

**POLK MUSEUM OF ART, INC. DBA:
POLK MUSEUM OF ART AT FLORIDA SOUTHERN COLLEGE**

FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2021 AND 2020



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

CLAconnect.com

**POLK MUSEUM OF ART, INC. DBA:
POLK MUSEUM OF ART AT FLORIDA SOUTHERN COLLEGE
TABLE OF CONTENTS
YEARS ENDED MAY 31, 2021 AND 2020**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	5
STATEMENTS OF FUNCTIONAL EXPENSES	7
STATEMENTS OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Polk Museum of Art, Inc. dba: Polk Museum of Art at Florida Southern College
Lakeland, Florida

We have audited the accompanying financial statements of Polk Museum of Art, Inc. dba: Polk Museum of Art at Florida Southern College, Inc. (a nonprofit organization), which comprise the statements of financial position as of May 31, 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.

Auditors' 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 auditors' 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 Trustees
Polk Museum of Art, Inc. dba: Polk Museum of Art at Florida Southern College

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Polk Museum of Art, Inc. dba: Polk Museum of Art at Florida Southern College as of May 31, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Lakeland, Florida
August 17, 2021

**POLK MUSEUM OF ART, INC. DBA:
POLK MUSEUM OF ART AT FLORIDA SOUTHERN COLLEGE
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2021 AND 2020**

ASSETS	2021	2020
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 79,652	\$ 135,529
Governmental Support Receivable	61,750	42,922
Other Receivables	5,273	8,801
Inventory - Museum Shop	47,037	38,895
Prepaid Expenses	20,912	4,210
Total Current Assets	214,624	230,357
ENDOWMENT ASSETS		
Cash and Cash Equivalents, Endowment	127,781	228,150
Investments Restricted for Endowment, at Fair Value	3,642,040	2,943,068
Total Endowment Assets	3,769,821	3,171,218
CONTRIBUTIONS RECEIVABLE	72,173	-
PROPERTY AND EQUIPMENT, NET	2,212,056	2,274,834
COLLECTION ITEMS (Note 1)	-	-
Total Assets	\$ 6,268,674	\$ 5,676,409

See accompanying Notes to Financial Statements.

**POLK MUSEUM OF ART, INC. DBA:
POLK MUSEUM OF ART AT FLORIDA SOUTHERN COLLEGE
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
MAY 31, 2021 AND 2020**

	2021	2020
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 70,535	\$ 27,818
Deferred Revenues	49,475	4,555
Due to Related Party	388,525	377,241
Current Portion of Long-Term Debt	-	53,845
Total Current Liabilities	508,535	463,459
LONG-TERM LIABILITIES		
Long-Term Debt	112,500	86,155
Total Long-Term Liabilities	112,500	86,155
Total Liabilities	621,035	549,614
NET ASSETS		
Without Donor Restrictions:		
Board Designated for Long-Term Investment	2,311,041	1,918,696
Undesignated	1,769,038	1,914,244
Total Without Donor Restrictions	4,080,079	3,832,940
With Donor Restrictions	1,567,560	1,293,855
Total Net Assets	5,647,639	5,126,795
Total Liabilities and Net Assets	\$ 6,268,674	\$ 5,676,409

See accompanying Notes to Financial Statements.

**POLK MUSEUM OF ART, INC. DBA:
POLK MUSEUM OF ART AT FLORIDA SOUTHERN COLLEGE
STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUES			
Governmental Support	283,739	\$ -	\$ 283,739
Loan Forgiveness Revenue	140,000	-	140,000
Special Events (Net of Costs of Direct Benefits to Donors of \$3,231)	160,227	-	160,227
Contributions	162,406	117,403	279,809
Memberships	192,955	-	192,955
In-Kind Revenues	1,686	-	1,686
Program Revenue	44,965	-	44,965
Gift Shop Sales	45,976	-	45,976
Endowment Income Used in Operations	117,781	62,219	180,000
Other Income and Revenues	8,867	-	8,867
Net Assets Released from Donor Restrictions	87,219	(87,219)	-
Total Support and Revenues	<u>1,245,821</u>	<u>92,403</u>	<u>1,338,224</u>
EXPENSES			
Program Expenses:			
Exhibitions	465,076	-	465,076
Education	186,651	-	186,651
Operations and Administrative	645,122	-	645,122
Fundraising/Development	127,359	-	127,359
Total Expenses	<u>1,424,208</u>	<u>-</u>	<u>1,424,208</u>
CHANGE IN NET ASSETS BEFORE CHANGES RELATED TO ART COLLECTION NOT CAPITALIZED AND NONOPERATING ACTIVITIES			
	(178,387)	92,403	(85,984)
CHANGES RELATED TO ART COLLECTION NOT CAPITALIZED			
Purchases of Collections	-	-	-
Net Assets Released from Donor Restrictions to Fund Acquisitions of Art Collections	28,456	(28,456)	-
NONOPERATING ACTIVITIES			
Income on Long-Term Investments (Net of Fees of \$15,296)	30,245	15,978	46,223
Realized and Unrealized Gain on Investments	484,606	255,999	740,605
Endowment Income Used in Operations	(117,781)	(62,219)	(180,000)
CHANGE IN NET ASSETS			
	247,139	273,705	520,844
Net Assets - Beginning of Period	<u>3,832,940</u>	<u>1,293,855</u>	<u>5,126,795</u>
NET ASSETS - END OF PERIOD	<u>\$ 4,080,079</u>	<u>\$ 1,567,560</u>	<u>\$ 5,647,639</u>

