

AUDITED FINANCIAL STATEMENTS

CANTON MUSEUM OF ART

June 30, 2023 and 2022

Canton
Museum
of Art



HALL, KISTLER & COMPANY LLP
CONSULTANTS AND CERTIFIED PUBLIC ACCOUNTANTS

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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, 2023 and 2022, 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, 2023 and 2022, 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 21, 2023



STATEMENTS OF FINANCIAL POSITION

CANTON MUSEUM OF ART

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 499,106	\$ 444,529
Receivables:		
Grants	61,890	77,256
Other	1,125	7,750
Inventory	10,324	12,658
Prepaid expenses	24,565	14,974
TOTAL CURRENT ASSETS	<u>597,010</u>	<u>557,167</u>
Art collections (see Notes A and F)	-	-
<u>IMPROVEMENTS AND EQUIPMENT</u>		
Improvements	682,509	682,509
Office furniture, fixtures and equipment	194,070	190,624
	<u>876,579</u>	<u>873,133</u>
Less accumulated depreciation	613,667	590,540
	<u>262,912</u>	<u>282,593</u>
<u>OTHER ASSETS</u>		
Investments	4,915,298	4,499,920
Beneficial interest in assets held by Stark Community Foundation	671,232	618,589
	<u>5,586,530</u>	<u>5,118,509</u>
TOTAL ASSETS	<u>\$ 6,446,452</u>	<u>\$ 5,958,269</u>

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



STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	<u>2023</u>	<u>2022</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 36,137	\$ 35,156
Accrued expenses	35,151	26,597
Deferred revenue	60,624	-
Accrued interest	11,050	12,300
TOTAL CURRENT LIABILITIES	<u>142,962</u>	<u>74,053</u>
<u>LONG-TERM DEBT</u>	<u>300,000</u>	<u>300,000</u>
TOTAL LIABILITIES	442,962	374,053
<u>NET ASSETS</u>		
Without donor restrictions	4,293,437	3,938,531
With donor restrictions	1,710,053	1,645,685
	<u>6,003,490</u>	<u>5,584,216</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,446,452</u>	<u>\$ 5,958,269</u>



STATEMENTS OF ACTIVITIES

CANTON MUSEUM OF ART

For the years ended June 30, 2023 and 2022

	2023		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<u>REVENUES AND OTHER SUPPORT</u>			
Grants and contributions	\$ 314,151	\$ 278,818	\$ 592,969
In-kind contribution - use of facilities	491,180	-	491,180
Membership, gallery and educational income	251,612	-	251,612
Special events and benefits	64,350	-	64,350
Other	15,505	-	15,505
TOTAL REVENUES AND OTHER SUPPORT	<u>1,136,798</u>	<u>278,818</u>	<u>1,415,616</u>
NET ASSETS RELEASED FROM RESTRICTIONS	271,879	(271,879)	-
<u>ALLOCATIONS AND FUNCTIONAL EXPENSES</u>			
Program services:			
Education	435,265	-	435,265
Exhibits and general gallery	664,175	-	664,175
Supporting services:			
General and administrative	469,193	-	469,193
Operation and maintenance of facilities	98,079	-	98,079
Fundraising	103,904	-	103,904
TOTAL ALLOCATIONS AND FUNCTIONAL EXPENSES	<u>1,770,616</u>	<u>-</u>	<u>1,770,616</u>
<u>OTHER INCOME (EXPENSE)</u>			
Employer retention credit	129,581	-	129,581
Interest and dividends	129,111	15,795	144,906
Net realized gains and losses	(57,395)	(6,879)	(64,274)
Net unrealized gains and losses	515,548	61,688	577,236
TOTAL OTHER INCOME	<u>716,845</u>	<u>70,604</u>	<u>787,449</u>
CHANGE IN NET ASSETS BEFORE COLLECTION OF ART NOT CAPITALIZED	354,906	77,543	432,449
<u>COLLECTION OF ART NOT CAPITALIZED</u>			
Deaccession (accession) of art, net	<u>-</u>	<u>(13,175)</u>	<u>(13,175)</u>
CHANGE IN NET ASSETS	354,906	64,368	419,274
NET ASSETS - BEGINNING OF YEAR	<u>3,938,531</u>	<u>1,645,685</u>	<u>5,584,216</u>
NET ASSETS - END OF YEAR	<u>\$ 4,293,437</u>	<u>\$ 1,710,053</u>	<u>\$ 6,003,490</u>

