MONTEREY MUSEUM OF ART

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Monterey Museum of Art
Monterey, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Monterey Museum of Art (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2023, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Monterey Museum of Art as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Monterey Museum of Art and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2023 the Museum adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and financing leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Monterey Museum of Art's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Board of Directors
Monterey Museum of Art

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Monterey Museum of Art's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Monterey Museum of Art's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Monterey Museum of Art's 2022 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 14, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Salinas, California
May 20, 2024

MONTEREY MUSEUM OF ART
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
ASSETS				
CURRENT ASSETS				
Cash	$ 525,980	$ 80,440	$ 606,420	$ 438,407
Grants and Contributions Receivable	291,263	50,000	341,263	34,500
Current Portion of Pledges Receivable, Net	-	142,576	142,576	151,132
Current Portion of Unconditional Promise to Give - Use of Building, Net	-	61,765	61,765	61,765
Bequest Receivable	1,000,000	-	1,000,000	1,000,000
Prepaid Expenses	4,000	-	4,000	4,447
Inventory	800	-	800	800
Total Current Assets	1,822,043	334,781	2,156,824	1,691,051
PROPERTY, Net	3,283,597	-	3,283,597	3,386,921
OTHER ASSETS				
Pledges Receivable, Net, Less Current Portion	-	-	-	142,576
Unconditional Promise to Give - Use of Building, Net	-	491,466	491,466	519,516
Investments	1,753,709	4,047,315	5,801,024	6,114,608
Investments - Restricted	152,124	-	152,124	200,803
Community Foundation	72,096	-	72,096	69,769
Total Other Assets	1,977,929	4,538,781	6,516,710	7,047,272
Total Assets	$ 7,083,569	$ 4,873,562	$ 11,957,131	$ 12,125,244
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	$ 163,586	$ -	$ 163,586	$ 68,142
Accrued Vacation	63,854	-	63,854	71,489
Accrued Interest	10,656	-	10,656	7,747
Refundable Advance	-	-	-	1,201
Current Portion of Loan	3,349	-	3,349	-
Current Financing Lease Liability	6,351	-	6,351	5,706
Total Current Liabilities	247,796	-	247,796	154,285
LONG-TERM DEBT	642,727	-	642,727	653,523
Total Liabilities	890,523	-	890,523	807,808
NET ASSETS				
Without Donor Restrictions:				
Undesignated	6,120,950	-	6,120,950	6,255,015
Board-Designated	72,096	-	72,096	69,769
Total Without Donor Restrictions	6,193,046	-	6,193,046	6,324,784
With Donor Restrictions:				
Purpose or Time Restricted	-	1,860,468	1,860,468	1,979,558
Donor Restricted Endowment	-	3,013,094	3,013,094	3,013,094
Total With Donor Restrictions	-	4,873,562	4,873,562	4,992,652
Total Net Assets	6,193,046	4,873,562	11,066,608	11,317,436
Total Liabilities and Net Assets	$ 7,083,569	$ 4,873,562	$ 11,957,131	$ 12,125,244

See accompanying Notes to Financial Statements.

MONTEREY MUSEUM OF ART
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
REVENUE AND SUPPORT				
Revenue:				
Program Revenue	$ 75,501	$ -	$ 75,501	$ 102,037
Facility Fees	10,775	-	10,775	250
Investment Return, Net	210,393	461,942	672,335	(1,313,884)
Community Foundation Income (Loss)	2,327	-	2,327	(14,409)
Other Income	968	-	968	428
Grant Income Marble Endowment	381,289	-	381,289	402,189
Total Revenue	681,253	461,942	1,143,195	(823,389)
Support:				
Foundation Grants	191,429	272,496	463,925	162,800
Special Events	248,852	-	248,852	424,795
Contributions	342,057	40,374	382,431	1,590,016
Employee Retention Credit	291,263	-	291,263	-
In-Kind	47,588	-	47,588	46,887
Net Assets Released from Restrictions	893,902	(893,902)	-	-
Total Support	2,015,091	(581,032)	1,434,059	2,224,498
Total Revenue and Support	2,696,344	(119,090)	2,577,254	1,401,109
EXPENSES				
Program Services:				
Museum	1,106,960	-	1,106,960	927,019
Retail	37,442	-	37,442	36,746
Education	449,306	-	449,306	376,480
Supporting Services :				
Management and General	609,554	-	609,554	486,991
Development	624,820	-	624,820	640,978
Total Expenses	2,828,082	-	2,828,082	2,468,214
CHANGE IN NET ASSETS	(131,738)	(119,090)	(250,828)	(1,067,105)
Net Assets - Beginning of Year	6,324,784	4,992,652	11,317,436	12,384,541
NET ASSETS - END OF YEAR	$ 6,193,046	$ 4,873,562	$ 11,066,608	$ 11,317,436

See accompanying Notes to Financial Statements.

