

Muskegon Museum of Art Foundation

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

June 30, 2020 and 2019

MUSKEGON  
MUSEUM<sup>OF</sup> ART

Muskegon Museum of Art Foundation

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Muskegon Museum of Art Foundation  
Muskegon, Michigan

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Muskegon Museum of Art Foundation (a Michigan nonprofit corporation), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows 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.

BRICKLEY DELONG

Board of Directors  
Muskegon Museum of Art Foundation  
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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Muskegon Museum of Art Foundation as 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.

A handwritten signature in black ink that reads "Brickley DeLong, P.C." The signature is written in a cursive style with a large, looped initial 'B'.

Muskegon, Michigan  
October 7, 2020

Muskegon Museum of Art Foundation  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2020 and 2019

**ASSETS**

	<b>2020</b>	<b>2019</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 263,499	\$ 190,774
Receivables		
Grants	3,000	36,821
Current maturities of unconditional promises to give, net	151,767	121,950
Other	27,388	32,275
Inventories	24,529	29,166
Prepaid expenses	37,402	13,381
	507,585	424,367
<b>PROPERTY AND EQUIPMENT</b>		
Buildings	2,644,605	2,631,463
Land improvements	103,955	103,955
Furniture and equipment	6,595	6,595
	2,755,155	2,742,013
Less accumulated depreciation	(412,434)	(308,519)
	2,342,721	2,433,494
Construction in progress	27,116	-
Land	360,000	360,000
	2,729,837	2,793,494
<b>OTHER ASSETS</b>		
Collections (Note L)	-	-
Unconditional promises to give, noncurrent portion	101,388	125,671
Beneficial interest in assets held by others	3,041,731	2,911,908
Liquor license	12,417	12,417
	3,155,536	3,049,996
	<b>\$ 6,392,958</b>	<b>\$ 6,267,857</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 58,640	\$ 101,481
Accrued liabilities		
Salaries and wages	10,985	10,847
Retirement plan	4,603	4,269
Deferred revenues	83,574	21,321
	157,802	137,918
<b>LONG-TERM DEBT</b>	161,600	-
	319,402	137,918
<b>NET ASSETS</b>		
Without donor restrictions	4,038,088	4,308,634
With donor restrictions	2,035,468	1,821,305
	6,073,556	6,129,939
	<b>\$6,392,958</b>	<b>\$6,267,857</b>

The accompanying notes are an integral part of these statements.

Muskegon Museum of Art Foundation  
**STATEMENTS OF ACTIVITIES**  
Years ended June 30, 2020 and 2019

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUES AND SUPPORT</b>			
Grants and awards	\$ 36,400	\$ -	\$ 36,400
Other support and revenues			
Contributions	638,829	289,903	928,732
Contributions from memberships	44,934	-	44,934
Sponsorships	145,718	-	145,718
Membership	22,448	-	22,448
Admission fees	24,596	-	24,596
Artist entry fees	10,948	-	10,948
Touring exhibition	7,500	-	7,500
Fundraisers	79,240	-	79,240
Gift shop sales	61,538	-	61,538
Interest income (loss)	10	417	427
Miscellaneous	36,441	-	36,441
Gain from beneficial interest in assets held by others	39,042	50,939	89,981
Gain (loss) on bequest receivable and donated assets held for sale	-	-	-
Net assets released from restrictions	177,965	(177,965)	-
Total revenues and support	1,325,609	163,294	1,488,903
<b>EXPENSES</b>			
Program services			
Collections	133,364	-	133,364
Exhibitions	330,320	-	330,320
Education	61,608	-	61,608
Facilities	429,040	-	429,040
Gift shop	155,609	-	155,609
Supporting services			
Management and general	223,563	-	223,563
Fundraising	158,511	-	158,511
Total expenses	1,492,015	-	1,492,015
Revenues and support over (under) expenses	(166,406)	163,294	(3,112)
Change in net assets related to collection items not capitalized			
Collection items purchased but not capitalized	(104,142)	-	(104,142)
Proceeds from collection items sold	-	50,869	50,869
Change in net assets	(270,548)	214,163	(56,385)
Net assets at beginning of year	4,308,636	1,821,305	6,129,941
Net assets at end of year	<b>\$ 4,038,088</b>	<b>\$ 2,035,468</b>	<b>\$ 6,073,556</b>

The accompanying notes are an integral part of these statements.

<b>2019</b>		
<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
\$ 52,021	\$ -	\$ 52,021
775,286	19,920	795,206
82,022	-	82,022
186,577	-	186,577
16,952	-	16,952
31,677	-	31,677
41,046	-	41,046
15,803	-	15,803
305,574	-	305,574
81,945	-	81,945
68	2,139	2,207
71,058	-	71,058
79,517	89,814	169,331
810	-	810
319,273	(319,273)	-
2,059,629	(207,400)	1,852,229
138,371	-	138,371
553,904	-	553,904
71,824	-	71,824
402,259	-	402,259
172,738	-	172,738
207,305	-	207,305
257,975	-	257,975
1,804,376	-	1,804,376
255,253	(207,400)	47,853
(204,405)	-	(204,405)
-	86,922	86,922
50,848	(120,478)	(69,630)
4,257,786	1,941,783	6,199,569
<b>\$ 4,308,634</b>	<b>\$ 1,821,305</b>	<b>\$ 6,129,939</b>

