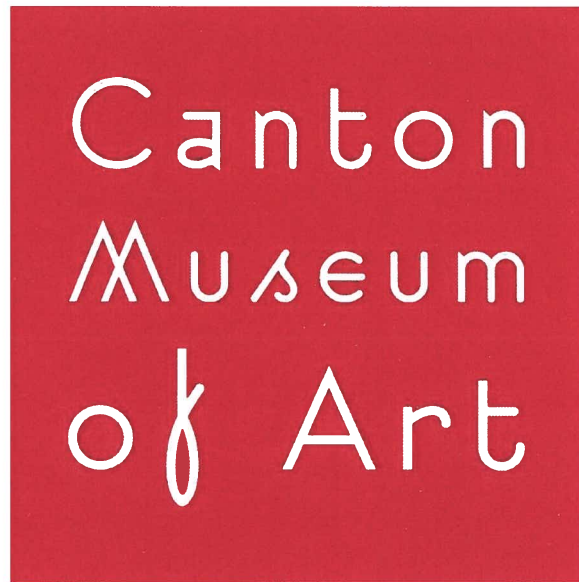


AUDITED FINANCIAL STATEMENTS

CANTON MUSEUM OF ART

June 30, 2020 and 2019



HALL, KISTLER & COMPANY LLP
CONSULTANTS AND CERTIFIED PUBLIC ACCOUNTANTS

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CONTENTS

INDEPENDENT AUDITOR'S REPORT	PAGE 3
STATEMENTS OF FINANCIAL POSITION.....	5
STATEMENTS OF ACTIVITIES	7
STATEMENTS OF CASH FLOWS	9
STATEMENTS OF FUNCTIONAL EXPENSES	10
NOTES TO THE FINANCIAL STATEMENTS	12



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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, 2020 and 2019, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by

management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Canton Museum of Art of June 30, 2020 and 2019, 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.

Hall, Kistler & Company LLP
Certified Public Accountants

Canton, Ohio
September 14, 2020



STATEMENTS OF FINANCIAL POSITION

CANTON MUSEUM OF ART

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 460,966	\$ 242,260
Receivables:		
Grants	33,323	29,979
Other	5,352	30,610
Inventory	5,130	3,658
Prepaid expenses	71,108	44,782
TOTAL CURRENT ASSETS	<u>575,879</u>	<u>351,289</u>
Art collections (see Notes A and F)	-	-
<u>IMPROVEMENTS AND EQUIPMENT</u>		
Improvements	676,940	676,940
Office furniture, fixtures and equipment	186,123	185,169
Assets not placed in service	6,011	-
	<u>869,074</u>	<u>862,109</u>
Less accumulated depreciation	<u>542,358</u>	<u>517,475</u>
	326,716	344,634
<u>OTHER ASSETS</u>		
Investments	4,251,889	4,047,745
Beneficial interest in assets held by Stark Community Foundation	453,648	359,023
	<u>4,705,537</u>	<u>4,406,768</u>
TOTAL ASSETS	<u>\$ 5,608,132</u>	<u>\$ 5,102,691</u>

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



STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	<u>2020</u>	<u>2019</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 22,835	\$ 52,984
Accrued expenses	50,862	45,272
Current portion of long-term debt	40,083	-
TOTAL CURRENT LIABILITIES	<u>113,780</u>	<u>98,256</u>
<u>LONG-TERM DEBT, less current portion</u>	240,815	-
<u>NET ASSETS</u>		
Without donor restrictions	3,629,484	3,760,802
With donor restrictions	1,624,053	1,243,633
	<u>5,253,537</u>	<u>5,004,435</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,608,132</u>	<u>\$ 5,102,691</u>

STATEMENTS OF ACTIVITIES

CANTON MUSEUM OF ART

For the years ended June 30, 2020 and 2019

	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 and unrealized	(108,847)	(12,087)	(120,934)
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	\$ 3,629,484	\$ 1,624,053	\$ 5,253,537

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

STATEMENTS OF ACTIVITIES (CONTINUED)