See accompanying Notes to Financial Statements.

**POLK MUSEUM OF ART, INC. DBA:
POLK MUSEUM OF ART AT FLORIDA SOUTHERN COLLEGE
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED MAY 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUES			
Governmental Support	\$ 264,293	\$ -	\$ 264,293
Special Events (Net of Costs of Direct Benefits to Donors of \$58,830)	267,273	-	267,273
Contributions	300,924	97,150	398,074
Memberships	209,631	-	209,631
In-Kind Revenues	2,355	-	2,355
Program Revenue	121,098	-	121,098
Gift Shop Sales	66,729	-	66,729
Endowment Income Used in Operations	173,849	20,487	194,336
Other Income and Revenues	4,983	-	4,983
Net Assets Released from Donor Restrictions	27,987	(27,987)	-
Total Support and Revenues	1,439,122	89,650	1,528,772
EXPENSES			
Program Expenses:			
Exhibitions	565,168	-	565,168
Education	235,381	-	235,381
Operations and Administrative	694,854	-	694,854
Fundraising/Development	161,636	-	161,636
Total Expenses	1,657,039	-	1,657,039
CHANGE IN NET ASSETS BEFORE CHANGES RELATED TO ART COLLECTION NOT CAPITALIZED AND NONOPERATING ACTIVITIES	(217,917)	89,650	(128,267)
CHANGES RELATED TO ART COLLECTION NOT CAPITALIZED			
Purchases of Collections	(51,740)	-	(51,740)
Net Assets Released from Donor Restrictions to Fund Acquisitions of Art Collections	51,740	(51,740)	-
NONOPERATING ACTIVITIES			
Income on Long-Term Investments (Net of Fees of \$12,942)	34,171	20,184	54,355
Realized and Unrealized Gain on Investments	514	303	817
Endowment Income Used in Operations	(173,849)	(20,487)	(194,336)
CHANGE IN NET ASSETS	(357,081)	37,910	(319,171)
Net Assets - Beginning of Period	4,190,021	1,255,945	5,445,966
NET ASSETS - END OF PERIOD	\$ 3,832,940	\$ 1,293,855	\$ 5,126,795

See accompanying Notes to Financial Statements.

**POLK MUSEUM OF ART, INC. DBA:
POLK MUSEUM OF ART AT FLORIDA SOUTHERN COLLEGE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2021**

	Exhibitions	Education	Operations and Administration	Fundraising/ Development	Total
Salaries and Benefits	\$ 238,960	\$ 51,946	\$ 422,179	\$ 36,000	\$ 749,085
Utilities	56,522	49,456	30,380	4,946	141,304
Depreciation	48,485	42,425	26,061	4,242	121,213
Security Services	40,883	-	-	-	40,883
Repairs and Maintenance	27,926	24,435	15,010	2,443	69,814
Advertising	-	3,368	-	49,620	52,988
Insurance	-	-	57,381	-	57,381
Museum Shop - Cost of Sales	-	-	17,118	-	17,118
Equipment Rentals	10,324	-	23,223	-	33,547
Printing/Promotional	27,889	1,530	-	11,221	40,640
Professional Fees/Contract Fees	112	75	17,144	-	17,331
Supplies	-	12,850	4,912	1,376	19,138
Meetings/Hospitality	-	566	4,606	1,821	6,993
Licenses, Fees, and Taxes	-	-	11,097	7,480	18,577
Travel	404	-	-	-	404
Postage and Shipping	2,582	-	1,640	3,138	7,360
In-Kind Expense	1,686	-	-	-	1,686
Dues and Subscriptions	3,050	-	12,567	-	15,617
Interest	-	-	882	-	882
Other	3,909	-	23	4,691	8,623
Miscellaneous	2,344	-	899	381	3,624
Total	\$ 465,076	\$ 186,651	\$ 645,122	\$ 127,359	\$ 1,424,208

See accompanying Notes to Financial Statements.