Muskegon Museum of Art Foundation  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended June 30, 2020

	Program Services					Supporting Services		Total
	Collections	Exhibitions	Education	Facilities	Gift Shop	Management and General	Fundraising	
Salaries and wages	\$ 69,550	\$ 159,618	\$ 44,900	\$ 112,186	\$ 65,243	\$ 128,862	\$ 90,504	\$ 670,863
Fringe benefits								
Payroll taxes	5,204	11,943	3,360	8,394	4,882	9,642	6,772	50,197
Group and workers' compensation insurance	11,495	26,382	7,421	18,542	10,783	21,299	14,959	110,881
Retirement plan contributions	1,908	4,379	1,232	3,078	1,790	3,535	2,483	18,405
	<u>88,157</u>	<u>202,322</u>	<u>56,913</u>	<u>142,200</u>	<u>82,698</u>	<u>163,338</u>	<u>114,718</u>	<u>850,346</u>
Advertising	-	45,143	-	-	4,777	-	9,316	59,236
Contracted services and professional fees	-	7,060	-	-	-	27,284	9,354	43,698
Cost of sales	-	-	-	-	59,135	-	-	59,135
Depreciation and amortization	-	-	-	103,915	-	-	-	103,915
Dues and subscriptions	-	-	-	-	-	4,090	-	4,090
Equipment rent	-	-	-	-	-	1,383	-	1,383
Exhibition rental	-	2,500	-	-	-	-	-	2,500
Fees	-	-	-	-	4,048	5,600	4,428	14,076
Field trips	-	-	415	-	-	-	-	415
Insurance	37,538	-	-	6,194	-	2,955	-	46,687
Miscellaneous	2,064	8,558	2,739	2,081	1,880	9,254	652	27,228
Postage and shipping	2,214	28,794	-	-	1,301	-	-	32,309
Printing	-	24,344	497	-	-	-	2,190	27,031
Regional and artist awards	-	6,050	-	-	-	-	-	6,050
Repairs and maintenance								
Equipment	-	-	-	5,152	-	3,296	-	8,448
Building	-	-	-	59,064	-	-	-	59,064
Supplies	2,179	2,468	764	15,610	1,770	3,309	17,519	43,619
Travel	1,212	3,046	-	-	-	584	33	4,875
Utilities	-	-	-	94,824	-	-	-	94,824
Workshops	-	35	280	-	-	2,470	301	3,086
	<u>\$ 133,364</u>	<u>\$ 330,320</u>	<u>\$ 61,608</u>	<u>\$ 429,040</u>	<u>\$ 155,609</u>	<u>\$ 223,563</u>	<u>\$ 158,511</u>	<u>\$ 1,492,015</u>

The accompanying notes are an integral part of these statements.



Muskegon Museum of Art Foundation  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended June 30, 2019

	<u>Program Services</u>					<u>Supporting Services</u>		<u>Total</u>
	<u>Collections</u>	<u>Exhibitions</u>	<u>Education</u>	<u>Facilities</u>	<u>Gift Shop</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries and wages	\$ 68,294	\$ 151,910	\$ 44,761	\$ 118,256	\$ 64,550	\$ 121,528	\$ 89,761	\$ 659,060
Fringe benefits								
Payroll taxes	5,873	13,065	3,849	10,171	5,551	10,451	7,719	56,679
Group and workers' compensation insurance	11,423	25,411	7,487	19,781	10,797	20,327	15,014	110,240
Retirement plan contributions	1,767	3,932	1,158	3,060	1,671	3,145	2,323	17,056
	<u>87,357</u>	<u>194,318</u>	<u>57,255</u>	<u>151,268</u>	<u>82,569</u>	<u>155,451</u>	<u>114,817</u>	<u>843,035</u>
Advertising	-	69,248	-	-	4,381	-	10,380	84,009
Contracted services and professional fees	6,320	66,962	-	-	-	16,879	89,959	180,120
Cost of sales	-	-	-	-	75,180	-	-	75,180
Depreciation and amortization	-	-	-	98,374	-	-	-	98,374
Donations	-	-	-	-	-	4,900	-	4,900
Dues and subscriptions	-	-	-	-	-	3,987	-	3,987
Equipment rent	-	-	-	-	-	1,272	-	1,272
Exhibition rental	-	30,147	-	-	-	-	-	30,147
Fees	-	-	-	-	2,657	4,874	8,156	15,687
Field trips	-	-	2,238	-	-	-	-	2,238
Insurance	34,125	-	-	6,196	-	3,104	-	43,425
Miscellaneous	702	30,763	1,788	1,571	-	6,051	760	41,635
Postage and shipping	5,630	40,018	-	-	1,371	-	-	47,019
Printing	-	53,495	447	-	-	-	4,211	58,153
Regional awards	-	55,750	-	-	-	-	-	55,750
Repairs and maintenance								
Equipment	-	-	-	6,827	-	3,656	-	10,483
Building	-	-	-	37,648	-	-	-	37,648
Supplies	1,864	1,587	9,432	5,202	6,580	5,585	25,963	56,213
Travel	2,373	11,586	22	-	-	559	315	14,855
Utilities	-	-	-	95,173	-	-	-	95,173
Workshops	-	30	642	-	-	987	3,414	5,073
	<u>\$ 138,371</u>	<u>\$ 553,904</u>	<u>\$ 71,824</u>	<u>\$ 402,259</u>	<u>\$ 172,738</u>	<u>\$ 207,305</u>	<u>\$ 257,975</u>	<u>\$ 1,804,376</u>

The accompanying notes are an integral part of these statements.

