

Muskegon Museum of Art Foundation

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

June 30, 2021 and 2020

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 organization), which comprise the statements of financial position as of June 30, 2021 and 2020, 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.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Brickley DeLong, P.C." The signature is written in a cursive style.

Muskegon, Michigan  
October 14, 2021

Muskegon Museum of Art Foundation  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2021 and 2020

**ASSETS**

	<b>2021</b>	<b>2020</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 816,440	\$ 263,499
Receivables		
Grants	-	3,000
Current maturities of unconditional promises to give, net	774,801	151,767
Other, net	58,152	27,388
Inventories	22,045	24,529
Prepaid expenses	72,005	37,402
	1,743,443	507,585
<b>PROPERTY AND EQUIPMENT</b>		
Buildings	2,644,605	2,644,605
Land improvements	103,955	103,955
Furniture and equipment	6,595	6,595
	2,755,155	2,755,155
Less accumulated depreciation	(516,831)	(412,434)
	2,238,324	2,342,721
Construction in progress	166,850	27,116
Land	360,000	360,000
	2,765,174	2,729,837
<b>OTHER ASSETS</b>		
Collections (Note N)	-	-
Unconditional promises to give, noncurrent portion	1,318,407	101,388
Beneficial interest in assets held by others	5,615,374	3,041,731
Liquor license	12,417	12,417
	6,946,198	3,155,536
	<b>\$ 11,454,815</b>	<b>\$ 6,392,958</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 1,572	\$ -
Accounts payable	37,321	58,640
Accrued liabilities		
Salaries and wages	4,273	10,985
Retirement plan	4,603	4,603
Deferred revenues	154,025	83,574
	201,794	157,802
<b>LONG-TERM DEBT</b>		
	163,573	161,600
	365,367	319,402
<b>NET ASSETS</b>		
Without donor restrictions	4,809,702	4,038,088
With donor restrictions	6,279,746	2,035,468
	11,089,448	6,073,556
	<b>\$ 11,454,815</b>	<b>\$ 6,392,958</b>

The accompanying notes are an integral part of these statements.

Muskegon Museum of Art Foundation  
**STATEMENTS OF ACTIVITIES**  
Years ended June 30, 2021 and 2020

	<b>2021</b>		<b>Total</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	
<b>REVENUES AND SUPPORT</b>			
Grants and awards	\$ 84,850	\$ -	\$ 84,850
Other support and revenues			
Contributions	879,884	4,667,637	5,547,521
Contributions from memberships	90,241	-	90,241
Sponsorships	141,177	-	141,177
Membership	24,089	-	24,089
Admission fees	21,869	-	21,869
Artist entry fees	14,124	-	14,124
Touring exhibition	20,500	-	20,500
Fundraisers	61,016	-	61,016
Gift shop sales	66,410	-	66,410
Interest income (loss)	17	(21,892)	(21,875)
Miscellaneous	41,024	-	41,024
Forgiveness of long-term debt	161,600	-	161,600
Gain from beneficial interest in assets held by others	319,441	437,007	756,448
Net assets released from restrictions	847,899	(847,899)	-
Total revenues and support	2,774,141	4,234,853	7,008,994
<b>EXPENSES</b>			
Program services			
Collections	130,503	-	130,503
Exhibitions	388,898	-	388,898
Education	49,495	-	49,495
Facilities	377,053	-	377,053
Gift shop	117,082	-	117,082
Supporting services			
Management and general	272,172	-	272,172
Fundraising	139,974	-	139,974
Total expenses	1,475,177	-	1,475,177
Revenues and support over (under) expenses	1,298,964	4,234,853	5,533,817
Change in net assets related to collection items			
not capitalized			
Collection items purchased but not capitalized	(527,350)	-	(527,350)
Proceeds from collection items sold	-	9,425	9,425
Change in net assets	771,614	4,244,278	5,015,892
Net assets at beginning of year	4,038,088	2,035,468	6,073,556
Net assets at end of year	<b>\$ 4,809,702</b>	<b>\$ 6,279,746</b>	<b>\$ 11,089,448</b>

The accompanying notes are an integral part of these statements.