MONTEREY MUSEUM OF ART
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2022)

	Program Services			Supporting Services			
	Museum	Museum Shops	Education	Management and General	Development	2023 Total	2022 Total
Salaries	$ 423,944	$ 18,129	$ 274,804	$ 184,704	$ 303,219	$ 1,204,800	$ 981,306
Employee Benefits	47,326	1,850	29,282	41,149	30,625	150,232	95,221
Payroll Taxes	30,762	1,538	23,809	13,982	21,495	91,586	74,514
Advertising and Promotion	33,037	-	1,850	480	23,330	58,697	42,347
Art Purchases	72,462	-	-	-	-	72,462	12,975
Bank Charges	193	33	29	2,351	5,494	8,100	14,203
Collections	30,592	-	26	309	-	30,927	18,019
Committee Expenses	-	-	-	377	-	377	192
Costs of Goods Sold	-	-	-	-	-	-	6,705
Depreciation	107,201	5,642	37,615	18,807	18,808	188,073	189,690
Donor Cultivation	738	-	-	796	233	1,767	3,261
Dues and Subscriptions	1,817	-	-	2,630	510	4,957	3,097
Exhibit Expense	56,923	-	6,164	1,651	5,059	69,797	105,408
In-Kind Rent	61,765	-	-	-	-	61,765	61,765
Insurance	45,827	2,412	16,580	7,538	8,040	80,397	75,293
Interest	-	-	-	21,066	4,377	25,443	31,387
Legal	-	-	-	46,500	-	46,500	1,094
Licenses/Permits	50	-	350	3,038	168	3,606	3,364
Maintenance/Repairs	93,239	2,661	17,739	14,294	9,016	136,949	89,180
Office Expense	438	73	192	35,077	60	35,840	21,084
Office/Computer Services	64	1,685	665	50,259	4,224	56,897	50,215
Other Expenses	-	-	-	6,242	50	6,292	681
Printing/Postage	19,155	-	620	6,646	9,637	36,058	27,823
Professional Development	60	-	825	6,069	-	6,954	2,236
Professional Services	7,539	271	7,038	98,547	116,158	229,553	233,677
Program Supplies	722	-	4,181	642	40,498	46,043	27,752
Property Tax	-	-	-	31,269	-	31,269	36,144
Receptions	2,235	-	190	2,906	365	5,696	2,457
Telephone	12,199	642	4,280	2,140	2,140	21,401	31,457
Travel	1,518	72	483	6	333	2,412	6,955
Utilities	51,753	2,434	18,159	8,831	9,327	90,504	86,214
Vendor Services/Security	5,401	-	4,425	1,248	11,654	22,728	132,498
Total Expenses	$ 1,106,960	$ 37,442	$ 449,306	$ 609,554	$ 624,820	$ 2,828,082	$ 2,468,214

See accompanying Notes to Financial Statements.

MONTEREY MUSEUM OF ART
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in Net Assets	$ (131,738)	$ (119,090)	$ (250,828)	$ (1,067,105)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operations:				
Depreciation	188,073	-	188,073	189,690
Amortization of Discount on Promise to Give	-	28,050	28,050	26,511
Realized and Unrealized Gain on Investments	(170,230)	(391,055)	(561,285)	1,403,980
Realized and Unrealized Gain on Community Foundation	(3,881)	-	(3,881)	13,109
Discount on Pledges	-	(28,868)	(28,868)	(19,800)
(Increase) Decrease in:				
Receivables:				
Other	34,500	-	34,500	(31,000)
Grants and Contributions	(291,263)	(50,000)	(341,263)	-
Pledges	-	180,000	180,000	180,000
Prepaid Expenses	447	-	447	19,585
Bequests Receivable	-	-	-	(1,000,000)
Increase (Decrease) in:				
Accounts Payable	95,444	-	95,444	21,355
Accrued Vacation	(7,635)	-	(7,635)	4,243
Accrued Interest	2,909	-	2,909	7,747
Refundable Advance	(1,201)	-	(1,201)	(184,768)
Net Cash Provided (Used) by Operating Activities	(284,575)	(380,963)	(665,538)	(436,453)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of Property and Equipment	(84,749)	-	(84,749)	(160,148)
Purchases of Investments	(64,142)	(118,101)	(182,243)	(174,303)
Proceeds from Sales of Investments	528,787	577,004	1,105,791	600,687
Net Community Foundation Activity	1,554	-	1,554	1,300
Net Cash Provided (Used) by Investing Activities	381,450	458,903	840,353	267,536

See accompanying Notes to Financial Statements.

