment income:			
Interest and dividends	124,228	17,415	141,643
Net realized gains and losses	838,249	127,003	965,252
Net unrealized gains and losses	(947,096)	(139,090)	(1,086,186)
Special events and benefits	92,997	-	92,997
Educational fees and outreach programs	115,257	-	115,257
Admissions	13,609	-	13,609
Rent	4,995	-	4,995
Sale of books, prints and miscellaneous	21,879	-	21,879
Other	5,195	-	5,195
TOTAL REVENUES, GAINS AND OTHER SUPPORT	1,101,038	635,801	1,736,839
NET ASSETS RELEASED FROM RESTRICTIONS	245,847	(245,847)	-
<u>EXPENSES</u>			
Program services:			
Education	353,115	-	353,115
Exhibits and general gallery	565,741	-	565,741
Supporting services:			
General and administrative	320,496	-	320,496
Operation and maintenance of facilities	93,272	-	93,272
Fundraising	145,579	-	145,579
TOTAL EXPENSES	1,478,203	-	1,478,203
CHANGE IN NET ASSETS BEFORE COLLECTION OF ART NOT CAPITALIZED	(131,318)	389,954	258,636
<u>COLLECTION OF ART NOT CAPITALIZED</u>			
Deaccession (accession) of art, net	-	(9,534)	(9,534)
CHANGE IN NET ASSETS	(131,318)	380,420	249,102
NET ASSETS - BEGINNING OF YEAR	3,760,802	1,243,633	5,004,435
NET ASSETS - END OF YEAR	<u>\$ 3,629,484</u>	<u>\$ 1,624,053</u>	<u>\$ 5,253,537</u>



STATEMENTS OF CASH FLOWS

CANTON MUSEUM OF ART

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 1,233,515	\$ 249,102
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	24,981	24,883
(Deaccession) accession of art, net	8,299	9,534
Net realized and unrealized (gain) loss on investments	(1,125,776)	114,968
Net realized and unrealized (gain) loss on beneficial interest in assets held by Stark Community Foundation	(131,877)	5,966
(Gain) on forgiveness of long-term debt	(130,898)	-
Changes in assets and liabilities:		
Receivables	15,242	21,914
Inventory and prepaid expenses	39,285	(27,798)
Accrued interest	4,125	-
Accounts payable and accrued expenses	36,601	(24,559)
Net cash (used in) provided by operating activities	<u>(26,503)</u>	<u>374,010</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of improvements and equipment	(2,940)	(6,965)
Deaccession (accession) of art, net	(8,299)	(9,534)
Purchase of investments	(1,419,528)	(5,684,954)
Proceeds from sale of investments	1,495,768	5,265,251
Net cash provided by (used in) investing activities	<u>65,001</u>	<u>(436,202)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from loans	120,257	280,898
Net cash provided by financing activities	<u>120,257</u>	<u>280,898</u>
INCREASE IN CASH AND CASH EQUIVALENTS	158,755	218,706
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>460,966</u>	<u>242,260</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 619,721</u>	<u>\$ 460,966</u>

See independent auditor's report and notes to financial statements.