<b>2020</b>		
<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
\$ 36,400	\$ -	\$ 36,400
638,829	289,903	928,732
44,934	-	44,934
145,718	-	145,718
22,448	-	22,448
24,596	-	24,596
10,948	-	10,948
7,500	-	7,500
79,240	-	79,240
61,538	-	61,538
10	417	427
36,441	-	36,441
-	-	-
39,042	50,939	89,981
177,965	(177,965)	-
1,325,609	163,294	1,488,903
133,364	-	133,364
330,320	-	330,320
61,608	-	61,608
429,040	-	429,040
155,609	-	155,609
223,563	-	223,563
158,511	-	158,511
1,492,015	-	1,492,015
(166,406)	163,294	(3,112)
(104,142)	-	(104,142)
-	50,869	50,869
(270,548)	214,163	(56,385)
4,308,636	1,821,305	6,129,941
<b>\$ 4,038,088</b>	<b>\$ 2,035,468</b>	<b>\$ 6,073,556</b>

Muskegon Museum of Art Foundation  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended June 30, 2021

	<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	\$ 65,908	\$ 168,546	\$ 35,191	\$ 97,279	\$ 53,164	\$ 121,230	\$ 72,206	\$ 613,524
Fringe benefits								
Payroll taxes	5,103	13,050	2,725	7,532	4,116	9,387	5,590	47,503
Group and workers' compensation insurance	12,114	30,978	6,468	17,880	9,771	22,282	13,272	112,765
Retirement plan contributions	1,978	5,058	1,056	2,919	1,595	3,637	2,167	18,410
	<u>85,103</u>	<u>217,632</u>	<u>45,440</u>	<u>125,610</u>	<u>68,646</u>	<u>156,536</u>	<u>93,235</u>	<u>792,202</u>
Advertising	-	34,046	-	-	3,337	-	7,765	45,148
Contracted services and professional fees	-	12,749	-	-	-	29,540	16,195	58,484
Cost of sales	-	-	-	-	38,554	-	-	38,554
Depreciation and amortization	-	-	-	104,397	-	-	-	104,397
Dues and subscriptions	-	-	-	-	-	4,964	-	4,964
Equipment rent	-	-	-	-	-	1,961	-	1,961
Exhibition rental	-	9,750	-	-	-	-	-	9,750
Fees	-	-	-	-	4,415	5,022	2,712	12,149
Field trips	-	-	78	-	-	-	-	78
Insurance	40,598	-	-	6,197	-	2,952	-	49,747
Miscellaneous	1,381	11,455	2,055	-	90	61,985	1,108	78,074
Postage and shipping	1,656	58,731	-	-	816	-	612	61,815
Printing	-	33,236	128	-	-	-	9,270	42,634
Repairs and maintenance								
Equipment	-	-	-	5,648	-	2,354	-	8,002
Building	-	-	-	32,026	-	-	-	32,026
Supplies	937	307	1,794	3,223	1,224	4,486	9,041	21,012
Travel	828	10,972	-	-	-	2,332	36	14,168
Utilities	-	-	-	99,952	-	-	-	99,952
Workshops	-	20	-	-	-	40	-	60
	<u>\$ 130,503</u>	<u>\$ 388,898</u>	<u>\$ 49,495</u>	<u>\$ 377,053</u>	<u>\$ 117,082</u>	<u>\$ 272,172</u>	<u>\$ 139,974</u>	<u>\$ 1,475,177</u>

The accompanying notes are an integral part of these statements.



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

	<b>Program Services</b>					<b>Supporting Services</b>		<b>Total</b>
	<b>Collections</b>	<b>Exhibitions</b>	<b>Education</b>	<b>Facilities</b>	<b>Gift Shop</b>	<b>Management and General</b>	<b>Fundraising</b>	
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 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  
**STATEMENTS OF CASH FLOWS**  
Years ended June 30, 2021 and 2020

	<b>2021</b>	<b>2020</b>
Operating activities		
Change in net assets	\$ 5,015,892	\$ (56,385)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Forgiveness of long-term debt	(161,600)	-
Depreciation and amortization	104,397	103,915
(Gain) loss from beneficial interest in assets held by others	(756,448)	(89,981)
	4,202,241	(42,451)
(Increase) decrease in operating assets		
Receivables		
Grants	3,000	33,821
Other	(30,764)	4,887
Inventories	2,484	4,637
Prepaid expenses	(34,603)	(24,021)
Increase (decrease) in operating liabilities		
Accounts payable	(21,319)	(42,841)
Accrued liabilities	(6,712)	472
Deferred revenue	70,451	62,253
	4,184,778	(3,243)
Investing activities		
Change in beneficial interest in assets held by others	(1,817,195)	(39,842)
Property and equipment purchases and construction in progress	(139,734)	(40,256)
	(1,956,929)	(80,098)
Financing activities		
Proceeds from long-term debt	165,145	161,600
Contributions restricted for capital campaign	(1,840,053)	(5,534)
	(1,674,908)	156,066
<b>INCREASE (DECREASE) IN CASH</b>	552,941	72,725
Cash at beginning of year	263,499	190,774
Cash at end of year	<b>\$ 816,440</b>	<b>\$ 263,499</b>

The accompanying notes are an integral part of these statements.