**POLK MUSEUM OF ART, INC. DBA:
POLK MUSEUM OF ART AT FLORIDA SOUTHERN COLLEGE
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED MAY 31, 2020**

	Exhibitions	Education	Operations and Administration	Fundraising/ Development	Total
Salaries and Benefits	\$ 313,036	\$ 88,085	\$ 437,349	\$ 29,783	\$ 868,253
Utilities	56,920	49,805	30,595	4,981	142,301
Depreciation	48,428	42,374	26,030	4,237	121,069
Security Services	74,258	-	-	-	74,258
Repairs and Maintenance	34,818	30,466	18,715	3,047	87,046
Advertising	-	1,133	219	42,967	44,319
Insurance	-	-	65,964	-	65,964
Museum Shop - Cost of Sales	-	-	29,792	-	29,792
Equipment Rentals	3,255	-	25,720	-	28,975
Printing/Promotional	9,017	984	2,884	9,804	22,689
Professional Fees/Contract Fees	-	75	19,844	-	19,919
Supplies	-	19,676	7,313	4,171	31,160
Meetings/Hospitality	-	2,295	4,370	19,376	26,041
Licenses, Fees, and Taxes	-	-	13,750	5,467	19,217
Class and Lecture Fees	900	-	-	-	900
Travel	996	-	-	-	996
Postage and Shipping	9,458	-	2,547	5,834	17,839
In-Kind Expense	2,355	-	-	-	2,355
Dues and Subscriptions	3,000	130	8,105	-	11,235
Other	7,027	358	-	23,802	31,187
Miscellaneous	1,700	-	1,657	8,167	11,524
Total	\$ 565,168	\$ 235,381	\$ 694,854	\$ 161,636	\$ 1,657,039

See accompanying Notes to Financial Statements.

**POLK MUSEUM OF ART, INC. DBA:
POLK MUSEUM OF ART AT FLORIDA SOUTHERN COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 520,844	\$ (319,171)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	121,213	121,069
Realized and Unrealized Gain on Investments	(740,605)	(817)
Contributions Restricted for Art Acquisition	(20,230)	(72,150)
Noncash Debt Forgiveness	(140,000)	-
(Increase) Decrease in Assets:		
Governmental Support Receivable	(18,828)	36,777
Contributions Receivable	(72,173)	-
Other Receivables	3,528	(8,277)
Inventory - Museum Shop	(8,142)	(8,028)
Prepaid Expenses	(16,702)	(311)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	42,717	(35,699)
Deferred Revenues	44,920	(49,531)
Net Cash Used by Operating Activities	<u>(283,458)</u>	<u>(336,138)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(58,435)	(19,742)
Proceeds from Sale of Investments	1,086,437	249,912
Purchase of Investments	(944,435)	(130,589)
Net Cash Provided by Investing Activities	<u>83,567</u>	<u>99,581</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances From Related Party	215,564	276,041
Payments to Related Party	(204,280)	(140,000)
Contributions Restricted for Art Acquisition	20,230	72,150
Proceeds from Borrowing on Long-Term Debt	112,500	140,000
Net Cash Provided by Financing Activities	<u>144,014</u>	<u>348,191</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(55,877)	111,634
Cash and Cash Equivalents - Beginning of Year	<u>135,529</u>	<u>23,895</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 79,652</u>	<u>\$ 135,529</u>
SUPPLEMENTAL DISCLOSURE		
Cash Paid for Interest	<u>\$ 882</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

**POLK MUSEUM OF ART, INC. DBA:
POLK MUSEUM OF ART AT FLORIDA SOUTHERN COLLEGE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Polk Museum of Art, Inc.'s (the Museum) vision statement is "Polk Museum of Art, Inc. will be a leading innovator among Central Florida's visual arts museums." The Museum's mission statement is "As an arts leader in Florida, Polk Museum of Art educates and inspires the community through creative and diverse exhibitions and the acquisition and care of a permanent collection; cultural alliances and compelling events and programs." The Museum is primarily supported through governmental, fundraising, and sponsorship revenues.