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



STATEMENTS OF ACTIVITIES (CONTINUED)

	2022		TOTAL
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	
<u>REVENUES AND OTHER SUPPORT</u>			
Grants and contributions	\$ 413,741	\$ 336,002	\$ 749,743
In-kind contribution - use of facilities	420,180	-	420,180
Membership, gallery and educational income	195,860	-	195,860
Special events and benefits	10,000	-	10,000
Other	17,126	-	17,126
TOTAL REVENUES AND OTHER SUPPORT	<u>1,056,907</u>	<u>336,002</u>	<u>1,392,909</u>
NET ASSETS RELEASED FROM RESTRICTIONS	429,162	(429,162)	-
<u>ALLOCATIONS AND FUNCTIONAL EXPENSES</u>			
Program services:			
Education	371,618	-	371,618
Exhibits and general gallery	616,535	-	616,535
Supporting services:			
General and administrative	403,100	-	403,100
Operation and maintenance of facilities	95,723	-	95,723
Fundraising	80,960	-	80,960
TOTAL ALLOCATIONS AND FUNCTIONAL EXPENSES	<u>1,567,936</u>	<u>-</u>	<u>1,567,936</u>
<u>OTHER INCOME (EXPENSE)</u>			
Forgiveness of debt income - PPP Loan	120,257	-	120,257
Interest and dividends	110,585	13,963	124,548
Net realized gains and losses	87,720	25,046	112,766
Net unrealized gains and losses	(968,673)	(121,933)	(1,090,606)
TOTAL OTHER INCOME (EXPENSE)	<u>(650,111)</u>	<u>(82,924)</u>	<u>(733,035)</u>
CHANGE IN NET ASSETS BEFORE COLLECTION OF ART NOT CAPITALIZED	(731,978)	(176,084)	(908,062)
<u>COLLECTION OF ART NOT CAPITALIZED</u>			
Deaccession (accession) of art, net	-	5,226	5,226
CHANGE IN NET ASSETS	(731,978)	(170,858)	(902,836)
NET ASSETS - BEGINNING OF YEAR	<u>4,670,509</u>	<u>1,816,543</u>	<u>6,487,052</u>
NET ASSETS - END OF YEAR	<u>\$ 3,938,531</u>	<u>\$ 1,645,685</u>	<u>\$ 5,584,216</u>



STATEMENTS OF CASH FLOWS

CANTON MUSEUM OF ART

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 419,274	\$ (902,836)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	23,127	23,201
(Deaccession) accession of art, net	13,175	(5,226)
Net realized and unrealized (gain) loss on investments	(465,346)	927,925
Net realized and unrealized (gain) loss on beneficial interest in assets held by Stark Community Foundation	(47,616)	49,915
(Gain) on forgiveness of long-term debt	-	(120,257)
Changes in assets and liabilities:		
Receivables	21,991	(61,573)
Inventory and prepaid expenses	(7,257)	9,321
Accrued interest	(1,250)	8,175
Accounts payable and accrued expenses	9,535	(40,369)
Deferred revenue	60,624	-
Net cash provided by (used in) operating activities	<u>26,257</u>	<u>(111,724)</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of improvements and equipment	(3,446)	(1,119)
Deaccession (accession) of art, net	(13,175)	5,226
Purchase of investments	(4,745,520)	(1,811,091)
Proceeds from sale of investments	4,790,461	1,593,516
Net cash provided by (used in) investing activities	<u>28,320</u>	<u>(213,468)</u>
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from loans	-	150,000
Net cash provided by financing activities	<u>-</u>	<u>150,000</u>
 (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	54,577	(175,192)
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>444,529</u>	<u>619,721</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 499,106</u>	<u>\$ 444,529</u>
 Cash paid during the year for interest	\$ 9,317	\$ -