STATEMENTS OF FUNCTIONAL EXPENSES

CANTON MUSEUM OF ART

Year ended June 30, 2021



	PROGRAM SERVICES			SUPPORTING SERVICES			TOTAL EXPENSES
	EDUCATION	EXHIBIT AND GENERAL GALLERY	TOTAL PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	OPERATION AND MAINTENANCE OF FACILITIES	FUNDRAISING	
Salaries and wages	\$ 115,386	\$ 142,770	\$ 258,156	\$ 147,057	\$ -	\$ 70,160	\$ 475,373
Payroll taxes and employee benefits	20,702	25,616	46,318	26,385	-	12,588	85,291
TOTAL PERSONNEL COSTS	136,088	168,386	304,474	173,442	-	82,748	560,664
Contributed use of facilities	101,684	244,964	346,648	-	73,532	-	420,180
Supplies	4,199	12,090	16,289	8,291	1,724	-	26,304
Telephone	1,251	3,014	4,265	905	-	-	5,170
Security	-	6,909	6,909	-	-	-	6,909
Shipping and postage	-	112,712	112,712	1,668	-	-	114,380
Advertising and promotion	-	224,163	224,163	27,003	-	7,220	258,386
Curatorial expenses	-	9,691	9,691	-	-	-	9,691
Gallery openings and events	4,784	36,440	41,224	-	-	-	41,224
Scholarships	-	-	-	-	-	-	-
Contracted teachers and classroom supplies	35,823	-	35,823	-	-	-	35,823
Potters guild	-	-	-	-	-	-	-
Subscription service and membership	-	-	-	4,054	-	-	4,054
Legal and accounting	-	-	-	17,147	-	-	17,147
Investment fees	-	-	-	35,187	-	-	35,187
Interest	-	-	-	4,125	-	-	4,125
Insurance	2,600	39,438	42,038	4,820	-	-	46,858
Computer expenses	-	-	-	4,198	-	-	4,198
Utilities and maintenance	27,919	67,259	95,178	-	20,189	-	115,367
Cost of sales	-	-	-	8,592	-	-	8,592
Depreciation	-	-	-	24,981	-	-	24,981
Miscellaneous	2,087	12,016	14,103	-	-	-	14,103
TOTAL FUNCTIONAL EXPENSES	180,347	768,696	949,043	140,971	95,445	7,220	1,192,679
TOTAL EXPENSES	\$ 316,435	\$ 937,082	\$ 1,253,517	\$ 314,413	\$ 95,445	\$ 89,968	\$ 1,753,343

See independent auditor's report and notes to financial statements.

STATEMENTS OF FUNCTIONAL EXPENSES

CANTON MUSEUM OF ART

Year ended June 30, 2020



	PROGRAM SERVICES			SUPPORTING SERVICES			TOTAL EXPENSES
	EDUCATION	EXHIBIT AND GENERAL GALLERY	TOTAL PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	OPERATION AND MAINTENANCE OF FACILITIES	FUNDRAISING	
Salaries and wages	\$ 115,283	\$ 135,851	\$ 251,134	\$ 160,020	\$ -	\$ 77,333	\$ 237,353
Payroll taxes and employee benefits	20,158	23,755	43,913	27,981	-	13,522	41,503
TOTAL PERSONNEL COSTS	135,441	159,606	295,047	188,001	-	90,855	278,856
Contributed use of facilities	101,684	244,964	346,648	-	73,532	-	73,532
Supplies	5,469	11,993	17,462	6,697	1,934	-	8,631
Telephone	1,048	2,524	3,572	758	-	-	758
Security	-	2,655	2,655	-	-	-	-
Shipping and postage	-	15,209	15,209	2,452	-	-	2,452
Advertising and promotion	-	36,051	36,051	22,600	-	27,380	49,980
Curatorial expenses	-	2,718	2,718	-	-	-	-
Gallery openings and events	2,796	8,014	10,810	-	-	27,344	27,344
Scholarships	9,450	-	9,450	-	-	-	-
Contracted teachers and classroom supplies	61,274	-	61,274	-	-	-	-
Potters guild	-	-	-	3,210	-	-	3,210
Subscription service and membership	-	-	-	11,609	-	-	11,609
Legal and accounting	-	-	-	18,661	-	-	18,661
Investment fees	-	-	-	24,853	-	-	24,853
Insurance	2,605	20,855	23,460	4,804	-	-	4,804
Computer expenses	-	-	-	357	-	-	357
Utilities and maintenance	24,623	59,318	83,941	-	17,806	-	17,806
Cost of sales	-	-	-	11,611	-	-	11,611
Depreciation	-	-	-	24,883	-	-	24,883
Miscellaneous	8,725	1,834	10,559	-	-	-	-
TOTAL FUNCTIONAL EXPENSES	217,674	406,135	623,809	132,495	93,272	54,724	280,491
TOTAL EXPENSES	\$ 353,115	\$ 565,741	\$ 918,856	\$ 320,496	\$ 93,272	\$ 145,579	\$ 559,347
							\$ 1,478,203

See independent auditor's report and notes to financial statements.



NOTES TO FINANCIAL STATEMENTS

CANTON MUSEUM OF ART

June 30, 2021 and 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Canton Museum of Art (Museum) is a non-profit entity organized under the laws of the State of Ohio and fully accredited by the American Alliance of Museums. The community-oriented Museum provides art services which include maintenance and exhibit of a permanent collection of fine art, presentation of a diversified schedule of both original and rental exhibitions, a wide variety of educational opportunities, and collaborations with many other community agencies.