MONTEREY MUSEUM OF ART
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments on Capital Lease Obligations	$ (5,706)	$ -	$ (5,706)	$ (5,296)
Payments on Long-Term Debt	(1,096)	-	(1,096)	(75,352)
Net Cash Provided (Used) by Financing Activities	(6,802)	-	(6,802)	(80,648)
NET INCREASE (DECREASE) IN CASH	90,073	77,940	168,013	(249,565)
Cash - Beginning of Year	435,907	2,500	438,407	687,972
CASH - END OF YEAR	$ 525,980	$ 80,440	$ 606,420	$ 438,407
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Interest Paid	$ 22,534	$ -	$ 22,534	$ 23,640
Property and Equipment Acquired Under Capital Lease	$ -	$ -	$ -	$ 19,049

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Monterey Museum of Art (the Museum) is organized to foster the production and exhibition of visual arts and the cultivation of the public appreciation thereof by providing a museum of art and conducting education and other programs and activities which foster appreciation, creation, and support of the arts.

Basis of Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The net assets, revenues, gains and losses, other support and expenses and other changes in the accompanying financial statements are classified based on the existence or absence of donor-imposed restrictions. Accordingly, for reporting purposes, net assets of the Museum and changes therein are classified as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. This includes certain amounts designated by the board for various purposes.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Museum and/or the passage of time, or net assets that are perpetual in nature and subject to donor-imposed restrictions that they be maintained in perpetuity by the Museum. Generally, the donors of assets to be held in perpetuity permit the Museum to use all or a part of the income earned on related investments for general or specified purposes.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions, if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as "net assets released from restrictions."

Revenue Recognition

The Museum recognizes revenue from ticket sales at the time of admission and shop sales at the time of purchase. Revenue from educational programs is recognized when related programs are provided. Membership dues, which are nonrefundable, are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. The Museum recognizes the exchange portion of membership dues over the membership period, and the contribution portion immediately. The Museum records special event revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. The exchange portion of amounts received prior to an event occurring are deferred to the applicable period and recognized once the event occurs.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Contributions, including unconditional promises to give and donations, have no exchange component, though many have restrictions as to purpose. Contributions are considered to be without donor restrictions unless specifically restricted by the donor. Grants received are unconditional in nature with no barriers to overcome prior to recognition or exchange components and are therefore considered contributions. Contributions are recognized as revenues in the period received or promised. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Gains and losses on investments and other assets and 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.

Fair Value Measurements

The estimated fair values of the Museum’s short-term financial instruments, including cash, receivables, and payables, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

Cash and Cash Equivalents

The Museum considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, except for money market funds held in brokerage accounts, which are classified as investments.

Concentration of Credit Risk

The Museum maintains their cash in bank deposit accounts and money market funds held in brokerage accounts. Cash in bank deposit accounts at each institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At June 30, 2023, cash in bank deposit accounts exceeded insured limits by $357,973. Cash and cash equivalents in brokerage accounts is insured up to $500,000 by the Securities Investor Protection Corporation (SIPC). At June 30, 2023, cash in brokerage accounts exceeded insured limits by $-0-.

Receivables

Receivables are recorded using the allowance method and are presented net of the allowance for uncollectible accounts. The allowance is based on prior years’ experience and management analysis of receivable balances. At June 30, 2023, the allowance is estimated to be $-0-.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unconditional Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are recorded at the present value of the estimated cash flows beyond one year. The discounts on those amounts are computed using an estimated discount rate applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Management provides for probable uncollectible amounts based on its assessment of recent collections, economic factors, and current donor relationships. The allowance has been estimated at $-0- for the year ended June 30, 2023.

Prepaid Expenses

Prepaid amounts represent advance payments for goods or services that will be expensed in the periods in which they benefit.

Inventory

Inventory is valued at the lower of cost or net realizable value, except for donated inventory which is recorded at fair value on the date received. Cost is determined by the first-in, first-out method.

Investments

Investments in marketable securities with readily determinable fair values are reported at fair value based on quoted market prices in active markets (all Level 1 inputs). Investment returns (including gains and losses on investments, interest and dividends) is included in the statement of activities as an increase or decrease in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Investments – Restricted

Certain investments are classified as restricted because there are external limits, other than by donor restriction, on their use for art acquisitions and the care of the art collection. At June 30, 2023, the fair value of such investments was $152,124.

Property, Net

Property is recorded at cost, except for donated property which is recorded at fair value on the date received. Such donations are reported as without donor restrictions support unless the donated asset is donated with donor restrictions to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets are to be maintained, the Museum reports expiration of the donor restriction when the asset is placed in service. It is the policy of the Museum to capitalize all property and equipment acquisitions greater than $5,000 with an estimated useful life of greater than one year.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Net (Continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Vehicles	5 Years
Equipment	5 to 7 Years
Furniture and Fixtures	7 Years
Improvements	7 to 31.5 Years
Building - La Mirada	31.5 Years

Collections

The collections, which were acquired through purchases and contributions since the Museum's inception, 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.