Muskegon Museum of Art Foundation  
**STATEMENTS OF CASH FLOWS**  
Years ended June 30, 2020 and 2019

	<b>2020</b>	<b>2019</b>
Operating activities		
Change in net assets	\$ (56,385)	\$ (69,630)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation and amortization	103,915	98,374
(Gain) loss from beneficial interest in assets held by others	(89,981)	(169,331)
(Gain) loss on donated assets held for sale	-	(810)
	(42,451)	(141,397)
(Increase) decrease in operating assets		
Receivables		
Grants	33,821	(16,821)
Other	4,887	(27,545)
Construction in progress	(27,116)	-
Inventories	4,637	(1,432)
Prepaid expenses	(24,021)	34,037
Increase (decrease) in operating liabilities		
Accounts payable	(42,841)	(18,414)
Accrued liabilities	472	(403)
Deferred revenue	62,253	(6,199)
	(30,359)	(178,174)
Net cash provided by (used for) operating activities	(30,359)	(178,174)
Investing activities		
Change in beneficial interest in assets held by others	(39,842)	41,161
Proceeds from sale of donated assets held for sale	-	7,110
Property and equipment purchases	(13,140)	(105,120)
	(52,982)	(56,849)
Net cash provided by (used for) investing activities	(52,982)	(56,849)
Financing activities		
Proceeds from long-term debt	161,600	-
Contributions restricted for capital campaign	(5,534)	113,078
	156,066	113,078
Net cash provided by (used for) financing activities	156,066	113,078
<b>INCREASE (DECREASE) IN CASH</b>	<b>72,725</b>	<b>(121,945)</b>
Cash at beginning of year	190,774	312,719
Cash at end of year	<b>\$ 263,499</b>	<b>\$ 190,774</b>

The accompanying notes are an integral part of these statements.

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Muskegon Museum of Art Foundation (MMAF) is a not-for-profit organization whose purpose is to promote understanding, education and enjoyment of fine art to the citizens of Muskegon County and all of West Michigan. A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

**Adoption of Recent Accounting Standards**

On July 1, 2019, MMAF adopted ASC 606, *Revenue from Contracts with Customers*, using the modified retrospective method as applied to customer contracts that were not completed at July 1, 2019. As a result, financial information for reporting periods beginning after July 1, 2019, are presented in accordance with ASC 606. Comparative financial information for reporting periods prior to July 1, 2019, has not been adjusted and continues to be reported in accordance with MMAF's revenue recognition policies prior to the adoption of ASC 606. MMAF did not record a cumulative adjustment related to the adoption of ASC 606, as the effects of adoption were not significant.

**Basis of Accounting**

The financial statements are presented on an accrual basis of accounting which recognizes income when earned and expenses when incurred.

**Basis of Presentation**

MMAF is required to report information regarding its financial position and activities according to the following net asset classes: without donor restrictions and with donor restrictions.

*Net assets without donor restrictions.* Net assets that are not subject to donor-imposed stipulations.

*Net assets with donor restrictions.* Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those may or will be met by the actions of MMAF and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

**Revenue Recognition**

***Contribution Revenue***

Contributions, which include cash, unconditional promises to give, certain contributed services, and gifts of long-lived and other assets, are recognized as revenues in the period received or promised. Substantially all MMAF's grants are considered to be contributions for the purpose of applying revenue recognition policies. Contributions receivable beyond one year are stated at net present value of the estimated cash flows using a risk-adjusted rate and are also recorded net of estimated uncollectible amounts. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be without donor restriction unless specifically restricted by the donor for time or purpose. When a donor restriction is fulfilled or expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and are reported in the statements of activities as net assets released from restriction. If a restriction is fulfilled in the same period in which the contribution is received, MMAF reports the support as net assets without restrictions.

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

***Revenue from Contracts with Customers***

MMAF has multiple revenue streams that are accounted for as revenue from contracts with customers including memberships, admissions, artist entry fees, income from touring exhibitions, and gift shop sales.

Because MMAF's performance obligations relate to contracts with a duration of less than one year, MMAF has elected to apply the optional exemption provided in FASB ASC 606-10-0-14(a), *Revenue from Contracts with Customers*, and, therefore, is not required to disclose the aggregate amount of the transactions price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

***Membership***

MMAF sells memberships of various categories that typically last for a one-year term. MMAF divides fees from these memberships between contribution and exchange transactions, recognizing revenue for the contribution portion upon sale, and recognizing membership revenue ratably over the membership term. Payment is received at the point of membership sale.

***Admissions***

MMAF charges stated admission fees, collects and recognizes revenue upon sale for access to the Museum's galleries and exhibitions.

***Artist Entry Fees***

MMAF charges stated application fees to artists that would like to take part in MMAF's exhibitions. These fees are for application only and do not guarantee the artist will be awarded the opportunity to show their art in a MMAF exhibition. Artist entry fees are recognized upon the submission of an application and related payment by an artist.