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

STATEMENTS OF FUNCTIONAL EXPENSES

CANTON MUSEUM OF ART

Year ended June 30, 2023



	PROGRAM SERVICES		TOTAL PROGRAM SERVICES	SUPPORTING SERVICES			TOTAL SUPPORTING SERVICES	TOTAL EXPENSES
	EDUCATION AND GENERAL GALLERY	EXHIBIT AND GENERAL GALLERY		GENERAL AND ADMINISTRATIVE	OPERATION AND MAINTENANCE OF FACILITIES	FUNDRAISING		
Salaries and wages	\$ 163,958	\$ 154,919	\$ 318,877	\$ 232,436	\$ -	\$ 82,947	\$ 315,383	\$ 634,260
Payroll taxes and employee benefits	25,210	23,820	49,030	35,739	-	12,754	48,493	97,523
TOTAL PERSONNEL COSTS	189,168	178,739	367,907	268,175	-	95,701	363,876	731,783
Contributed use of facilities	101,684	244,964	346,648	-	73,532	-	73,532	420,180
Supplies	8,695	28,692	37,387	9,624	2,658	-	12,282	49,669
Telephone	1,313	3,163	4,476	950	-	-	950	5,426
Security	-	3,345	3,345	-	-	-	-	3,345
Shipping and postage	-	23,639	23,639	8,290	-	-	8,290	31,929
Advertising and promotion	-	54,967	54,967	33,629	-	6,809	40,438	95,405
Curatorial expenses	-	737	737	-	-	-	-	737
Gallery openings and events	1,073	27,152	28,225	-	-	1,394	1,394	29,619
Scholarships	3,733	-	3,733	-	-	-	-	3,733
Contracted teachers and classroom supplies	77,576	-	77,576	-	-	-	-	77,576
Potters guild	-	-	-	8,980	-	-	8,980	8,980
Subscription service and membership	-	-	-	3,484	-	-	3,484	3,484
Legal and accounting	-	-	-	27,308	-	-	27,308	27,308
Investment fees	-	-	-	33,827	-	-	33,827	33,827
Interest - EIDL Loan	-	-	-	8,067	-	-	8,067	8,067
Insurance	1,386	20,507	21,893	4,078	-	-	4,078	25,971
Computer expenses	-	-	-	5,260	-	-	5,260	5,260
Utilities and maintenance	30,270	72,923	103,193	-	21,889	-	21,889	125,082
Cost of sales	-	-	-	33,201	-	-	33,201	33,201
Depreciation	-	-	-	23,127	-	-	23,127	23,127
Miscellaneous	20,367	5,347	25,714	1,193	-	-	1,193	26,907
TOTAL FUNCTIONAL EXPENSES	246,097	485,436	731,533	201,018	98,079	8,203	307,300	1,038,833
TOTAL EXPENSES	\$ 435,265	\$ 664,175	\$ 1,099,440	\$ 469,193	\$ 98,079	\$ 103,904	\$ 671,176	\$ 1,770,616