Deaccessioning is the process of permanently removing an object from the Museum's collections. The Museum periodically undertakes deaccessioning, in accordance with its *Acquisitions and Collections Management Policy*, in order to strengthen the collections, maintain adequate safe storage, and keep the integrity of the Museum's mission. Proceeds from deaccessions are used to acquire other items for the collection.

The Museum's collections are made up of works in a variety of media by artists, past and present, who have worked in the Monterey region; works in a variety of media by other California artists; works of national and international photographers; works of national and international graphic artists; works of Asian and Pacific Rim artists and Asian and Pacific Rim artifacts; works of folk, ethnic, and tribal art of all nations and cultures; and works unrelated to the defined categories that are such quality and interest as to be fitting and enhancing additions to the fine arts collection. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are not used to pay for the costs of or to serve as collateral for the Museum's operating/capital costs.

Accrued Vacation

Regular, full-time employees with 61 days - 3 years of full-time service earn 120 hours (15 days) each year, maximum earned 180 hours (22.5 days) and employees with 3-5 years of full-time service earn 160 hours (20 days) each year, maximum earned 240 hours (30 days). Employees with 5+ years of full-time employment 200 hours (25 days) each year, maximum earned 300 hours (37.5 days). Any unused vacation accrual is paid upon termination.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Nonfinancial Assets

The Museum receives donated services from unpaid volunteers who assist in program operations, fundraising and special projects. Donated services are not recorded unless such services create or enhance nonfinancial assets or require specialized skills and are so essential that they would be purchased if not provided by donation. Donated professional services are valued using current rates for similar services. All donated services were utilized by the Museum's programs and supporting services. There were no donor-imposed restrictions associated with the donated services. The Museum also receives the use of facilities and donated goods for their general operations. The fair value of contributed facilities is determined based on the amount of current rental fees. Donated goods are recorded at their estimated fair value at the date of gift, if determinable.

The Museum received the following contributions of nonfinancial assets for the year ended June 30:

Professional Fees In-Kind	$	2,015
Rent In-Kind (See Note 6)		33,713
Donated Event Supplies		5,500
Donated Furniture		6,360
Total In-Kind Revenue	$	47,588

Income Taxes

As a tax-exempt not-for-profit organization, the Museum is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state franchise tax under California Revenue and Taxation Code Section 23701(d) but is subject to taxes on unrelated business income when earned.

Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Museum's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Advertising Costs

The Museum expenses the production costs of advertising the first time the advertising takes place. Advertising and promotion expenses totaled $58,697 for the year ended June 30, 2023.

Functional Allocation of Expenses

The costs of providing program services and other activities have been presented on a functional basis in the statement of activities and statement of functional expenses. Certain categories of expenses are attributable to both program and supporting functions. Accordingly, such costs have been allocated among the programs and supporting services benefited. Salaries, payroll taxes, and employee benefits are allocated on a percentage of use as determined by staff time. Facilities, equipment, and other expenses which are attributable to more than one function are allocated based on the ratio of program or supporting services which receive the benefit of those expenses.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform with the current year presentation.

Summarized Totals for June 30, 2022

The financial statements include certain prior–year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles in the United States of America. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Museum adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, with certain practical expedients available, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period.

The Museum has elected to adopt the package of practical expedients available in the year of adoption. The Museum has not elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Museum's ROU assets.

The adoption of this standard did not have an impact on the statement of financial position, statement of activities, nor the statement of cash flows.

Subsequent Events

Subsequent events have been evaluated through May 20, 2024, which is the date the financial statements were available to be issued. See Note 19 for further information.

NOTE 2 FAIR VALUE MEASUREMENTS

The Museum measures its assets and liabilities at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value.

The guidance establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The guidance expands disclosures about instruments measured at fair value. The guidance applies to other accounting pronouncements that require or permit fair value measurements and, accordingly, the guidance does not require any new fair value measurements.

As noted above, the guidance establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial statement.

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

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents the financial instruments carried at fair value as of June 30, 2023, by caption on the statement of financial position by the valuation hierarchy defined above.

	Level 1	Level 2	Level 3	Total
Unconditional Promise to Give (Note 6)	$ -	$ -	$ 553,231	$ 553,231
Investments (Note 7)	5,953,148	-	-	5,953,148
Community Foundation (Note 8)	-	72,096	-	72,096
Total at Fair Value	$ 5,953,148	$ 72,096	$ 553,231	$ 6,578,475

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a description of the Museum's valuation methodologies for assets and liabilities measured at fair value:

Fair value for Level 1 investments is based upon quoted market prices. Inputs are obtained from various sources including market participants, dealers, brokers, and financial institutions.

Fair value for Level 2 funds held at Community Foundation is determined by the Foundation based upon the Museum's allocable share in the market value of the Foundation's underlying investments as reported to the foundation by a third-party trustee from published market quotes.