***Touring Exhibitions***

MMAF charges a fee to other organizations and museums who wish to show an MMAF organized exhibition. Revenues from touring exhibitions are recognized over time as the exhibition is shown, which typically is for one or two months at a time.

***Gift Shop Sales***

MMAF's operates a gift store which generates revenues that are recognized upon sale of a product or good, at a point in time.

Refunds for transactions from these revenue streams are rare. MMAF has not reported a liability for estimated returns, as the amounts are not considered material to the financial statements.

Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenues.

Deferred revenue represents a contract liability for monies received in advance of a performance obligation being satisfied.

**Public Support and Revenue**

Campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. Unconditional promises to give are recorded as received. Unconditional promises to give are recorded at their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. The majority of the promises to give are received from a broad base of contributors as a result of the campaign. An allowance for uncollectible promises is provided based on Management's evaluation of potential uncollectible promises receivable at year end. Management has determined that all of the promises are collectable and therefore no allowance for uncollectible promises is currently necessary.

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Inventories and Prepaid Expenses**

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**Property and Equipment**

Assets purchased at a cost of more than \$5,000 are recorded at cost and are depreciated over the estimated useful lives of the assets using the straight-line method. Maintenance and repairs are expensed as incurred.

Donations of property and equipment with a fair value in excess of \$5,000 are recorded at their estimated fair value on the date donated and depreciated over their estimated useful lives using the straight-line method. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

**Recognition of Collection Items**

The art collections are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired, or as net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. For the year ended June 30, 2020, donated artwork, collectibles and artifacts totaled approximately \$39,950, of which \$39,950 has been, or have been earmarked to be, accessioned into MMAF's collection. There were no donated assets held for sale at June 30, 2020 and 2019.

**Volunteers**

A number of volunteers, including the members of the Board of Directors, have made significant contributions of time to MMAF's policy-making, program, and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services, and, accordingly, is not reflected in the accompanying financial statements.

**Non-monetary Transactions**

Non-monetary transactions are recorded on the basis of the market value of services provided or assets transferred.

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Description of Activities**

Below is a summary of the program services administered by MMAF.

***Collections:*** MMAF through its governing boards, staff, and volunteers, is committed to collecting, preserving, and interpreting its art collections for the benefit of current and future generations. This program service includes curatorial research and oversight, collections management, and acquisition and deacquisition activities. New acquisitions are acquired that enhance both the current make-up of the collection and that advance the mission as established in the vision and mission statements of the institution.

***Exhibitions:*** MMAF is dedicated to the continual and rotating display of the permanent collection and the installation of temporary exhibitions, featuring both the permanent collections and works from other sources. Exhibitions are developed to celebrate and expand the understanding of the museum's permanent collection by reinforcing its value, building supporting scholarship, and demonstrating its links between the past and present.

***Education:*** The educational programs developed by MMAF are a critical tool for addressing its mission goals of providing educational opportunities and engagement, building an environment for creative expression and stimulation, and contributing to community enrichment. Education programs also facilitate and encourage a strong museum connection with the region, builds membership, increases community involvement, and provides accessibility to a wide range of groups, ages, and cultures. It is through programming that the museum is able to connect directly with its audiences, enhancing and building upon the visual experience provided in the galleries.

***Facilities:*** MMAF is committed to its role as steward and caretaker of the historic 1912 building in which it is located. Program services related to Facilities includes custodial and maintenance functions and expenses, as well as all security costs associated with protecting both the art and the facility in a safe and protective manner.

***Gift Shop:*** MMAF operates a gift shop that carries artist consignment goods, as well as products and books related to the permanent collection and temporary exhibitions.

**Functional Expenses**

The cost of providing the program and other activities has been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on Management's analysis and estimates.

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2020 and 2019

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Functional Expenses—Continued**

The expenses that have been allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and wages	Time and effort
Fringe benefits	
Payroll taxes	Time and effort
Group and workers' compensation insurance	Time and effort
Retirement plan contributions	Time and effort
Advertising	Direct cost
Contracted services and professional fees	Direct cost
Fees	Direct cost
Insurance	Direct cost
Miscellaneous	Direct cost
Postage and shipping	Direct cost
Printing	Direct cost
Repairs and maintenance	
Equipment	Direct cost
Supplies	Direct cost
Travel	Direct cost
Workshops	Direct cost

**Advertising Costs**

MMAF expenses the cost of advertising and promotions as incurred. Advertising expense was \$59,236 and \$84,009 in 2020 and 2019, respectively.

**Tax Status**

MMAF is generally exempt from federal income tax under Internal Revenue Code Section 501(c)(3). However, income derived from activities unrelated to MMAF's exempt function is taxable under the Code. This unrelated business taxable income arises principally from gift shop and other sales for items that are not directly related to the exempt function, as well as raffle income.

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state and local tax returns generally remain open for examination by the various taxing authorities for a period of three or four years.

**Use of Estimates**

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Reclassifications**

Certain prior year accounts have been reclassified for comparative purposes to conform to the current year presentation.

**Date of Management's Review**

Subsequent events have been evaluated through October 7, 2020, which is the date the financial statements were available to be issued.