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2021 and 2020

**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.

**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 of the Organization'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.

Contributions are considered to be unconditional unless there are one or more barriers that must be overcome before the Organization is entitled to the assets received or promised. Conditional contributions are recognized when the conditions have been substantially met.

Unconditional 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, the Organization reports the support as increase in net assets without donor restriction.

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2021 and 2020

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

**Revenue Recognition—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, 2021 and 2020

**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, 2021, donated artwork, collectibles and artifacts totaled approximately \$26,700, of which \$24,700 has been, or have been earmarked to be, accessioned into MMAF's collection.

**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, 2021 and 2020

**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, 2021 and 2020

**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 \$45,148 and \$59,236 in 2021 and 2020, 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, 2021 and 2020

**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 14, 2021, 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, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Financial assets at year end:		
Cash and cash equivalents	\$ 816,440	\$ 263,499
Grants and other receivables, net	58,152	30,388
Unconditional promises to give - current portion	774,801	151,767
Beneficial interest in assets held by others	5,615,374	3,041,731
Total financial assets	7,264,767	3,487,385
Less amounts not available to be used within one year:		
Net assets with donor restrictions	6,279,746	2,035,468
Less net assets with purpose restrictions to be met in less than one year	(1,162,650)	(250)
Board-designated for facilities improvement	808,348	530,223
Board-designated for art acquisition	33,796	26,257
	5,959,240	2,591,698
Financial assets available to meet general expenses over the next year	<b>\$ 1,305,527</b>	<b>\$ 895,687</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 \$392,000 will be available within the next twelve months based on the balance in these endowments at June 30, 2021.



Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
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**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, 2021, MMAF’s had an uninsured balance of approximately \$470,000.

**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, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Unconditional promises to give	\$ 2,119,460	\$ 255,015
Less:		
Discount to net present value	(23,752)	(1,860)
Allowance for doubtful accounts	(2,500)	-
Net unconditional promises to give	<b>\$ 2,093,208</b>	<b>\$ 253,155</b>
 Amounts due in:		
Less than one year	\$ 774,801	\$ 151,767
More than one year	1,318,407	101,388
	<b>\$ 2,093,208</b>	<b>\$ 253,155</b>

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using discount rates of .5 to 1 percent.

**NOTE E—CONTRACT BALANCES**

There were no contract receivables or contract assets as of the years ended June 30, 2021, 2020, and 2019. Contract liabilities as of the same year ends were \$154,025, \$83,574, and \$21,321, respectively.

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE F—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.

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, 2021 and 2020.

***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.

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE F—FAIR VALUE MEASUREMENTS—Continued**

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, 2021 and 2020:

	Assets at Fair Value as of June 30,			
	2021		2020	
	Level 2	Total	Level 2	Total
Beneficial interest in assets held by others	\$5,615,374	\$5,615,374	\$3,041,731	\$3,041,731

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

**The Funds**

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

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.

Muskegon Museum of Art Foundation  
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**NOTE G—BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS—Continued**

**The Funds—Continued**

***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.

***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 began during the current fiscal year. The fund is to be used for a planned expansion of the Museum.

***MMA Capital Campaign Fund***

The MMA Capital Campaign Fund, held at the GHACF, was established in 2020 in anticipation of a major capital campaign that began during the current fiscal year. The fund is to be used for a planned expansion of the Museum.