Fair value for the Level 3 unconditional promise to give utilizes the key input of a discount rate to convert the expected future cash flows from the unconditional promise to give to a single present value amount. The Museum utilizes an estimated discount rate and develops measurement criteria based on the best information possible. The net present value of the unconditional promise to give utilizes significant unobservable inputs in estimating fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Museum believes its valuation methods are 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 estimate of fair value at the reporting date.

NOTE 3 PLEDGES RECEIVABLE, NET

Pledges receivable consist of unconditional promises to give contributions to the Museum's Capital Campaign related to the development of a vital center at La Mirada and Perry Lane for arts contemplation and engagement. The Museum has received pledges for the 2020-2021, 2021-2022, 2022-2023, and 2023-2024 years. The pledges have been discounted at a discount rate of 6%. The allowance for uncollectible pledges is $-0- as of June 30, 2023.

Pledges receivable at June 30, 2023 are as follows:

Receivable in Less than One Year	$ 180,000
Total Pledges Receivable	180,000
Less: Discount to Present Value	37,424
Pledges Receivable, Net	$ 142,576

NOTE 4 BEQUEST RECEIVABLE

In December 2021, the Museum was notified that it was named as the beneficiary of a trust agreement to receive a bequest of a residential property in Carmel Valley with an estimated value of $1.8 million. The trust became irrevocable on August 25, 2021 but was subsequently contested by a family member. The trust was remediated on March 14, 2023 and the Museum recorded as a receivable $1,000,000 from the sale of the property. The balance was received in full subsequent to year end.

NOTE 5 PROPERTY, NET

Property consisted of the following at June 30, 2023:

Improvements	$ 1,677,387
Building - La Mirada	7,753,593
Equipment	285,543
Furniture and Fixtures	147,926
Vehicles	46,083
Total	9,910,532
Less: Accumulated Depreciation	6,626,935
Property, Net	$ 3,283,597

Depreciation for the year ended June 30, 2023 was $188,073; included in this amount is $5,772 of amortization on leased equipment which is explained in further detail in Note 12.

NOTE 6 UNCONDITIONAL PROMISE TO GIVE

Use of Building, Net

The Museum entered into an agreement with the City of Monterey (City) whereby they receive free use of the City-owned building at 559 Pacific Street for the purpose of operating a public museum. The original agreement was entered into on May 31, 1979 for a term of 40 years. The agreement was amended on November 27, 1996 to extend the agreement to May 31, 2036. Accordingly, an unconditional promise to give has been recorded to reflect the value of the donated rent received from the City of Monterey. The annual amount of donated rent recorded is $61,765 and was determined by spreading the estimated fair value of the property ($2,100,000) over the term of the agreement. The future estimated value of the rents over the remaining life of the agreement is recorded as an unconditional promise to give which has been discounted to its present value. The amount of amortization recorded as support for the year ending June 30, 2023 was $28,050.

NOTE 6 UNCONDITIONAL PROMISE TO GIVE (CONTINUED)

Use of Building, Net (Continued)

Unconditional promise to give at June 30, 2023 was as follows:

Receivable in Less than One Year	$ 61,765
Receivable in One to Five Years	308,824
Receivable in More than Five Years	432,355
Total Unconditional Promise to Give - Use of Building	802,944
Less: Discount to Net Present Value	249,713
Net Unconditional Promise to Give - Use of Building	553,231
Less: Current Portion	61,765
Total	$ 491,466

The discount rate used was 5.8%.

NOTE 7 INVESTMENTS

Investments consisted of the following at June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Stock Funds	$ 1,229,778	$ 2,383,558	$ 3,613,336
Mutual Funds:			
Bonds	362,910	399,772	762,682
Stock Funds	167,153	620,468	787,621
Exchange Traded Funds	75,027	518,692	593,719
Money Market	58,370	105,305	163,675
Other	12,595	19,520	32,115
Total Investments	$ 1,905,833	$ 4,047,315	$ 5,953,148

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest/Dividend Income	$ 64,140	$ 118,102	$ 182,242
Net Realized/Unrealized Gain on Investments	170,230	391,055	561,285
Investment Fees	(23,977)	(47,215)	(71,192)
Investment Return, Net	$ 210,393	$ 461,942	$ 672,335

NOTE 8 COMMUNITY FOUNDATION FOR MONTEREY COUNTY

The Community Foundation for Monterey County (CFMC) holds funds for the Museum known as the Monterey Museum of Art Fund in the amount of $72,096. The Museum has granted variance power to CFMC. In the event of the dissolution of the Museum or in the event it shall no longer be an organization described in Section 170(c) of the Internal Revenue Code of 1954, as amended, CFMC shall continue to hold the funds and shall distribute the income to such organizations as in their opinion most nearly serve the purposes and objectives of the Museum. All funds held are subject to the power of CFMC to modify any restrictions or conditions on the distribution of funds for any specified charitable purpose or to specified organizations, if in their sole judgment such restriction becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by them.