Basis of Presentation

The Museum reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions, and net assets without donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses including functional allocations during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments which potentially subject the Museum to concentrations of credit risk consist of cash, temporary investments, investment securities, and contributions receivable. The Museum places its cash and temporary investments with creditworthy, high quality financial institutions.

The Museum has significant investments in equity securities and other types of investments and is therefore subject to concentrations of credit risk. Investments are managed by investment advisors who are directed by the Trustees according to the investment policy. Though the market value of investments is subject to fluctuations on a year-to-year basis, the Trustees believe that the investment policy is prudent for the long-term operations and growth of the Museum.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Museum considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

The Museum's cash accounts are maintained at high quality financial institutions and may at times exceed Federally insured amounts.

Grants and Contributions

Grants and contributions are recognized when the donor makes a promise to give to the Museum that is, in substance, unconditional. Grants and contributions that are restricted by the donor are reported as increases in net assets without restrictions, if the restrictions expire in the fiscal year in which the grants and contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions of property and equipment are recorded as support at their estimated fair value. Such contributions are reported as without donor restrictions unless the donor has restricted the contributed asset to a specific purpose. Assets contributed with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as with donor restrictions.

Absent donor stipulations regarding how long those contributed assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Museum reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Inventory

Inventories of merchandise purchased for resale or used for classes are stated at lower of cost or market determined by the first-in, first-out (FIFO) method.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, based on quoted prices in active markets (all Level 1 measurements). The Museum's beneficial interest in the Stark Community Foundation pooled account (Level 3 measurement) is reported at fair value, based on reports by investment managers and the audited



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

financial statements of the funds within the investment pool. The Museum believes this method provides a reasonable estimate of fair value. Interest and dividend income, and net realized or unrealized gains or losses on fair value of investments are included in the statement of activities and reported as increases or decreases within the appropriate class of net assets.

FASB ASC 820 established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the measurement in its entirety.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. A quoted price in an active market provides the most reliable evidence of fair value. The Museum's investments in certificates, equity securities, mutual funds and agency bonds are Level 1 inputs.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and include:

Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. The Museum had no Level 2 inputs.

Level 3 inputs are unobservable inputs for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk) developed based on the best information available in the circumstances. The Museum's beneficial interest in the Stark Community Foundation pooled account is a Level 3 input.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

The Museum funded a beneficial interest in assets held by the Stark Community Foundation, a community trust established to administer gifts or bequests for public charitable uses. All contributions are held, invested, and managed by the Stark Community Foundation for the benefit of the Museum in accordance with terms of the agreement. Income from the fund is available with the approval of the Museum's Board of Directors and the principal may be obtained with approval from the Museum's Board of Directors as well as the approval of the Stark Community Foundation's Board. Per the agreement with the Stark Community Foundation, if the Museum ceases to exist, its Board of Directors shall select another tax-exempt charitable organization as the designated beneficiary of the interest in the pooled account held at the Stark Community Foundation.

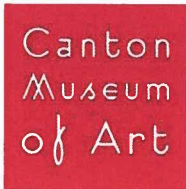
Improvements and Equipment

Improvements and equipment are recorded at cost or fair value in the case of donated property at the date of acquisition. Expenditures for maintenance and repairs are expensed as incurred, while expenditures for additions and improvements are generally capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation expense amounted to \$24,981 and \$24,883 for the years ended June 30, 2021 and 2020, respectively.

Donated Facilities and Services

The Museum entered into an agreement with Arts in Stark (formerly the Cultural Center for the Arts) (AIS) of Canton, Ohio for the use of facilities at 1001 Market Avenue North. The agreement is automatically renewed from year to year, unless notification to the contrary is made by either party 120 days prior to the end of the calendar year. Under the agreement, no rental payments are made to AIS. However, the Museum is responsible for maintenance and repair of the facilities, as well as its pro rata share of certain utility costs.

Contributed facility income and expense for the special purpose facilities has been reflected in the financial statements under the heading "In-kind contribution – use of facilities" and within various expenses, respectively, in the amount of \$420,180 for the years ended June 30, 2021 and 2020.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Facilities and Services (Continued)

The value of contributed services is not included in the financial statements since no objective method of measuring their value is available. However, there are a number of volunteers who have donated a considerable amount of time to the Museum's programs and activities.