**NOTE B—AVAILABILITY AND LIQUIDITY**

The following represents the MMAF's financial assets as of June 30, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Financial assets at year end:		
Cash and cash equivalents	\$ 263,499	\$ 190,774
Grants and other receivables, net	30,388	69,096
Unconditional promises to give - current portion	151,767	121,950
Beneficial interest in assets held by others	3,041,731	2,911,908
Total financial assets	3,487,385	3,293,728
Less amounts not available to be used within one year:		
Net assets with donor restrictions	2,035,468	1,821,305
Less net assets with purpose restrictions to be met in less than one year	(250)	(43,922)
Board-designated for facilities improvement	530,223	523,134
Board-designated for art acquisition	26,257	29,284
	2,591,698	2,329,801
Financial assets available to meet general expenses over the next year	<b>\$ 895,687</b>	<b>\$ 963,927</b>

MMAF manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenses and meeting its liabilities and other obligations as they become due. MMAF is also the beneficiary of donor-restricted endowments. As described in Note F, endowment funds where MMAF is the beneficiary typically have a spending rate between 4 and 5 percent. As such, approximately \$315,000 will be available within the next twelve months based on the balance in these endowments at June 30, 2020.

**NOTE C—CASH**

MMAF maintains its cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to certain limitations. As of June 30, 2020, MMAF's had no uninsured cash balances.



Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

**NOTE D—UNCONDITIONAL PROMISES TO GIVE**

The unconditional promises to give are for the purposes of operational, facility and program needs and consist of the following as of June 30, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Unconditional promises to give	\$ 255,015	\$ 249,898
Less:		
Discount to net present value	(1,860)	(2,277)
Net unconditional promises to give	<b>\$ 253,155</b>	<b>\$ 247,621</b>
Amounts due in:		
Less than one year	\$ 151,767	\$ 121,950
More than one year	101,388	125,671
	<b>\$ 253,155</b>	<b>\$ 247,621</b>

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 1 percent.

**NOTE E—FAIR VALUE MEASUREMENTS**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below:

Level 1        Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that MMAF has the ability to access.

Level 2        Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3        Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2020 and 2019

**NOTE E—FAIR VALUE MEASUREMENTS—Continued**

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

**Beneficial Interests in Assets Held by Others:** The assets are valued based upon MMAF’s allocable share of the Community Foundation for Muskegon County and the Grand Haven Area Community Foundation’s (Community Foundations) pooled investment portfolio. The allocable share is based on the value of the underlying assets owned by the funds, minus its liabilities.

The beneficial interests in assets held by others are valued monthly by the Community Foundations and are allocated based upon each organization’s calculated share of the Community Foundations’ pooled investment portfolio. Each entity with an interest within the pooled investments receives a statement from the Community Foundations indicating the additions to the investment (via contributions), withdrawals from the investment (via grants), and the investment returns allocated via a unitization process. MMAF calculates the fair value of its beneficial interest in the pooled investment assets held by the Community Foundations based on the estimated fair value of the underlying assets. The Community Foundations control the investments and make all management and investment decisions.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while MMAF believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, MMAF’s assets at fair value as of June 30, 2020 and 2019:

	Assets at Fair Value as of June 30,			
	2020		2019	
	Level 2	Total	Level 2	Total
Beneficial interest in assets held by others	\$3,041,731	\$3,041,731	\$2,911,908	\$2,911,908

**NOTE F—BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS**

**The Funds**

MMAF has nine funds with the Community Foundation for Muskegon County (CFFMC) and one fund with the Grand Haven Area Community Foundation (GHACF). The funds are administered by the Community Foundation at which each fund is held.

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

**NOTE F—BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS—Continued**

The Community Foundations invest the majority of contributions to the endowment funds in various types of marketable equity and debt securities, U.S. Treasuries, commercial paper, and certificates of deposit. The majority of investments are uninsured and uncollateralized. The non-endowed funds are invested in money market funds.

***MMA Endowment Fund***

The MMA Endowment Fund held at the GHACF was established in 2011 as an endowment fund to support the programming and operations of the Museum. The agreement with the GHACF allows MMAF to draw 4% of the average of the previous 3 years year-end balance.

***MMA Endowment Fund***

The MMA Endowment Fund held at the CFFMC was established in 1982 as an endowment fund to support operations and activities. The agreement with the CFFMC identifies MMAF as the advisors to the fund and allows MMAF to draw a percentage (4%-5% as determined by MMAF of a 16-quarter rolling average) per year of the fund's income to be used for MMAF's operations.

***Corky Tuttle Fund***

The Corky Tuttle Fund held at the CFFMC was established in 2005 as an endowment fund for the support of acquisitions and exhibitions of studio glass and contemporary art. The agreement with the CFFMC allows MMAF to draw an amount per year as determined by MMAF to support acquisitions or exhibitions.