The earnings payout of the funds is determined based on the September 30 balance of the fund. The percentage payout is based on a three-year average. The payout at June 30, 2023 was $3,019, which is 4.25% of the fair value of the fund at September 30th of the preceding calendar year. In the fiscal year ending June 30, 2023, the fair value of the funds increased to $72,096.

The activity in the Monterey Museum of Art Fund for the year ended June 30, 2023 is as follows:

	Art Fund
Beginning Balance	$ 69,769
Interest and Dividends	2,226
Realized Gain (Loss)	351
Unrealized Gain (Loss)	3,529
Expenses	(760)
Distributions	(3,019)
Ending Balance	$ 72,096

In addition, CFMC holds an endowment fund for the Museum known as the John H. Marble Endowment Fund (Marble Fund). At June 30, 2022, the balance of the John H. Marble Endowment Fund was $9,345,450. The income distribution from this fund to the Museum amounted to $381,289 for the fiscal year ending June 30, 2023. Two-thirds of the annual payout shall be used to establish and operate a gallery at the Museum’s primary location which will be dedicated in perpetuity to the exhibition of California art as defined by the Museum. It is also acceptable for funds to be allocated for the gallery at the Museum’s La Mirada location. However, if the trustee determines that two-thirds of the annual payout is inadequate to make reasonable support to establish, maintain, and operate the proposed gallery as described above, then two-thirds of the annual payout may be used for the purpose of acquisitions, without donor restrictions. The remaining one-third of the annual payout shall be used for the acquisition, with donor restrictions, of artistic creations associated with the Central Coast of California. The endowment fund balance is not reflected in the accompanying financial statements as the Museum has no ownership rights to the fund.

NOTE 8 COMMUNITY FOUNDATION FOR MONTEREY COUNTY (CONTINUED)

Lastly, CFMC holds an endowment fund for the Museum known as the Maud Porter Work Rose Garden Fund (Rose Garden Fund). At June 30, 2023, the balance of the Maud Porter Work Rose Garden Fund was $122,075. The income distribution from this fund to the Museum amounted to $5,142 for the fiscal year ending June 30, 2023 and is restricted to maintenance of the La Mirada Rose Garden. The endowment fund balance is not reflected in the accompanying financial statements as the Museum has no ownership rights to the fund.

Activity in the Marble and Rose Garden Funds for the year ended June 30, 2023 is as follows:

	John H. Marble Endowment* Fund	Maud Porter Work Rose Garden* Fund	Total
Beginning Balance	$ 9,013,901	$ 118,451	$ 9,132,352
Interest and Dividends	284,216	3,775	287,991
Realized Gain (Loss)	44,763	596	45,359
Unrealized Gain (Loss)	454,883	5,977	460,860
Expenses	(71,024)	(1,582)	(72,606)
Distributions	(381,289)	(5,142)	(386,431)
Ending Balance	$ 9,345,450	$ 122,075	$ 9,467,525

*These balances are not reflected in the accompanying financial statements as the Museum has no ownership rights to these funds.

NOTE 9 LINE OF CREDIT

The Museum has a revolving credit line of $300,000 with JP Morgan Chase Bank with interest payable monthly at 4.03% above the bank's prime rate. The balance as of June 30, 2023 was $-0-.

NOTE 10 ECONOMIC INJURY DISASTER LOAN

In September 2020, the Museum obtained an Economic Injury Disaster Loan (EIDL) of $149,900 from the SBA. Installment payments, including principal and interest, of $641 monthly, were to begin twelve (12) months from the date of the promissory note, September 8, 2021. The SBA granted an additional deferment which is now thirty (30) months from the date of the promissory note. The balance of principal and interest will be payable thirty (30) years from the date of the promissory note. The loan accrues interest at a rate of 2.75% per annum. The outstanding balance as of June 30, 2023 is $148,804 plus accrued interest of $10,656.

Long term debt repayments are as follows:

Year Ending June 30,	Amount
2024	$ 3,349
2025	3,442
2026	3,538
2027	3,637
2028	3,738
2029 and Thereafter	131,100
Total	$ 148,804

NOTE 11 PERRY LANE PURCHASE PROMISSORY NOTE

In May 2020, the Museum purchased 590 Perry Lane, Monterey, CA, a 1.8-acre parcel adjacent to the Museum's La Mirada facility for $2,420,000. The intent of the property is to provide additional space for educational programs, exhibits, and parking at the La Mirada facility.