The Museum was incorporated June 22, 1966, as Youth Museum of Imperial Polk County, Inc. It operated under several names prior to changing to Polk Museum of Art, Inc., in July 1985. The Museum opened its current facility at 800 East Palmetto Street, Lakeland, Florida, in September 1988. The American Association of Museums renewed the Museum's accreditation in March 2021 until March 1, 2025.

Effective June 1, 2017, the Museum became affiliated with Florida Southern College (FSC) through a membership agreement. FSC is the sole voting member of the Museum. With the affiliation, the Museum changed its name to Polk Museum of Art at Florida Southern College. The Museum still maintains its own 501(c)(3) and will work directly with Florida Southern College in order to strengthen activities within the academic and broader community.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period including grant and contract revenues subject to review by applicable funding agencies. Accordingly, actual results could differ from those estimates.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

**POLK MUSEUM OF ART, INC. DBA:
POLK MUSEUM OF ART AT FLORIDA SOUTHERN COLLEGE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Basis of Presentation (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Basis of Accounting

The financial statements of the Museum have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

Revenue Recognition

The Museum recognizes all contributed support received as an increase in net assets in the period that an unconditional promise to give is received. Contributed support is reported as without donor restrictions or with donor restrictions depending on the existence of donor stipulations that limit the use of the support. When a donor 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.

Long-lived assets acquired with gifts of cash restricted for those acquisitions are reported as without donor restrictions or with donor restrictions depending on whether there is an explicit, donor-imposed time requirement as to how long the assets must be maintained. Long-lived assets are reported as with donor restrictions only if the Museum must maintain the assets in perpetuity or if the donor explicitly restricted the proceeds from any future disposition of the assets to reinvestment in long-lived assets.

Artist participation fees are for artist to be provided booths at the annual Mayfair event. Artist are billed an application fee, and then billed additionally if accepted into the event. Revenue is recognized after Mayfair is held and the Museums performance obligations have been fulfilled.

**POLK MUSEUM OF ART, INC. DBA:
POLK MUSEUM OF ART AT FLORIDA SOUTHERN COLLEGE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Revenue Recognition (Continued)

The Museum recognize tuition revenue within the fiscal year in which educational services are provided. Revenue is recognized as it is earned and when it is realizable. A portion of the Museum's revenue is derived from contracts with students (customers). This includes tuition revenue which is contractual in nature and includes performance obligations. Revenue from such contracts impose performance obligations on the Museum, and revenue is recognized as the related performance obligations are satisfied. Tuition is for classes provided by the museum, as well as the summer program. These arrangements give rise to contract assets. Students are billed as they register for classes, which the Museum records as accounts receivable when performance obligations have been met, and contract liabilities, which the Museum records as deferred revenue when consideration has been received in advance of the satisfaction of related performance obligations.

Cash and Cash Equivalents

For purposes of financial statement presentation and reporting of cash flows, cash and cash equivalents include cash held in checking accounts and money market funds, which are readily convertible to cash and are stated at cost, which approximates market. Short-term cash equivalents that are managed as part of long-term investment strategies are included with investments.

Receivables

The Museum's receivables mainly consist of amounts receivable from governments and governmental agencies for grants and appropriations and sponsors for various Museum activities. The Museum considers its receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required. The Museum does not charge interest on outstanding accounts receivable.

Deferred Revenues

Deferred revenue represents money which has been received for future activities. These revenues will be recognized as income when the activities have occurred.

Inventory – Museum Shop

Inventory is valued at the lower of cost or net realizable value on a first-in, first-out basis.

Investments

Investments are recorded in accordance with *Accounting for Certain Investments Held by Not-for-Profit Organizations*. As such, investments in marketable securities with readily determinable fair values are reported at fair value in the statement of financial position. Fair value is determined by reference to exchange or dealer-quoted process. If a quoted market price is not available, fair value is estimated using quoted market prices for similar investment securities. Unrealized gains and losses are included in the statement of activities.

**POLK MUSEUM OF ART, INC. DBA:
POLK MUSEUM OF ART AT FLORIDA SOUTHERN COLLEGE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Fair Value Measurement

The Museum measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the factors that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine 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 (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Museum may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

The inputs used to measure fair value are categorized into the following three categories:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The Museum has the ability to access quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Museum's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual Funds – Valued at the closing price reported on the active market on which the individual funds are traded.