***MMA Inspire Campaign Funds***

The MMA Inspire Campaign - Endowment Fund, the MMA Inspire Campaign - Facilities Improvement Fund, and the MMA Inspire Campaign - Program Support Fund held at the CFFMC were all established in 2011, and were established in anticipation of a major capital campaign that began in 2012 and concluded in the spring of 2014. All of the contributions to the Inspire campaign that are not otherwise designated are deposited into the Inspire Endowment Fund. The Board has designated that on a quarterly basis 20% of the Inspire Campaign - Endowment Fund balance is to be reallocated to the Inspire Campaign - Facilities Fund and 13% is to be reallocated to the Inspire Campaign - Program Support Fund. The remaining balance of the Inspire Campaign - Endowment Fund is transferred to the MMA Endowment Fund. The agreement with the CFFMC allows MMAF to draw funds from the Inspire Campaign - Facilities Improvement Fund for facility projects upon MMAF Board Approval. The agreement with the CFFMC allows MMAF to draw funds from the Inspire Campaign - Program Support Fund for general support of operations and/or special projects as needed.

***MMA Art Acquisition Funds***

The MMA Art Acquisition Fund held at the CFFMC was established in 2004 as a fund created to hold donor restricted gifts for art acquisition. The agreement with the CFFMC allows MMAF to draw funds for art acquisition purchases. The MMA Board Designated Art Acquisition Fund was established in 2019 as a fund created to hold board designated funds designated for art acquisition. The assets within this fund are from proceeds received on the sale of art works received by MMAF that were not restricted by the donors.

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE F—BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS—Continued**

***MMA Hackley Picture Fund***

The MMA Hackley Picture Fund, held at the CFFMC, was established July 7, 2014 through a gift to MMAF of \$212,982, by Muskegon Public Schools. This gift was from the Hackley Picture Fund, an expendable trust fund established in 1905 through the bequest of Charles Hackley, and for which Muskegon Public Schools had previously served as the fiduciary. The fund is to be used for the acquisition of artwork.

***MMA Capital Campaign Fund***

The MMA Capital Campaign Fund, held at the CFFMC, was established in 2019 in anticipation of a major capital campaign that was expected to begin during the current fiscal year. The fund is to be used for a planned expansion of the Museum.

**Reporting of the Assets of the Funds**

The investments held at the CFFMC in the Inspire Facilities Improvement Fund, the Inspire Program Support Fund, and the MMA Board Designated Art Acquisition fund are Board designated funds. The MMA Capital Campaign Fund, the MMA Art Acquisition Fund, the MMA Hackley Picture Fund, and a portion of the investments held at the GHACF were contributed by MMAF to the funds along with the earnings on these investments and are reported at fair value as net assets with donor restriction of MMAF.

The investments held at the CFFMC in the Corky Tuttle Fund, the Inspire Endowment Fund, as well as the majority of the MMA Endowment Fund, and the majority of the investments held at the GHACF which were contributed by third party donors directly to the Community Foundations, have been excluded from the net assets of MMAF.

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

**NOTE F—BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS—Continued**

**Summary of Community Foundation Funds**

A summary of revenues, expenses, and changes in the net assets at fair value of the funds for the year ended June 30, 2020 follows:

	<b>Grand Haven Area Community Foundation</b>	<b>Community Foundation for Muskegon County</b>		
	<b>MMA Endowment Fund</b>	<b>MMA Endowment Fund</b>	<b>Corky Tuttle Fund</b>	<b>Inspire - Endowment Fund</b>
Revenues				
Gifts received	\$ 30,000	\$ 100,012	\$ -	\$ 135,700
Interfund grants and other income	-	131,297	-	62,155
Investment income (loss), net	33,189	208,464	340	(1,554)
	<u>63,189</u>	<u>439,773</u>	<u>340</u>	<u>196,301</u>
Expenses				
Transfers to (from) MMAF	33,177	333,965	-	-
Interfund transfers	-	-	-	196,301
	<u>33,177</u>	<u>333,965</u>	<u>-</u>	<u>196,301</u>
Change in net assets	30,012	105,808	340	-
Net assets at beginning of year	<u>958,860</u>	<u>6,866,116</u>	<u>11,314</u>	<u>-</u>
Net assets at end of year	988,872	6,971,924	11,654	-
Less assets recorded as those of the Community Foundation	<u>(920,616)</u>	<u>(6,971,924)</u>	<u>(11,654)</u>	<u>-</u>
Assets reported on the Statement of Financial Position	<u><b>\$ 68,256</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

**NOTE F—BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS—Continued**

**Summary of Community Foundation Funds—Continued**

	Community Foundation for Muskegon County						Total
	Inspire - Facilities Improvement Fund	Inspire - Program Support Fund	MMA Art Acquisition Fund	MMA Capital Campaign Fund	MMA Board Designated Acquisition Fund	MMA Hackley Picture Fund	
Revenues							
Gifts received	\$ 2,431	\$ 1,580	\$ 101,622	\$ 111,000	\$ -	\$ -	\$ 482,345
Interfund grants and other income	36,763	23,895	7,150	-	29,284	-	290,544
Investment income (loss), net	17,892	22,178	41,393	225	(1,027)	7,081	328,181
	<u>57,086</u>	<u>47,653</u>	<u>150,165</u>	<u>111,225</u>	<u>28,257</u>	<u>7,081</u>	<u>1,101,070</u>
Expenses							
Transfers to (from) MMAF	49,997	29,000	78,500	-	-	-	524,639
Interfund transfers	-	-	29,284	-	2,000	-	227,585
	<u>49,997</u>	<u>29,000</u>	<u>107,784</u>	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>752,224</u>
Change in net assets	7,089	18,653	42,381	111,225	26,257	7,081	348,846
Net assets at beginning of year	<u>523,134</u>	<u>744,625</u>	<u>1,257,716</u>	<u>-</u>	<u>-</u>	<u>235,314</u>	<u>10,597,079</u>
Net assets at end of year	530,223	763,278	1,300,097	111,225	26,257	242,395	10,945,925
Less assets recorded as those of the Community Foundation	-	-	-	-	-	-	(7,904,194)
Assets reported on the Statement of Financial Position	<u>\$ 530,223</u>	<u>\$ 763,278</u>	<u>\$ 1,300,097</u>	<u>\$ 111,225</u>	<u>\$ 26,257</u>	<u>\$ 242,395</u>	<u>\$ 3,041,731</u>