	2019		
	WITHOUT DONOR	WITH DONOR	TOTAL
	RESTRICTIONS	RESTRICTIONS	
<u>REVENUES, GAINS AND OTHER SUPPORT</u>			
Grants and contributions	\$ 614,280	\$ 103,400	\$ 717,680
In-kind contribution - use of facilities	420,180	-	420,180
Memberships	38,263	-	38,263
Investment income:			
Interest and dividends	149,992	21,158	171,150
Net realized and unrealized	316,716	51,692	368,408
Special events and benefits	134,798	-	134,798
Educational fees and outreach programs	116,504	-	116,504
Admissions	25,397	-	25,397
Rent	7,173	-	7,173
Sale of books, prints and miscellaneous	42,975	-	42,975
Other	7,160	-	7,160
TOTAL REVENUES, GAINS AND OTHER SUPPORT	1,873,438	176,250	2,049,688
NET ASSETS RELEASED FROM RESTRICTIONS	241,266	(241,266)	-
<u>EXPENSES</u>			
Program services:			
Education	377,643	-	377,643
Exhibits and general gallery	566,938	-	566,938
Supporting services:			
General and administrative	321,241	-	321,241
Operation and maintenance of facilities	96,715	-	96,715
Fundraising	136,813	-	136,813
TOTAL EXPENSES	1,499,350	-	1,499,350
CHANGE IN NET ASSETS BEFORE COLLECTION OF ART NOT CAPITALIZED	615,354	(65,016)	550,338
<u>COLLECTION OF ART NOT CAPITALIZED</u>			
Deaccession (accession) of art, net	-	(31,336)	(31,336)
CHANGE IN NET ASSETS	615,354	(96,352)	519,002
NET ASSETS - BEGINNING OF YEAR	3,145,448	1,339,985	4,485,433
NET ASSETS - END OF YEAR	\$ 3,760,802	\$ 1,243,633	\$ 5,004,435

STATEMENTS OF CASH FLOWS

CANTON MUSEUM OF ART

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 249,102	\$ 519,002
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	24,883	25,379
(Deaccession) accession of art, net	9,534	31,336
Net realized and unrealized (gain) loss on investments	114,968	(368,507)
Net realized and unrealized (gain) loss on beneficial interest in assets held by Stark Community Foundation	5,966	99
Changes in assets and liabilities:		
Receivables	21,914	2,206
Inventory and prepaid expenses	(27,798)	(25,820)
Accounts payable and accrued expenses	(24,559)	36,573
Net cash provided by operating activities	<u>374,010</u>	<u>220,268</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of improvements and equipment	(6,965)	(285,580)
Deaccession (accession) of art, net	(9,534)	(31,336)
Purchase of investments	(5,684,954)	(329,972)
Proceeds from sale of investments	5,265,251	372,985
Net cash (used in) investing activities	<u>(436,202)</u>	<u>(273,903)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from loans	280,898	-
Net cash provided by financing activities	<u>280,898</u>	<u>-</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	218,706	(53,635)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>242,260</u>	<u>295,895</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 460,966</u>	<u>\$ 242,260</u>