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 different fair value measurements at the reporting date.

**POLK MUSEUM OF ART, INC. DBA:
POLK MUSEUM OF ART AT FLORIDA SOUTHERN COLLEGE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Fair Value Measurement (Continued)

The Museum has the option to elect to measure financial instruments at fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Museum has not elected to measure any existing financial instruments at fair value at May 31, 2021. However, the Museum may elect to measure newly acquired financial instruments at fair value in the future.

Property and Equipment

It is the Museum's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Building and Improvements	39 to 50 Years
Furniture and Equipment	5 to 15 Years

Collection Items

Collection items consist of art objects that are held for educational and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and kept unencumbered, and activities verifying their existence and assessing their condition are performed continuously. Collection items acquired either through purchase or donation are not capitalized. Purchases of collection items are recorded as decreases in net assets without donor restrictions if purchased with assets without donor restrictions and as decreases in net assets with donor restrictions if purchased with donor-restricted assets. Contributions of collection items are not recognized in the statement of activities. Proceeds from deaccessions or insurance recoveries are reflected on the statement of activities based on the absence or existence and nature of donor-imposed restrictions. If collection items are sold, the proceeds from the sale are used to purchase additional collection items.

In-Kind Revenue

The Museum records various types of in-kind revenue including contributed facilities, professional services, advertising and materials. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind revenues are offset by like amounts included in expenses.

A substantial number of volunteers have donated approximately 2,000 and 3,400 hours to the Museum's program services during the years ended May 31, 2021 and 2020, respectively; however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

**POLK MUSEUM OF ART, INC. DBA:
POLK MUSEUM OF ART AT FLORIDA SOUTHERN COLLEGE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Advertising

Advertising costs are expensed as incurred.

Tax Status

The Museum is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes has been recorded in the accompanying financial statements.

The Museum has adopted the standard for accounting for uncertain tax positions. The standard prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

The Museum's tax returns are subject to review and examination by federal and state authorities. The Museum is not aware of any activities that would jeopardize its tax-exempt status. The Museum is not aware of any activities that are subject to tax on unrelated business income or excise taxes.

Functional Expenses

The Museum allocates its expenses on a functional basis to its programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are primarily allocated based on the amount of employee time involved.

Subsequent Events

In preparing these financial statements, the Museum has evaluated events and transactions for potential recognition or disclosure through August 17, 2021, the date the financial statements were available to be issued.

Change in Accounting Principle

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer.

The Museum adopted the requirements of the new guidance as of June 1, 2020, utilizing the modified retrospective method of transition. There was no material impact to the on the Museum's financial position and results of operations as a result of upon adoption of the new standard.

**POLK MUSEUM OF ART, INC. DBA:
POLK MUSEUM OF ART AT FLORIDA SOUTHERN COLLEGE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

NOTE 2 LIQUIDITY AND AVAILABILITY

The following reflects the Museum's financial assets as of May 31, 2021 and 2020, including amounts not available within one year of the balance sheet date:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 79,652	\$ 135,529
Accounts and Grants Receivable	67,023	51,723
Endowment Assets	<u>3,769,821</u>	<u>3,171,218</u>
 Total Financial Assets	 3,916,496	 3,358,470
Less:		
Donor-Imposed Restrictions Making Financial Assets		
Unavailable for General Expenditure	(1,567,560)	(1,293,855)
Board-Designated Endowment	<u>(2,311,041)</u>	<u>(1,918,696)</u>
 Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	 <u>\$ 37,895</u>	 <u>\$ 145,919</u>

In addition, the annual appropriation from the Museum's board-designated endowment is available for general expenditure. Based on the endowment's spending rate of 6%, approximately \$139,000 of appropriations from the board-designated endowment are expected to be available within one year. Although the Museum does not intend to spend from its board-designated endowment other than amounts appropriated for expenditure annually, amounts from the board-designated endowment could be made available for general expenditure if necessary.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at May 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 684,399	\$ 684,399
Building and Improvements	4,271,155	4,243,200
Furniture and Equipment	827,497	797,017
Subtotal	<u>5,783,051</u>	<u>5,724,616</u>
Less: Accumulated Depreciation	(3,570,995)	(3,449,782)
Total	<u>\$ 2,212,056</u>	<u>\$ 2,274,834</u>

Depreciation expense totaled \$121,213 and \$121,069 for the years ended May 31, 2021 and 2020, respectively.