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

**NOTE F—BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS—Continued**

**Summary of Community Foundation Funds—Continued**

A summary of revenues, expenses, and changes in the net assets at fair value of the funds for the year ended June 30, 2019 follows:

	<b>Grand Haven Area Community Foundation</b>			
	<b>MMA Endowment Fund</b>	<b>Community Foundation for Muskegon County</b>		
	<b>MMA Endowment Fund</b>	<b>MMA Endowment Fund</b>	<b>Corky Tuttle Fund</b>	<b>Inspire - Endowment Fund</b>
Revenues				
Gifts received	\$ 27,000	\$ 7,785	\$ 100	\$ 275,657
Interfund grants and other income	-	276,813	-	140,590
Investment income (loss), net	56,365	382,972	603	(3,086)
	<u>83,365</u>	<u>667,570</u>	<u>703</u>	<u>413,161</u>
Expenses				
Transfers to (from) MMAF	32,358	197,803	-	-
Interfund transfers	-	-	-	413,213
	<u>32,358</u>	<u>197,803</u>	<u>-</u>	<u>413,213</u>
Change in net assets	51,007	469,767	703	(52)
Net assets at beginning of year	<u>907,853</u>	<u>6,396,349</u>	<u>10,611</u>	<u>52</u>
Net assets at end of year	958,860	6,866,116	11,314	-
Less assets recorded as those of the Community Foundation	<u>(892,844)</u>	<u>(6,781,013)</u>	<u>(11,314)</u>	<u>-</u>
Assets reported on the Statement of Financial Position	<b><u>\$ 66,016</u></b>	<b><u>\$ 85,103</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

**NOTE F—BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS—Continued**

**Summary of Community Foundation Funds—Continued**

	Community Foundation for Muskegon County				
	Inspire - Facilities Improvement Fund	Inspire - Program Support Fund	MMA Art Acquisition Fund	MMA Hackley Picture Fund	Total
Revenues					
Gifts received	\$ 15,670	\$ -	\$ 107,329	\$ -	\$ 433,541
Interfund grants and other income	83,881	67,960	2,130	-	571,374
Investment income (loss), net	32,732	42,040	74,541	12,386	598,553
	132,283	110,000	184,000	12,386	1,603,468
Expenses					
Transfers to (from) MMAF	122,000	28,000	168,534	-	548,695
Interfund transfers	-	-	-	-	413,213
	122,000	28,000	168,534	-	961,908
Change in net assets	10,283	82,000	15,466	12,386	641,560
Net assets at beginning of year	512,851	662,625	1,242,250	222,928	9,955,519
Net assets at end of year	523,134	744,625	1,257,716	235,314	10,597,079
Less assets recorded as those of the Community Foundation	-	-	-	-	(7,685,171)
Assets reported on the Statement of Financial Position	<b>\$ 523,134</b>	<b>\$ 744,625</b>	<b>\$ 1,257,716</b>	<b>\$ 235,314</b>	<b>\$ 2,911,908</b>

The Board of Trustees of the Community Foundations have the power to modify any restriction or condition on the distribution of funds for any specified purpose or to a specified organization if, in the sole judgment of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served. The authority to modify restrictions is sometimes referred to as "variance power" and is a legal standard imposed on all community foundations.

**Risks and Uncertainties**

Investments are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the fund's balance and the amount reported in the financial statements.



Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

**NOTE G – LONG-TERM DEBT**

During April of 2020, MMAF received loan proceeds of approximately \$161,600 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight or twenty four weeks, whichever is selected, as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the period selected. The unforgiven portion of the PPP loan is payable over two years at an interest rate of one percent, with a deferral of payments for the first ten months. MMAF intends to use the proceeds for purposes consistent with the PPP. While MMAF currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, it cannot ensure that actions will not be taken that could cause MMAF to be ineligible for forgiveness of the loan, in whole or in part. Long-term debt at June 30, 2020 consists entirely of the PPP Loan, and there was no long-term debt at June 30, 2019. Per the PPP, repayment of the outstanding PPP loan at June 30, 2020 does not begin until 10 months after the end of the 8 or 24 week period, whichever is selected, unless forgiveness is applied for within the 10 month period. If the application for forgiveness is submitted within the 10 month period, principal and interest payments do not begin until the SBA remits the loan forgiveness amount to the lender of the funds and MMAF is notified of any amount to be repaid.

**NOTE H—RETIREMENT PLAN**

MMAF maintains a 403(b) plan, covering substantially all of its employees, which provides for annual contributions at the discretion of the Board of Directors. For the years ended June 30, 2020 and 2019, retirement expense for the Plan was \$18,405 and \$17,056, respectively.