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		TOTAL PROGRAM SERVICES	SUPPORTING SERVICES			TOTAL SUPPORTING SERVICES	TOTAL EXPENSES
	EDUCATION	EXHIBIT AND GENERAL GALLERY		GENERAL AND ADMINISTRATIVE	OPERATION AND MAINTENANCE OF FACILITIES	FUNDRAISING		
Salaries and wages	\$ 115,283	\$ 135,851	\$ 251,134	\$ 160,020	\$ 77,333	\$ 237,353	\$ 488,487	
Payroll taxes and employee benefits	20,158	23,755	43,913	27,981	13,522	41,503	85,416	
TOTAL PERSONNEL COSTS	135,441	159,606	295,047	188,001	90,855	278,856	573,903	
Contributed use of facilities	101,684	244,964	346,648	-	73,532	73,532	420,180	
Supplies	5,469	11,993	17,462	6,697	1,934	8,631	26,093	
Telephone	1,048	2,524	3,572	758	-	758	4,330	
Security	-	2,655	2,655	-	-	-	2,655	
Shipping and postage	-	15,209	15,209	2,452	-	2,452	17,661	
Advertising and promotion	-	36,051	36,051	22,600	27,380	49,980	86,031	
Curatorial expenses	-	2,718	2,718	-	-	-	2,718	
Gallery openings and events	2,796	8,014	10,810	-	27,344	27,344	38,154	
Scholarships	9,450	-	9,450	-	-	-	9,450	
Contracted teachers and classroom supplies	61,274	-	61,274	-	-	-	61,274	
Potters guild	-	-	-	3,210	-	3,210	3,210	
Subscription service and membership	-	-	-	11,609	-	11,609	11,609	
Legal and accounting	-	-	-	18,661	-	18,661	18,661	
Investment fees	-	-	-	24,853	-	24,853	24,853	
Insurance	2,605	20,855	23,460	4,804	-	4,804	28,264	
Computer expenses	-	-	-	357	-	357	357	
Utilities and maintenance	24,623	59,318	83,941	-	17,806	17,806	101,747	
Cost of sales	-	-	-	11,611	-	11,611	11,611	
Depreciation	-	-	-	24,883	-	24,883	24,883	
Miscellaneous	8,725	1,834	10,559	-	-	-	10,559	
TOTAL FUNCTIONAL EXPENSES	217,674	406,135	623,809	132,495	93,272	280,491	904,300	
TOTAL EXPENSES	\$ 353,115	\$ 565,741	\$ 918,856	\$ 320,496	\$ 145,579	\$ 559,347	\$ 1,478,203	

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

STATEMENTS OF FUNCTIONAL EXPENSES

CANTON MUSEUM OF ART

Year ended June 30, 2019



	PROGRAM SERVICES			SUPPORTING SERVICES				TOTAL SUPPORTING SERVICES	TOTAL EXPENSES
	EDUCATION	EXHIBIT AND GENERAL GALLERY	TOTAL PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	OPERATION AND MAINTENANCE OF FACILITIES	FUNDRAISING	TOTAL		
Salaries and wages	\$ 117,645	\$ 115,358	\$ 233,003	\$ 143,101	\$ -	\$ 65,513	\$ 208,614	\$ 441,617	
Payroll taxes and employee benefits	23,298	22,845	46,143	28,339	-	12,974	41,313	87,456	
TOTAL PERSONNEL COSTS	140,943	138,203	279,146	171,440	-	78,487	249,927	529,073	
Contributed use of facilities	101,684	244,964	346,648	-	73,532	-	73,532	420,180	
Supplies	6,067	14,519	20,586	9,428	2,235	-	11,663	32,249	
Telephone	976	2,352	3,328	706	-	-	706	4,034	
Security	-	2,591	2,591	-	-	-	-	2,591	
Shipping and postage	-	6,809	6,809	2,136	-	-	2,136	8,945	
Advertising and promotion	69	48,469	48,538	25,865	-	25,206	51,071	99,609	
Curatorial expenses	-	7,502	7,502	-	-	-	-	7,502	
Gallery openings and events	4,355	3,781	8,136	-	-	33,120	33,120	41,256	
Transportation	7,273	-	7,273	-	-	-	-	7,273	
Contracted teachers and classroom supplies	78,409	-	78,409	-	-	-	-	78,409	
Potters guild	-	-	-	10,333	-	-	10,333	10,333	
Subscription service and membership	-	-	-	6,720	-	-	6,720	6,720	
Legal and accounting	-	-	-	15,950	-	-	15,950	15,950	
Investment fees	-	-	-	29,800	-	-	29,800	29,800	
Insurance	2,464	20,628	23,092	4,702	-	-	4,702	27,794	
Computer expenses	-	-	-	346	-	-	346	346	
Utilities and maintenance	28,969	69,788	98,757	-	20,948	-	20,948	119,705	
Cost of sales	-	-	-	18,436	-	-	18,436	18,436	
Depreciation	-	-	-	25,379	-	-	25,379	25,379	
Miscellaneous	6,434	7,332	13,766	-	-	-	-	13,766	
TOTAL FUNCTIONAL EXPENSES	236,700	428,735	665,435	149,801	96,715	58,326	304,842	970,277	
TOTAL EXPENSES	\$ 377,643	\$ 566,938	\$ 944,581	\$ 321,241	\$ 96,715	\$ 136,813	\$ 554,769	\$ 1,499,350	

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



NOTES TO FINANCIAL STATEMENTS

CANTON MUSEUM OF ART

June 30, 2020 and 2019

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.