**POLK MUSEUM OF ART, INC. DBA:
POLK MUSEUM OF ART AT FLORIDA SOUTHERN COLLEGE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

NOTE 4 INVESTMENTS

The Museum maintains investments in mutual and money market funds at various financial institutions and brokerage houses. Of the total investments at May 31, 2021 and 2020, \$127,781 and \$228,150 were invested in cash equivalents, respectively.

Investments are carried at fair value and consist of the following as of May 31:

	<u>2021</u>	<u>2020</u>
Endowment Fund:		
Money Market Instruments	\$ 127,781	\$ 228,150
Equity Securities	2,562,419	2,162,665
Fixed Income Securities	1,079,621	780,403
Total	<u>\$ 3,769,821</u>	<u>\$ 3,171,218</u>

A summary of the return on investments for the years ended May 31, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Realized and Unrealized Gain (Loss)	<u>\$ 740,605</u>	<u>\$ 817</u>

NOTE 5 FAIR VALUE MEASUREMENTS

The Museum uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Museum values all other assets and liabilities refer to Note 1 – Organization and Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of the assets of the Museum measured at fair value on a recurring basis as of May 31, 2021:

	<u>2021</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Assets:				
Investments:				
Equity securities:				
U.S. Large-Cap	\$ 1,481,990	\$ -	\$ -	\$ 1,481,990
U.S. Mid-Cap	253,444	-	-	253,444
U.S. Small-Cap	186,428	-	-	186,428
International	640,519	-	-	640,519
Other	38	-	-	38
Fixed Income Notes and Bonds	1,079,621	-	-	1,079,621
Fixed Income Money Market Instruments	127,781	-	-	127,781
Total	<u>\$ 3,769,821</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,769,821</u>

**POLK MUSEUM OF ART, INC. DBA:
POLK MUSEUM OF ART AT FLORIDA SOUTHERN COLLEGE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the fair value hierarchy for the balances of the assets of the Museum measured at fair value on a recurring basis as of May 31, 2020:

	2020			Total
	Level 1	Level 2	Level 3	
Assets:				
Investments:				
Equity securities:				
U.S. Large-Cap	\$ 1,184,872	\$ -	\$ -	\$ 1,184,872
U.S. Mid-Cap	136,493	-	-	136,493
U.S. Small-Cap	61,510	-	-	61,510
International	421,575	-	-	421,575
Other	358,215	-	-	358,215
Fixed Income Notes and Bonds	780,404	-	-	780,404
Fixed Income Money Market Instruments	228,149	-	-	228,149
Total	<u>\$ 3,171,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,171,218</u>

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at May 31:

	2021	2020
Subject to Expenditure for Specific Purpose:		
Art Acquisition	\$ 54,000	\$ 62,226
Art Education	-	25,000
Construction Costs	6,629	6,629
Total	<u>60,629</u>	<u>93,855</u>
Subject to Passage of Time:		
Contributions Receivable	97,173	-
Subject to Spending Policy and Appropriation:		
Investment in Perpetuity, the Income from Which is Expendable to Support Activities of the Museum	<u>1,409,758</u>	<u>1,200,000</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,567,560</u>	<u>\$ 1,293,855</u>

**POLK MUSEUM OF ART, INC. DBA:
POLK MUSEUM OF ART AT FLORIDA SOUTHERN COLLEGE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donor as follows for the years ended May 31:

	<u>2021</u>	<u>2020</u>
Satisfaction of Purpose Restrictions:		
Art Acquisition	\$ 28,456	\$ 51,740
Satisfaction of Time Restrictions:		
Exhibitions in Future Years	25,000	7,500
Endowment Income Used in Operations	<u>62,219</u>	<u>20,487</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 115,675</u>	<u>\$ 79,727</u>

NOTE 7 ENDOWMENTS

In September 1986, the Museum entered into a Trust Agreement with the Division of Cultural Affairs, State of Florida, Department of State, whereby the state of Florida granted \$240,000 to the Museum, to be matched with \$360,000 of Museum funds, to make an endowment totaling \$600,000. The Museum may expend the investment proceeds of the endowment only for operating costs related to fine art activity. The Trust Agreement imposes operating and financial reporting requirements on the Museum. The grant will revert to the state of Florida if the Museum ceases to operate, is no longer a qualified sponsoring organization, files for bankruptcy, expends a portion of the endowment principal, or willfully violates provisions of the Trust Agreement.