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2021 and 2020

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

**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.

**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, 2021 follows:

	<b>MMA Grand Haven Area Community Foundation</b>		<b>Community Foundation for Muskegon County</b>		
	<b>MMA Endowment Fund</b>	<b>Art Capital Campaign Fund</b>	<b>MMA Endowment Fund</b>	<b>Corky Tuttle Fund</b>	<b>Inspire - Endowment Fund</b>
Revenues					
Gifts received	\$ 59,000	\$ 41,000	\$ 27,480	\$ -	\$ 68,528
Interfund grants and other income	-	-	52,912	-	64,249
Investment income (loss), net	313,073	3,120	1,971,003	3,353	(2,396)
	<u>372,073</u>	<u>44,120</u>	<u>2,051,395</u>	<u>3,353</u>	<u>130,381</u>
Expenses					
Transfers to (from) MMAF	73,812	-	313,121	-	-
Interfund transfers	-	-	-	-	130,381
	<u>73,812</u>	<u>-</u>	<u>313,121</u>	<u>-</u>	<u>130,381</u>
Change in net assets	298,261	44,120	1,738,274	3,353	-
Net assets at beginning of year	988,872	-	6,971,924	11,654	-
Net assets at end of year	1,287,133	44,120	8,710,198	15,007	-
Less assets recorded as those of the Community Foundation	(1,202,827)	(26,616)	(8,710,198)	(15,007)	-
Assets reported on the Statement of Financial Position	<u>\$ 84,306</u>	<u>\$ 17,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2021 and 2020

**NOTE G—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 Art Acquisition Fund	MMA Hackley Picture Fund	
Revenues							
Gifts received	\$ 9,638	\$ 15,560	\$ 24,447	\$ 2,162,775	\$ -	\$ -	\$ 2,408,428
Interfund grants and other income	109,811	-	-	4,947	-	-	231,919
Investment income (loss), net	157,496	221,959	346,165	(42,865)	7,539	69,720	3,048,167
	276,945	237,519	370,612	2,124,857	7,539	69,720	5,688,514
Expenses							
Transfers to (from) MMAF	-	-	533,530	-	-	-	920,463
Interfund transfers	(1,180)	14,753	-	-	-	-	143,954
	(1,180)	14,753	533,530	-	-	-	1,064,417
Change in net assets	278,125	222,766	(162,918)	2,124,857	7,539	69,720	4,624,097
Net assets at beginning of year	530,223	763,278	1,300,097	111,225	26,257	242,395	10,945,925
Net assets at end of year	808,348	986,044	1,137,179	2,236,082	33,796	312,115	15,570,022
Less assets recorded as those of the Community Foundation	-	-	-	-	-	-	(9,954,648)
Assets reported on the Statement of Financial Position	<b>\$ 808,348</b>	<b>\$ 986,044</b>	<b>\$ 1,137,179</b>	<b>\$ 2,236,082</b>	<b>\$ 33,796</b>	<b>\$ 312,115</b>	<b>\$ 5,615,374</b>

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE G—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, 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, 2021 and 2020

**NOTE G—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 Capital Campaign Fund	MMA Board Designated Art Acquisition Fund	MMA Hackley Picture Fund	Total
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
	57,086	47,653	150,165	111,225	28,257	7,081	1,101,070
Expenses							
Transfers to (from) MMAF	49,997	29,000	78,500	-	-	-	524,639
Interfund transfers	-	-	29,284	-	2,000	-	227,585
	49,997	29,000	107,784	-	2,000	-	752,224
Change in net assets	7,089	18,653	42,381	111,225	26,257	7,081	348,846
Net assets at beginning of year	523,134	744,625	1,257,716	-	-	235,314	10,597,079
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	<b>\$ 530,223</b>	<b>\$ 763,278</b>	<b>\$ 1,300,097</b>	<b>\$ 111,225</b>	<b>\$ 26,257</b>	<b>\$ 242,395</b>	<b>\$ 3,041,731</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**  
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**NOTE H – LONG-TERM DEBT**

During April 2020, MMAF received loan proceeds of \$161,600 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Securities Act (“CARES Act”), provides 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 were forgivable after eight or twenty four weeks, whichever was selected, as long as the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintained its payroll levels. The amount of loan forgiveness was to be reduced if the borrower terminated employees or reduced salaries during the period selected. The unforgiven portion of the PPP loan was to be payable over two years at an interest rate of one percent, with a deferral of payments for the first ten months. In December 2020, MMAF received notification from the Small Business Administration (SBA) of full forgiveness of its PPP loan. The amount of loan forgiveness is presented as a component of other support and revenues on the statement of activities. MMAF is required to retain loan and forgiveness documentation on the loan for six years, which is the open period for audit by the SBA.

During February 2021, MMAF received a second PPP loan of \$165,145. The terms of this second loan are similar to the first loan above, with the exception of extending the repayment period on any unforgiven balance to five years. The interest rate remains one percent. MMAF intends to use the proceeds for purposes consistent with the PPP. Subsequent to year end, MMAF received notification from the SBA lender of full forgiveness of this second PPP loan. MMAF is required to retain loan and forgiveness documentation on the loan for six years, which is the open period for review or audit by the SBA.