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.

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 as a permanent endowment fund 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 \$24,883 and \$25,379 for the years ended June 30, 2020 and 2019, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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, 2020 and 2019.

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 \$105,818 and \$91,365 for the years ended June 30, 2020 and 2019, respectively.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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 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, 2020 and 2019.

Subsequent Events

The Museum has evaluated subsequent events through September 14, 2020, 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, 2020 are summarized as follows:

Asset Category	Fair Value at June 30, 2020	Level 1	Level 2	Level 3
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>

Investments and beneficial interests stated at fair value at June 30, 2019 are summarized as follows:

Asset Category	Fair Value at June 30, 2019	Level 1	Level 2	Level 3
Money funds	\$ 117,298	\$ 117,298	\$ -	\$ -
Common stocks	3,211,497	3,211,497	-	-
Corporate bonds and notes	198,639	198,639	-	-
Mutual funds	520,311	520,311	-	-
Investment in beneficial interest in a pooled account	359,023	-	-	359,023
	<u>\$ 4,406,768</u>	<u>\$ 4,047,745</u>	<u>\$ -</u>	<u>\$ 359,023</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - INVESTMENTS (CONTINUED)

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	<u>(3,008)</u>
Ending balance	<u>\$ 453,648</u>

Fair value measurements using significant unobservable inputs (Level 3) at June 30, 2019:

Beginning balance	\$ 355,273
Transfer into Level 3	-
Total gains or losses for the period	(99)
Total other earned income	6,268
Management fees paid	<u>(2,419)</u>
Ending balance	<u>\$ 359,023</u>

NOTE C - GRANTS RECEIVABLE

Grants receivable are expected to be collected in:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 33,323	\$ 29,979
One to five years	-	-
	<u>\$ 33,323</u>	<u>\$ 29,979</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 \$8,763 and \$9,158 for the years ended June 30, 2020 and 2019, respectively.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - LONG-TERM DEBT

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

Note payable to a bank made under the provisions of the Paycheck Protection Program which bears interest at 1% annually. The note is due in monthly installments of \$5,096 including interest beginning November 2020 and continuing until March 2022. 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. \$ 120,898

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 2021 and continuing until May of 2051. The note grants a security interest to the lender in all inventory, equipment, deposit accounts and accounts receivable. 160,000

Less current portion 280,898
(40,083)
\$ 240,815

Future maturities of long-term debt are as follows:

2021	\$ 40,083
2022	84,154
2023	3,427
2024	3,522
2025	3,620
Future years	146,092
	<u>\$ 280,898</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 \$9,633 and \$31,444 for the years ended June 30, 2020 and 2019, respectively. Sold deaccessions were \$99 and \$108 for the years ended June 30, 2020 and 2019, respectively.

The estimated fair value of the collection for insurance purposes was approximately \$32,635,389 and \$32,594,764 at June 30, 2020 and 2019, 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>2020</u>	<u>2019</u>
Net assets with donor restrictions are available for the following purposes:		
Operations	\$ 584,704	\$ 586,841
Purchase of art, conservation, and exhibits	604,729	472,230
Scholarships and education	274,905	55,079
Other	159,715	129,483
	<u>\$ 1,624,053</u>	<u>\$ 1,243,633</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 \$11,134 and \$8,236 for the years ended June 30, 2020 and 2019, 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, 2020:

Financial assets at June 30, 2020:	
Cash and cash equivalents	\$ 460,966
Investments	4,251,889
Beneficial interest in assets held by Stark	
Community Foundation	453,648
Grants receivable	<u>33,323</u>
Financial Assets, at year end	<u>5,199,826</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>(1,624,053)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 3,575,773</u></u>