In October 2000, the Museum entered into a Trust Agreement with the Division of Cultural Affairs, State of Florida, Department of State, whereby the state of Florida granted \$240,000 to the Museum, to be matched with \$360,000 of Museum funds, to make an endowment totaling \$600,000. The Museum may expend the investment proceeds of the endowment only for cultural activity operating costs. The Trust Agreement imposes operating and financial reporting requirements on the Museum. The grant will revert to the state of Florida if the Museum ceases to operate, is no longer a qualified sponsoring organization, files for bankruptcy, expends a portion of the endowment principal, or willfully violates provisions of the Trust Agreement.

The Museum's endowment consists primarily of funds established by the board of trustees in prior years through donations and the growth of those funds over the years. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Endowment Committee to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. As noted above, the two Trust Agreements with the Division of Cultural Affairs, totaling \$1,200,000, are classified as net assets with donor restrictions. Income, realized and unrealized gains and losses and contributions without donor restrictions have been classified as net assets without donor restrictions designated by the board of trustees for endowment.

**POLK MUSEUM OF ART, INC. DBA:
POLK MUSEUM OF ART AT FLORIDA SOUTHERN COLLEGE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

NOTE 7 ENDOWMENTS (CONTINUED)

The endowment net asset composition by type of fund is as follows at May 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor Restricted	\$ -	\$ 1,409,758	\$ 1,409,758
Board Designated	2,311,041	-	2,311,041
Total	<u>\$ 2,311,041</u>	<u>\$ 1,409,758</u>	<u>\$ 3,720,799</u>

The endowment net asset composition by type of fund is as follows at May 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor Restricted	\$ -	\$ 1,200,000	\$ 1,200,000
Board Designated	1,918,696	-	1,918,696
Total	<u>\$ 1,918,696</u>	<u>\$ 1,200,000</u>	<u>\$ 3,118,696</u>

Changes to endowment net assets are as follows for the year ended May 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment Net Assets, Beginning of Year	\$ 1,918,696	\$ 1,200,000	\$ 3,118,696
Investment Return:			
Investment Income	39,944	21,297	61,241
Net Appreciation	480,159	255,999	736,158
Investment Fees	(9,977)	(5,319)	(15,296)
Total Investment Return	<u>510,126</u>	<u>271,977</u>	<u>782,103</u>
Appropriation of Endowment Assets for Expenditure	<u>(117,781)</u>	<u>(62,219)</u>	<u>(180,000)</u>
Endowment Net Assets, End of Year	<u>\$ 2,311,041</u>	<u>\$ 1,409,758</u>	<u>\$ 3,720,799</u>

**POLK MUSEUM OF ART, INC. DBA:
POLK MUSEUM OF ART AT FLORIDA SOUTHERN COLLEGE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

NOTE 7 ENDOWMENTS (CONTINUED)

Changes to endowment net assets are as follows for the year ended May 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Endowment Net Assets, Beginning of Year	\$ 2,058,113	\$ 1,200,000	\$ 3,258,113
Investment Return:			
Investment Income	42,038	25,011	67,049
Net Appreciation	510	303	813
Investment Fees	<u>(8,115)</u>	<u>(4,827)</u>	<u>(12,942)</u>
Total Investment Return	34,433	20,487	54,920
Appropriation of Endowment Assets for Expenditure	<u>(173,850)</u>	<u>(20,487)</u>	<u>(194,337)</u>
Endowment Net Assets, End of Year	<u>\$ 1,918,696</u>	<u>\$ 1,200,000</u>	<u>\$ 3,118,696</u>

Interpretation of Uniform Prudent Management of Institutional Funds

During the year ended June 30, 2011, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) became effective in the state of Florida. In August of 2008, the FASB released new accounting guidance related to the classification of endowment fund net assets for states that have enacted versions of the UPMIFA, and enhanced disclosure for all endowment funds. Under UPMIFA, all unappropriated endowment fund assets are considered restricted. Disclosures for all endowment funds became effective July 1, 2012. The board of trustees of the Museum requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary which is a valid interpretation of UPMIFA.

Interpretation of Uniform Prudent Management of Institutional Funds (Continued)

As a result of this interpretation, the Museum classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 classified in net assets with donor restrictions is classified as board-designated net assets without donor restrictions until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by the board of trustees.