Long-term debt at June 30, 2021 and 2020 consists entirely of the PPP loans described above.

Aggregate maturities of long-term debt for 2022 through 2026 are as follows:

<b>Year ending</b>	
<b><u>June 30,</u></b>	<b><u>Amount</u></b>
2022	\$ 1,572
2023	44,018
2024	44,460
2025	44,907
2026	<u>30,188</u>
	<b><u>\$ 165,145</u></b>

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2021 and 2020

**NOTE I—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, 2021 and 2020, retirement expense for the Plan was \$18,410 and \$18,405, respectively.

**NOTE J—COMMITMENTS**

MMAF has entered into multiple contracts for future expenses related to presenters, curators and exhibitions that will be paid in future periods. MMAF also entered into a contract with an architectural firm in relation to the expansion project. As of June 30, 2021, MMAF had approved commitments of approximately \$300,900, of which \$211,100 was unpaid.

**NOTE K—NET ASSETS**

Net assets without donor restrictions as of June 30, 2021 and 2020 are comprised of the following:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 216,340	\$ (11,507)
Board-designated		
Inspire - facilities improvement	808,348	530,223
Inspire - program support	986,044	763,278
Art Acquisition Fund	33,796	26,257
Invested in property and equipment, net of related debt	2,765,174	2,729,837
	<u><u>\$ 4,809,702</u></u>	<u><u>\$4,038,088</u></u>

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2021 and 2020

**NOTE K—NET ASSETS—Continued**

Net assets with donor restrictions as of June 30, 2021 and 2020 are comprised of the following:

	<b>2021</b>	<b>2020</b>
Passage of time		
Unconditional promises to give	\$ 124,198	\$ 184,337
Passage of time and specific purpose		
Unconditional promises to give - Capital Campaign - Expansion	2,006,951	68,818
Specific purpose		
Beneficial interest in assets held by others		
Grand Haven Area Community Foundation - MMA Endowment Fund	84,306	68,256
Community Foundation for Muskegon County		
MMA Art Acquisition Fund	1,137,179	1,300,097
MMA Hackley Picture Fund	312,115	242,395
MMA Capital Campaign Fund	2,590,200	162,226
Grants for educational programs or other specific purposes	24,797	9,339
	<b>\$6,279,746</b>	<b>\$2,035,468</b>

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, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Passage of time		
Unconditional promises to give	\$ 123,515	\$ 64,883
Purpose or other restriction accomplished		
Capital Campaign - Expansion project	185,783	-
MMA Art Acquisition Fund	533,530	78,500
Other donor restricted funds	5,071	34,582
	<b>\$ 847,899</b>	<b>\$ 177,965</b>

**NOTE L—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 M—RELATED PARTY TRANSACTION**

MMAF contracted with a Company that employs a current Board member to provide legal services totaling approximately \$7,344 and \$27,615 during the years ended June 30, 2021 and 2020, respectively.

Muskegon Museum of Art Foundation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2021 and 2020

**NOTE N—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.

During the fiscal year ending June 30, 2021 twenty-one objects were added to the permanent collection through gift and purchase. One additional object, a painting by Kehinde Wiley, remains at Sotheby's auction house and will be accessioned when it arrives in Muskegon. Of the purchases, three works of glass were acquired from Habatat Galleries. A Charles Burchfield was purchased through auction at Shannon's and a painting by Maurice Prendergast at auction at Freeman's. Three works of art were purchased through MMA exhibitions, two directly from the artists (Jonathan Thunder and Adam Avery) and the third, a Jim Denomie, through the artist's gallery.

The remaining thirteen acquisitions came through donations from private individuals and the Kohler Foundation.

No objects were deaccessioned during the year ended June 30, 2021.

**NOTE O—RISKS AND UNCERTAINTIES**

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, 2021, the Organization is in the continued 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.

**NOTE P—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 Q—SUBSEQUENT EVENTS**

**Capital Campaign**

MMAF has continued to seek funding via the Capital Campaign for its planned expansion subsequent to year end. As of October 14, 2021, total campaign pledges since inception have reached approximately \$6,550,000, with additional pledges expected.

In August 2021, MMAF signed a contract with Construction Simplified for \$126,000 related to the expansion.