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

STATEMENTS OF FUNCTIONAL EXPENSES

CANTON MUSEUM OF ART

Year ended June 30, 2022



	PROGRAM SERVICES			SUPPORTING SERVICES				TOTAL EXPENSES
	EDUCATION	EXHIBIT AND GENERAL GALLERY	TOTAL PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	OPERATION AND MAINTENANCE OF FACILITIES	FUNDRAISING	TOTAL SUPPORTING SERVICES	
Salaries and wages	\$ 132,607	\$ 131,170	\$ 263,777	\$ 162,016	\$ -	\$ 67,645	\$ 229,661	\$ 493,438
Payroll taxes and employee benefits	22,393	22,151	44,544	27,359	-	11,423	38,782	83,326
TOTAL PERSONNEL COSTS	155,000	153,321	308,321	189,375	-	79,068	268,443	576,764
Contributed use of facilities	101,684	244,964	346,648	-	73,532	-	73,532	420,180
Supplies	5,275	19,299	24,574	8,261	2,281	-	10,542	35,116
Telephone	1,752	4,220	5,972	1,267	-	-	1,267	7,239
Security	-	3,151	3,151	-	-	-	-	3,151
Shipping and postage	-	36,509	36,509	4,213	-	-	4,213	40,722
Advertising and promotion	-	34,975	34,975	35,840	-	1,892	37,732	72,707
Curatorial expenses	-	260	260	-	-	-	-	260
Gallery openings and events	609	24,211	24,820	-	-	-	-	24,820
Scholarships	1,266	-	1,266	-	-	-	-	1,266
Contracted teachers and classroom supplies	68,710	-	68,710	-	-	-	-	68,710
Potters guild	-	-	-	10,898	-	-	10,898	10,898
Subscription service and membership	-	-	-	4,533	-	-	4,533	4,533
Legal and accounting	-	-	-	22,134	-	-	22,134	22,134
Investment fees	-	-	-	40,348	-	-	40,348	40,348
Interest - EIDL Loan	-	-	-	8,175	-	-	8,175	8,175
Insurance	2,623	21,736	24,359	4,971	-	-	4,971	29,330
Computer expenses	-	-	-	22,365	-	-	22,365	22,365
Utilities and maintenance	27,532	66,328	93,860	-	19,910	-	19,910	113,770
Cost of sales	-	-	-	26,519	-	-	26,519	26,519
Depreciation	-	-	-	23,201	-	-	23,201	23,201
Miscellaneous	7,167	7,561	14,728	1,000	-	-	1,000	15,728
TOTAL FUNCTIONAL EXPENSES	216,618	463,214	679,832	213,725	95,723	1,892	311,340	991,172
TOTAL EXPENSES	\$ 371,618	\$ 616,535	\$ 988,153	\$ 403,100	\$ 95,723	\$ 80,960	\$ 579,783	\$ 1,567,936

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



NOTES TO FINANCIAL STATEMENTS

CANTON MUSEUM OF ART

June 30, 2023 and 2022

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 Accounting

The financial statements of the Museum have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, other assets, payables and other liabilities.

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.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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.

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.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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 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 and are managed by professional institutional asset managers with a sub-specialty in art museum endowments across the United States.

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.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Investments (Continued)

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.

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 \$23,127 and \$23,201 for the years ended June 30, 2023 and 2022, 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. The Museum is responsible for routine maintenance and repair of the facilities as well as a share of certain utility costs.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Donated Facilities and Services (Continued)

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 \$491,180 and \$420,180 for the years ended June 30, 2023 and 2022, respectively.

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 \$108,083 and \$114,908 for the years ended June 30, 2023 and 2022, 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).



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Income Taxes (Continued)

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 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, 2023 and 2022.

Reclassifications

The June 30, 2022 financial statements reflect certain reclassifications to conform to the June 30, 2023 financial statement presentation.

Subsequent Events

The Museum has evaluated subsequent events through September 21, 2023, the date which the financial statements were available to be issued.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - INVESTMENTS

Investments and beneficial interests stated at fair value at June 30, 2023 are summarized as follows:

<u>Asset Category</u>	<u>Fair Value at June 30, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money funds	\$ 142,597	\$ 142,597	\$ -	\$ -
Common stocks	851,824	851,824	-	-
Mutual funds	3,920,877	3,920,877	-	-
Investment in beneficial interest in a pooled account	671,232	-	-	671,232
	<u>\$ 5,586,530</u>	<u>\$ 4,915,298</u>	<u>\$ -</u>	<u>\$ 671,232</u>

Investments and beneficial interests stated at fair value at June 30, 2022 are summarized as follows:

<u>Asset Category</u>	<u>Fair Value at June 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money funds	\$ 77,785	\$ 77,785	\$ -	\$ -
Common stocks	1,785,650	1,785,650	-	-
Mutual funds	2,636,485	2,636,485	-	-
Investment in beneficial interest in a pooled account	618,589	-	-	618,589
	<u>\$ 5,118,509</u>	<u>\$ 4,499,920</u>	<u>\$ -</u>	<u>\$ 618,589</u>

Fair value measurements using significant unobservable inputs (Level 3) at June 30, 2023:

Beginning balance	\$ 618,589
Transfer into Level 3	-
Total gains or losses for the period	47,616
Total other earned income	9,823
Management fees paid	(4,796)
Total disbursements	-
Ending balance	<u>\$ 671,232</u>



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - INVESTMENTS (CONTINUED)

Fair value measurements using significant unobservable inputs (Level 3) at June 30, 2022:

Beginning balance	\$ 585,397
Transfer into Level 3	100,000
Total gains or losses for the period	(49,915)
Total other earned income	5,589
Management fees paid	(4,662)
Total disbursements	<u>(17,820)</u>
Ending balance	<u>\$ 618,589</u>

NOTE C - GRANTS RECEIVABLE

Grants receivable are expected to be collected in:

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 61,890	\$ 77,256
One to five years	<u>-</u>	<u>-</u>
	<u>\$ 61,890</u>	<u>\$ 77,256</u>

NOTE D - OPERATING LEASE

The Museum leased office equipment under five-year noncancelable operating leases which expired in June 2023. The museum is continuing to lease the office equipment on a month to month basis. The agreement can be terminated at any time by notice from the terminating party. Lease expenses amount to \$5,068 and \$9,570 for the years ended June 30, 2023 and 2022, respectively.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - LONG-TERM DEBT

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

	2023	2022
<p>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 of \$1,331 monthly beginning in December of 2020 which will be applied to accrued interest through October of 2024. Beginning in November of 2024 monthly payments will be applied to both interest and principal and continue until June 2050. The note grants a security interest to the lender in all inventory, equipment, deposit accounts and accounts receivable. The initial loan was \$150,000 in June of 2020 and a second draw of \$150,000 was granted in August of 2021.</p>	<p>\$ 300,000</p> <hr style="width: 100%;"/> <p>300,000</p>	<p>\$ 300,000</p> <hr style="width: 100%;"/> <p>300,000</p>
<p>Less current portion</p>	<p style="text-align: center;">-</p> <hr style="width: 100%;"/> <p>\$ 300,000</p>	<p style="text-align: center;">-</p> <hr style="width: 100%;"/> <p>\$ 300,000</p>

Future maturities of long-term debt are as follows:

2024	\$ -
2025	4,745
2026	7,952
2027	8,174
2028	8,401
Future years	270,728
	\$ 300,000



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 \$13,847 and \$31,936 for the years ended June 30, 2023 and 2022, respectively. Sold deaccessions were \$672 and \$37,162 for the years ended June 30, 2023 and 2022, respectively.

The estimated fair value of the collection for insurance purposes was approximately \$38,710,410 and \$38,710,475 at June 30, 2023 and 2022, 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>2023</u>	<u>2022</u>
Net assets with donor restrictions are available for the following purposes:		
Operations	\$ 570,820	\$ 575,016
Purchase of art, conservation, and exhibits	550,725	499,793
Scholarships and education	366,903	379,841
Other	221,605	191,035
	<u>\$ 1,710,053</u>	<u>\$ 1,645,685</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 \$14,482 and \$10,301 for the years ended June 30, 2023 and 2022, 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, 2023:

Financial assets at June 30, 2023:	
Cash and cash equivalents	\$ 499,106
Investments	4,915,298
Beneficial interest in assets held by Stark	
Community Foundation	671,232
Grants receivable	61,890
Financial Assets, at year end	<u>6,147,526</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>(1,710,053)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,437,473</u>