**POLK MUSEUM OF ART, INC. DBA:
POLK MUSEUM OF ART AT FLORIDA SOUTHERN COLLEGE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

NOTE 7 ENDOWMENTS (CONTINUED)

The Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Organization 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 Organization
- 7) The investment policies of the Organization

Investment Return Objectives and Risk Parameters

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is according to the investment policies of the board of trustees. Acceptable investments under the policy are intended to produce an absolute annualized rate of return of 8.5% and to exceed the rate of inflation (as measured by the Consumer Price Index) by 6.0%.

Strategies Employed for Achieving Objectives

The purpose of the endowment fund is to facilitate donors' desires to make substantial long-term gifts to the Museum and to develop a new and significant source of revenue for the Museum. In so doing, the endowment fund will provide a secure, long-term source of funds to use for: (a) operations; (b) art acquisition; (c) scholarships; and (d) library purchases.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The investment policies, as established by the board of trustees, allow for an amount equal to 6% of a three-year rolling average of the net market value of the endowments at March 31 to be allocated for the operating and program budget of the Museum during the ensuing fiscal year. The Museum stayed within these board-adopted policies for the years ended May 31, 2021 and 2020.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or Museum policies requires to retain as a fund of perpetual duration. If this were to occur, the Museum would not expend any monies from the fund until the fair market value of the fund returns to a level above the principal. The Museum does not have any deficiencies as of May 31, 2021 and 2020.

**POLK MUSEUM OF ART, INC. DBA:
POLK MUSEUM OF ART AT FLORIDA SOUTHERN COLLEGE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

NOTE 8 LONG-TERM DEBT

The Museum has the following long-term debt at May 31:

<u>Description</u>	<u>2021</u>	<u>2020</u>
Paycheck Protection Program Loan	\$ 112,500	\$ 140,000
Less: Current Portion of Long-Term Debt	-	(53,845)
Long-Term Debt, Net of Current Portion	<u>\$ 112,500</u>	<u>\$ 86,155</u>

Minimum annual principal payments for the years ending May 31 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ -
2023	28,557
2024	30,272
2025	30,576
2026	23,095
Thereafter	-
Total	<u>\$ 112,500</u>

Paycheck Protection Program Loan

In May 2020, the Museum received a \$140,000 Paycheck Protection Program (PPP) Loan granted by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The loan bears interest at 1% per annum and is unsecured. This loan was forgiven by the SBA in December 2020. The Museum recorded contribution revenue for the full \$140,000 principal balance outstanding on that date, which is included in loan forgiveness revenue in the accompanying statement of activities for the year ended May 31, 2021.

In February 2021, the Museum received a second PPP Loan for \$112,500 granted by the SBA under the CARES Act. The loan bears interest at 1% per annum and is unsecured. Monthly payments of \$2,581 are due beginning in June 2022 through maturity in February 2026. This loan was formally forgiven by the SBA in July 2021. However, the SBA had not forgiven the loan as of May 31, 2021. Therefore this loan is recorded as a liability as of May 31, 2021 in the accompanying statement of financial position.

NOTE 9 EMPLOYEE BENEFIT PLAN

The following brief description of the Polk Museum of Art, Inc. Teacher's Insurance and Annuity Association/College Retirement Equities Fund Plan (TIAA-CREF) is provided for general information purposes only. Participants should refer to the plan agreement for a more complete description of the plan's provisions.

**POLK MUSEUM OF ART, INC. DBA:
POLK MUSEUM OF ART AT FLORIDA SOUTHERN COLLEGE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

NOTE 9 EMPLOYEE BENEFIT PLAN (CONTINUED)

General

The Polk Museum of Art, Inc. TIAA-CREF Plan was established, effective July 1, 1997, to provide benefits to all employees of the Museum who meet certain eligibility requirements. The TIAA-CREF Plan is a defined contribution plan in which the Museum will make contributions for qualified employees equaling 3% of gross pay after one year of service. The monthly contributions made by the Museum for vested employees are invested in separate annuity contracts chosen by each member. Upon reaching retirement age, or separating from service, each employee may specify the manner in which his or her funds are distributed within plan and legal restrictions. The cost of the plan to the Museum for the years ended May 31, 2021 and 2020, was \$18,988 and \$19,459, respectively.

NOTE 10 RELATED PARTY TRANSACTIONS

The Museum, through various events during the year, incurred transactions with various board members. Total revenues received from related parties for the years ended May 31, 2021 and 2020, were \$66,029 and \$149,973, respectively.

The Museum also had \$388,525 and \$377,241 due to Florida Southern College as of May 31, 2021 and 2020, respectively.