The Museum financed the purchase with a $1,120,000 promissory note to Ray T. Sumida and The Sumida Family Trust UTA. The promissory note is interest bearing only at a rate of 4.00% per annum. Interest on principal is due monthly during the term of the note. The principal and all accrued but unpaid interest shall be due and payable upon any sale of the property, but in any event no later than May 2030. As such, all future principal payments have been classified as long-term with no debt payment maturity schedule until principal comes due in May 2030.

As of June 30, 2022, there was $495,000 outstanding for the promissory note. During the year-ended June 30, 2023, the Museum remitted non-required principal payments of $-0- and paid interest expense of $19,800. As of June 30, 2023, $495,000 is outstanding on the promissory note.

NOTE 12 LEASE OBLIGATIONS

The Museum elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption for any new leases. Lease disclosures for existing leases are made under prior lease guidance in FASB ASC 840. The Museum leases two copiers under a long-term financing lease with an interest rate of approximately 10%. At June 30, 2023, total future minimum payments under financing leases consist of:

Year Ending June 30,	Amount
2024	$ 6,972
2025	2,324
Total Future Minimum Lease Payments	9,296
Less: Amounts Representing Interest	673
Present Value of Net Minimum Lease Payments	8,623
Less: Current Portion of Financing Lease Obligations	6,351
Long-Term Portion of Financing Lease Obligations	$ 2,272

The following is the property and equipment under financing leases at June 30, 2023:

Equipment	$ 19,049
Less: Accumulated Amortization	11,063
Property and Equipment Under Financing Leases, Net	$ 7,986

Amortization expense for the above is $5,772 for the year ended June 30, 2023 and is included in total depreciation expense.

NOTE 13 NET ASSETS – BOARD-DESIGNATED

As described in Note 8, the board established the Museum Art Fund at Community Foundation for Monterey County for endowment purposes.

NOTE 14 NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2023, net assets with donor restrictions consist of the following:

Subject to Expenditure for Specific Purpose or Passage of Time:	
General Endowment	$ 339,418
Promise to Give - Use of Building	553,231
La Mirada	232,237
Capital Campaign	142,966
Photography	223,304
Acquisitions	215,592
Hansen Collection	103,241
La Mirada Rose Gardens	45,429
Education	5,050
Subtotal	1,860,468
Donor-Restricted Endowments Held in Perpetuity:	
General Endowment	1,068,873
La Mirada	884,957
Photography	450,000
Hansen Collection	250,000
Acquisitions	249,264
La Mirada Rose Gardens	110,000
Subtotal	3,013,094
Total	$ 4,873,562

During the course of the year, net assets whose use by the Museum was subject to donor-imposed restrictions were fulfilled by actions of the Museum pursuant to those restrictions. These assets are shown in the statement of activities as “net assets released from restriction.” A detail of the net assets released from restrictions at June 30, 2023 is as follows:

Capital Campaign	$ 179,610
General Endowment	182,599
La Mirada	157,223
Photography	94,755
Promise to Give - Use of Building	28,050
Development	24,295
Acquisitions	25,628
Exhibitions/Collections	62,865
Hansen Collection	49,712
Education	62,150
La Mirada Rose Gardens	27,015
Total	$ 893,902

NOTE 15 ENDOWMENT

The Museum's endowment consists of approximately six individual funds established for a variety of purposes, plus funds held at the Community Foundation. The endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments (Funds). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Museum classifies as net assets with donor restrictions (a) the original value of gifts donated to the restricted endowment, (b) the original value of subsequent gifts to the restricted endowment, and (c) accumulations to the restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not held in perpetuity under net assets with donor restrictions is classified as net assets with donor restrictions that are restricted by time or purpose until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulated endowment funds with donor restrictions:

1. The duration and preservation of the fund
2. The purposes of the Museum and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Museum
7. The investment policies of the Museum

Spending Policy

The annual payout rate shall be established as a way to address immediate organizational needs while maintaining the perpetual nature of the funds. It shall be reviewed no less than annually by the finance committee. The criteria to be used to determine the annual allocation from the funds to the operating budgets will include:

1. Projections for short-term spending derived from the Funds (following two years);
2. Rate of inflation as measured by subtracting the 10-year TIPS yield from the 10-year Treasury yield; and
3. Market value of the Funds averaged over the 3 years (current year plus 2 preceding years), as of January 1st.

NOTE 15 ENDOWMENT (CONTINUED)

Spending Policy (Continued)

The recommended payout rate shall be calculated by taking up to 4% of the average Funds' balance over the three-year period using market values as of January 1st for each year. The Museum staff may propose a higher draw but must obtain board of trustee's approval. The payout rate will be reviewed and recalculated by June 1st of each year and applied to a monthly distribution schedule starting July 1st. Distributions from the donor-restricted endowment fund were $529,790 for the year ending June 30, 2023.