**NOTE I—COMMITMENTS**

MMAF has entered into multiple contracts for future expenses related to presenters, curators and exhibitions that will be paid in future periods. As of June 30, 2020, MMAF had approved commitments of approximately \$117,000, of which \$88,000 was unpaid.

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

**NOTE J—NET ASSETS**

Net assets without donor restrictions as of June 30, 2020 and 2019 are comprised of the following:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ (11,507)	\$ 247,381
Board-designated		
Inspire - facilities improvement	530,223	523,134
Inspire - program support	763,278	744,625
Art Acquisition Fund	26,257	-
Invested in property and equipment, net of related debt	2,729,837	2,793,494
	<u><b>\$ 4,038,088</b></u>	<u><b>\$4,308,634</b></u>

Net assets with donor restrictions as of June 30, 2020 and 2019 are comprised of the following:

	<u>2020</u>	<u>2019</u>
Passage of time		
Unconditional promises to give	\$ 184,337	\$ 247,621
Passage of time and specific purpose		
Unconditional promises to give - Capital Campaign - Expansion	68,818	-
Specific purpose		
Beneficial interest in assets held by others		
Grand Haven Area Community Foundation - MMA Endowment Fund	68,256	66,016
Community Foundation for Muskegon County		
MMA Art Acquisition Fund	1,300,097	1,228,432
MMA Hackley Picture Fund	242,395	235,314
MMA Capital Campaign Fund	111,225	-
MMA Capital Campaign Fund (held by MMAF directly)	51,001	-
Grants for educational programs or other specific purposes	9,339	43,922
	<u><b>\$2,035,468</b></u>	<u><b>\$1,821,305</b></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Passage of time		
Unconditional promises to give	\$ 64,883	\$ 115,217
Purpose or other restriction accomplished		
MMA Art Acquisition Fund	78,500	168,534
Other donor restricted funds	34,582	35,522
	<u><b>\$ 177,965</b></u>	<u><b>\$ 319,273</b></u>

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

**NOTE K—CONTINGENCIES**

MMAF participates in grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time although MMAF expects such amounts, if any, to be immaterial.

**NOTE L—RELATED PARTY TRANSACTION**

MMAF contracted with a Company that employs a current Board member to provide legal services totaling approximately \$27,615 and \$425 during the years ended June 30, 2020 and 2019, respectively.

**NOTE M—COLLECTIONS**

The MMAF collections are made up of art objects that are held for educational, curatorial, and public purposes. Each of the items is catalogued, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. Collection items are subject to a policy that requires proceeds from any sales to be used to acquire other works of art for the collections of the Muskegon Museum of Art or to provide for direct conservation and care of existing collection objects.

Efforts to continue to expand and refine the Permanent Collection through the addition of works of art and the reasoned and judicious deaccessioning was again a priority of the Curatorial staff during the fiscal year that ended June 30, 2020. Two-hundred and forty-seven works of art were deaccessioned during the fiscal year. Thirty-eight of these works were drawings, sketches, and illustrations by Muskegon artist Wilfrid Berg. With the artist well represented in the museum's collections and his output highly varied in terms of quality, it was determined these lesser works should be removed. One-hundred eighty deaccessioned drawings, paintings, and prints were created by the artist Georg Theo Hartmann. The Hartmann collection of objects came from a single donor as part of a much larger gift. Hartmann was a friend of the donor but did not exhibit during his lifetime, making him an unknown artist with work not suitable for the museum's collection. Fifteen works of racist memorabilia (vintage photos and postcards) were removed from the collection as the museum believes they lack the context within which to show non-fine art objects of this character. These pieces are flagged for donation to the African American History Museum in Muskegon.

The remaining pieces were decorative objects not suitable to the collection or lesser quality works by unknown artists and by Michigan artist whose careers and output are not of sufficient quality to distinguish themselves from a wide pool of peers. With little to no market value for these pieces, those of no value were disposed of, with the exception of the Wilfrid Bergs, which were donated to the Lakeshore Museum Center for their archives. The proceeds for the pieces that were accepted by an auction house was immaterial. Seven objects are still pending by an auction house as of June 30, 2020, but will be held until the museum has a sufficient number of low-value objects to justify the expense of getting them to sale.

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020 and 2019

**NOTE N—UPCOMING ACCOUNTING PRONOUNCEMENT**

ASU 2016-02—*Leases (Topic 842)* was issued by the FASB in February 2016. The standard will increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the Statements of Financial Position and disclosing key information about leasing arrangements. The main difference between previous GAAP and Topic 842 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. For nonpublic entities, this standard is effective for fiscal years beginning after December 15, 2021.

**NOTE O— SUBSEQUENT EVENTS**

**COVID**

The COVID-19 pandemic that the world is experiencing is unprecedented. It is nearly impossible to fully understand the impact that it will have on the economy and on the Organization's operations. As of June 30, 2020, the Organization is in the process of implementing risk mitigation tactics including all aspects of the Organization's business transactions with customers, vendors and human interaction within and outside of the Organization.

**Capital Campaign**

MMAF has continued to seek funding via the Capital Campaign for its planned expansion subsequent to year end. As of October 7, 2020, total campaign pledges since inception have reached approximately \$4,200,000, with additional pledges expected.