Art Collections

The Museum's art collections, which were purchased or donated, are not included as assets in the statement of financial position. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for collections. Purchases of collection items are recorded as decreases in net assets with donor restrictions in the year in which the items are acquired. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions are reflected as increases in net assets with donor restrictions.

Functional Allocation of Costs

Costs of providing various programs and other activities have been summarized on the statement of activities on a functional basis as determined by management.

Advertising Costs

Advertising costs, which are expensed as incurred, totaled \$99,379 and \$105,818 for the years ended June 30, 2021 and 2020, respectively.

Income Taxes

The Museum is a non-profit entity and has been granted an exemption from income taxes under the provisions of Internal Revenue Code Section 501(c)(3).

Uncertain Tax Positions. The Museum complies with the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. The provisions prescribe a two-step process for recognizing and measuring income tax uncertainties. First, a threshold condition of "more likely than not" should be met to determine whether any of the benefit from an uncertain tax position should be recognized in the financial statements. If the recognition threshold is met, FASB ASC 740-10 provides additional guidance on measuring the amount of the uncertain tax position. The Museum may recognize a tax benefit from an uncertain tax position under FASB ASC 740-10 only if it is more likely than not that the tax position will be



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

sustained on examination by taxing authorities based on the technical merits of the position. The tax benefit recognized in the financial statements from an uncertain position should be measured under FASB ASC 740-10 based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. FASB ASC 740-10 also provides guidance on derecognition, classification, transition and increased disclosure of uncertain tax positions. The Museum recognized no liability for unrecognized tax benefits resulting from FASB ASC 740-10 as of June 30, 2021 and 2020.

Subsequent Events

The Museum has evaluated subsequent events through September 16, 2021, the date which the financial statements were available to be issued.

NOTE B - INVESTMENTS

Investments and beneficial interests stated at fair value at June 30, 2021 are summarized as follows:

<u>Asset Category</u>	<u>Fair Value at June 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money funds	\$ 98,166	\$ 98,166	\$ -	\$ -
Common stocks	2,208,549	2,208,549	-	-
Corporate bonds and notes	-	-	-	-
Mutual funds	2,994,838	2,994,838	-	-
Investment in beneficial interest in a pooled account	585,397	-	-	585,397
	<u>\$ 5,886,950</u>	<u>\$ 5,301,553</u>	<u>\$ -</u>	<u>\$ 585,397</u>



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - INVESTMENTS (CONTINUED)

Investments and beneficial interests stated at fair value at June 30, 2020 are summarized as follows:

<u>Asset Category</u>	<u>Fair Value at June 30, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money funds	\$ 127,860	\$ 127,860	\$ -	\$ -
Common stocks	2,731,711	2,731,711	-	-
Corporate bonds and notes	-	-	-	-
Mutual funds	1,392,318	1,392,318	-	-
Investment in beneficial interest in a pooled account	453,648	-	-	453,648
	<u>\$ 4,705,537</u>	<u>\$ 4,251,889</u>	<u>\$ -</u>	<u>\$ 453,648</u>

Fair value measurements using significant unobservable inputs (Level 3) at June 30, 2021:

Beginning balance	\$ 453,648
Transfer into Level 3	-
Total gains or losses for the period	131,877
Total other earned income	3,873
Management fees paid	(4,001)
Ending balance	<u>\$ 585,397</u>

Fair value measurements using significant unobservable inputs (Level 3) at June 30, 2020:

Beginning balance	\$ 359,023
Transfer into Level 3	100,000
Total gains or losses for the period	(5,966)
Total other earned income	3,599
Management fees paid	(3,008)
Ending balance	<u>\$ 453,648</u>



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - GRANTS RECEIVABLE

Grants receivable are expected to be collected in:

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 12,065	\$ 33,323
One to five years	-	-
	<u>\$ 12,065</u>	<u>\$ 33,323</u>

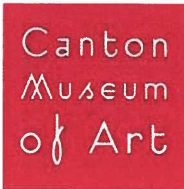
NOTE D - OPERATING LEASE

The Museum leases office equipment under five-year noncancelable operating leases expiring in June 2023. Future minimum rental payments required under the leases amount to \$5,524 per year through June 30, 2022 and \$5,068 for year end June 30, 2023. Lease expenses amount to \$7,655 and \$8,763 for the years ended June 30, 2021 and 2020, respectively.