Investment Policy

Investment Objective

The first objective is to achieve a balance among short term organizational needs and the long-term preservation of the "real" (as measured in constant dollars, i.e., the "normal" value adjusted for inflation) value of the principal; and the realization of current return, i.e., income, and capital appreciation. The time horizon for the Funds is perpetuity as the portfolio is intended to continue throughout the life of the organization. The finance committee believes proper asset allocation, diversification, monitoring, and rebalancing are necessary to achieving this end. The second objective is to recommend to the board of trustees an annual allocation from the Funds to the operating budget that is reasonably stable from year to year and that balances current and future budgetary requirements.

Asset Allocation Limitations

Are agreed upon by the endowment managers in consultation with the executive/finance committees.

Risk Tolerance

The board of trustees acknowledges that some risk must be taken in order to achieve the long-term objectives of the Funds. It is recognized that the Funds will be subjected to the following risks: market, default, purchasing power, interest rate, and liquidity risk. Those parties responsible for the management of the Funds are expected to manage these risks prudently through diversification, asset allocation, and appropriate benchmarking. A stronger immediate reliance on the Funds will necessitate a shift towards less volatility and a more stable approach within the portfolio.

Endowment funds held with the Community Foundation of Monterey County are subject to their investment policies. See Note 8 for further disclosures on the endowment funds at CFMC.

NOTE 15 ENDOWMENT (CONTINUED)

Endowment Net Asset Composition

Endowment net asset composition as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowments	$ -	$ 4,047,315	$ 4,047,315
Board-Designated Endowment	72,096	-	72,096
Total Funds	$ 72,096	$ 4,047,315	$ 4,119,411

Changes in Endowment Net Assets

Changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance - Beginning of Year	$ 69,769	$ 4,115,163	$ 4,184,932
Investment Return:			
Investment Income	2,226	118,102	120,328
Net Realized/Unrealized Gain (Loss)	3,880	391,055	394,935
Total Investment Return	6,106	509,157	515,263
Investment Fees	(760)	(47,215)	(47,975)
Appropriation of Endowment Assets for Expenditure	(3,019)	(529,790)	(532,809)
Balance - End of Year	$ 72,096	$ 4,047,315	$ 4,119,411

NOTE 16 DEFINED CONTRIBUTION PLAN

The Museum sponsors a 403(b) salary reduction plan that covers all eligible employees. Employees who are at least 21 years of age and who have completed one year of service are eligible to participate in the plan. Participants are fully vested in the plan after completion of three years of service. The plan is designed to qualify as a “Safe Harbor 403(b) Plan”. The Museum provides eligible participants with a safe harbor contribution equal to 100% of the participant’s salary deferral to the plan for the plan year up to 4% of plan compensation. The Museum made safe harbor matching contributions in the amount of $23,285 for the year-ended June 30, 2023.

NOTE 17 LIQUIDITY AND AVAILABILITY OF RESOURCES

The Museum regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Liquidity is managed following three guiding principles: 1) operating within a prudent range of financial soundness and stability, 2) maintaining adequate liquid assets to fund near-term operating needs, and 3) maintaining sufficient reserves to provide reasonable assurance that long-term obligations and capital projects will be discharged. The Museum has various sources of liquidity at its disposal, including cash, accounts receivable, and investments.

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

Cash	$ 525,980
Bequest Receivable	1,000,000
Investments Without Donor Restriction	1,753,709
Financial Assets Available for General Expenditure Within One Year	$ 3,279,689

The Museum's endowment fund consists of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for general or specific purposes. Donor-restricted endowment funds are not available for general expenditure, unless designated for such a purpose. Although the Museum intends to spend from donor-restricted endowment funds (amounts appropriated for general expenditure as part of our board's annual budget approval and appropriation), these amounts are subject to its spending policy and board review and, therefore, are not included above.

NOTE 18 EMPLOYEE RETENTION CREDIT

The Museum was following ASC 958, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*, for Employee Retention Credit (ERC) proceeds. Grants from the government are recognized when all conditions of such grants are fulfilled or there is a reasonable assurance that they will be fulfilled. In 2023, the Museum complied with conditions of ERC funding from the Coronavirus Aid, Relief, and Economic Security Act and American Rescue Plan Act of 2021 in the amount of $291,000 in compliance with the program.

Grants related to this program were recorded as Employee Retention Credit. The Museum recognized $291,000 of Employee Retention Credit Proceeds related to performance requirements being met and costs being incurred in compliance with the program during the year ended June 30, 2023.

NOTE 18 EMPLOYEE RETENTION CREDIT (CONTINUED)

Eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors are subject to review. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Museum's financial position.

NOTE 19 SUBSEQUENT EVENTS

In April 2023, the Museum made an offer on a building located adjacent to the Museum on Pacific Street. In July 2023, the Museum closed escrow and completed the purchase by refinancing the existing loan on Perry Lane with a new loan from Community Foundation of Monterey for $1.77 million.