NOTE E - LONG-TERM DEBT

Long-term debt at June 30 consists of the following:

	<u>2021</u>	<u>2020</u>
Note payable to a bank made under the provisions of the Paycheck Protection Program (round two) which bears interest at 1% annually. The note is due in monthly installments of \$2,820 including interest beginning June 2022 and continuing until January 2026. Management intends to apply for forgiveness of the note under the terms of the Paycheck Protection Program and will record a gain on the extinguishment if a release is granted.	\$ 120,257	\$ -
Note payable to a bank made under the provisions of the Paycheck Protection Program. The Museum has been granted forgiveness of the note under the terms of the Paycheck Protection Program and has recorded a gain on the forgiveness of debt.	-	120,898



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - LONG-TERM DEBT (CONTINUED)

	<u>2021</u>	<u>2020</u>
Note payable to U.S. Small Business Administration under the provisions of the Economic Injury Disaster Loan program which bears interest at 2.75% annually. The note is due in installments, including principal and interest, of \$641 monthly beginning in June of 2022 and continuing until June of 2050. The note grants a security interest to the lender in all inventory, equipment, deposit accounts and accounts receivable. The initial loan has been reduced by \$10,000 that is to be considered a grant under the Economic Injury Disaster Loan program.	150,000	160,000
	<u>270,257</u>	<u>280,898</u>
Less current portion	<u>(4,600)</u>	<u>(40,083)</u>
	<u>\$ 265,657</u>	<u>\$ 240,815</u>

Future maturities of long-term debt are as follows:

2022	\$ 4,600
2023	36,285
2024	36,711
2025	37,144
2026	23,460
Future years	<u>132,057</u>
	<u>\$ 270,257</u>



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - ART COLLECTIONS

The Museum's collections are made up of art objects that are held for educational and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their condition are performed continuously. The Museum employs a curator to ensure that the collection is protected and preserved. It is the policy of the Museum that proceeds from the sale of any collection items are to be used to purchase additional collection items or for the direct care of existing collections. We define direct care of collections as any activity or investment in the collection that enhances its life, usefulness, or quality and thereby ensures the collection will continue to benefit the public. This includes preservation, restoration, transportation, appraisal, and storage of the collection.

The cost of all objects purchased or restored, less the proceeds from deaccessions of objects, is reported as a separate program expense. Purchased accessions amounted to \$215,314 and \$9,633 for the years ended June 30, 2021 and 2020, respectively. Sold deaccessions were \$207,015 and \$99 for the years ended June 30, 2021 and 2020, respectively.

The estimated fair value of the collection for insurance purposes was approximately \$38,758,479 and \$32,635,389 at June 30, 2021 and 2020, respectively. The Permanent Collection is broken down into six (6) categories: 3D, Ceramics, Drawings, Oils, Prints & Watercolors. Each category of artwork is appraised approximately every ten (10) years, as suggested by professional appraisers.

NOTE G - RESTRICTIONS ON NET ASSETS

Restrictions on net assets as of June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Net assets with donor restrictions are available for the following purposes:		
Operations	\$ 580,788	\$ 584,704
Purchase of art, conservation, and exhibits	601,371	604,729
Scholarships and education	373,105	274,905
Other	261,279	159,715
	<u>\$ 1,816,543</u>	<u>\$ 1,624,053</u>



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H - RETIREMENT ANNUITY PLAN

The Museum has in effect a defined contribution retirement annuity plan covering substantially all of the Museum's full-time employees. Under the plan, contributions made by the employees through salary reduction agreements are matched by the Museum. Since the annuities are owned individually, each participant is fully vested. The expense to the Museum was \$15,555 and \$11,134 for the years ended June 30, 2021 and 2020, respectively.

NOTE I - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of June 30, 2021:

Financial assets at June 30, 2021:	
Cash and cash equivalents	\$ 619,721
Investments	5,301,553
Beneficial interest in assets held by Stark	
Community Foundation	585,397
Grants receivable	12,065
Financial Assets, at year end	<u>6,518,736</u>
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Subject to appropriation and satisfaction of donor restrictions	<u>(1,816,543)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,702,193</u>