

Cincinnati Museum Association and Subsidiary

Consolidated Financial Statements

And Supplementary Information

August 31, 2019 and 2018

(with Independent Auditors' Report)



CLARK SCHAEFER HACKETT
CPAs & ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Cincinnati Museum Association:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Cincinnati Museum Association and Subsidiary (a not-for-profit Association), which comprise the consolidated statements of financial position as of August 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cincinnati Museum Association and Subsidiary as of August 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules of financial position and consolidating schedules of activities on pages 27-30 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 12, 2019

Cincinnati Museum Association and Subsidiary
Consolidated Statements of Financial Position
August 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 8,249,041	4,164,953
Restricted cash	5,968,488	4,254,286
Accounts receivable	100,934	114,466
Pledges receivable, net	3,655,696	3,804,144
Note receivable	3,406,400	-
Interest and dividend receivable	80,189	68,098
Prepaid expenses	768,369	498,137
Inventories	271,810	295,553
Investments	166,261,662	149,945,260
Cash surrender value of life insurance	168,127	187,388
Beneficial interest of perpetual trusts	15,309,454	16,161,659
Buildings and equipment, net	<u>22,559,198</u>	<u>20,775,313</u>
Total assets	\$ <u>226,799,368</u>	<u>200,269,257</u>
Liabilities and Net Assets		
Liabilities:		
Line of credit	\$ 3,500,000	-
Accounts payable	381,315	376,664
Accrued liabilities	1,252,607	767,984
Notes payable, net	4,522,587	-
Charitable remainder trusts	<u>392,087</u>	<u>469,506</u>
	<u>10,048,596</u>	<u>1,614,154</u>
Net Assets:		
Without donor restrictions	60,376,957	57,943,223
With donor restrictions	<u>156,373,815</u>	<u>140,711,880</u>
	<u>216,750,772</u>	<u>198,655,103</u>
Total liabilities and net assets	\$ <u>226,799,368</u>	<u>200,269,257</u>

See accompanying notes to the consolidated financial statements.

Cincinnati Museum Association and Subsidiary
Consolidated Statement of Activities
Year Ended August 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Contributions, revenues, and gains:			
Operating revenue:			
Grants, contributions and gifts	\$ 4,943,877	6,954,886	11,898,763
Trust income	853,347	249,416	1,102,763
Investment allocation income	2,696,544	(2,696,544)	-
Earned income	2,957,667	-	2,957,667
Exhibition income	85,081	-	85,081
Deaccession income	-	20,308	20,308
Interest income	28,481	-	28,481
Other income	2,960	-	2,960
Bad debt loss	-	(9,501)	(9,501)
Net assets released from restrictions	5,262,861	(5,262,861)	-
Total contributions, revenues, gains	16,830,818	(744,296)	16,086,522
Expenses:			
Program services	13,882,778	-	13,882,778
Management and general	2,792,912	-	2,792,912
Fundraising	1,305,371	-	1,305,371
Total expenses	17,981,061	-	17,981,061
Operating loss	(1,150,243)	(744,296)	(1,894,539)
Non-operating revenue:			
Investment return, net	3,583,977	17,258,436	20,842,413
Change in beneficial interest in perpetual trusts	-	(852,205)	(852,205)
Total non-operating revenue	3,583,977	16,406,231	19,990,208
Change in net assets	2,433,734	15,661,935	18,095,669
Net assets, beginning of year	57,943,223	140,711,880	198,655,103
Net assets, end of year	\$ 60,376,957	156,373,815	216,750,772

See accompanying notes to the consolidated financial statements.

Cincinnati Museum Association and Subsidiary
Consolidated Statement of Activities
Year Ended August 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Contributions, revenues, and gains:			
Operating revenue:			
Grants, contributions and gifts	\$ 3,349,927	6,170,129	9,520,056
Trust income	802,803	-	802,803
Investment allocation income	2,483,542	(2,483,542)	-
Earned income	3,451,050	-	3,451,050
Exhibition income	34,270	-	34,270
Deaccession income	-	21,073	21,073
Loss on disposal of equipment	(2,214)	-	(2,214)
Other income	67,478	-	67,478
Net assets released from restrictions	<u>5,435,452</u>	<u>(5,435,452)</u>	<u>-</u>
 Total contributions, revenues, gains	 <u>15,622,308</u>	 <u>(1,727,792)</u>	 <u>13,894,516</u>
 Expenses:			
Program services	12,567,599	-	12,567,599
Management and general	2,538,305	-	2,538,305
Fundraising	<u>1,156,416</u>	<u>-</u>	<u>1,156,416</u>
 Total expenses	 <u>16,262,320</u>	 <u>-</u>	 <u>16,262,320</u>
 Operating loss	 <u>(640,012)</u>	 <u>(1,727,792)</u>	 <u>(2,367,804)</u>
 Non-operating revenue:			
Investment return, net	2,802,745	5,880,398	8,683,143
Change in beneficial interest in perpetual trusts	<u>-</u>	<u>760,512</u>	<u>760,512</u>
 Total non-operating revenue	 <u>2,802,745</u>	 <u>6,640,910</u>	 <u>9,443,655</u>
 Change in net assets	 2,162,733	 4,913,118	 7,075,851
Net assets, beginning of year	<u>55,780,490</u>	<u>135,798,762</u>	<u>191,579,252</u>
Net assets, end of year	\$ <u>57,943,223</u>	<u>140,711,880</u>	<u>198,655,103</u>

See accompanying notes to the consolidated financial statements.

Cincinnati Museum Association and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended August 31, 2019

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 5,941,437	1,308,615	782,596	8,032,648
Supplies	204,298	35,827	12,414	252,539
Services and professional fees	721,231	414,649	69,951	1,205,831
Travel and entertainment	128,755	29,621	9,270	167,646
Event cost and hospitality	146,577	58,611	207,260	412,448
Shipping, exhibition fees, installation and framing	1,775,161	1,116	9,311	1,785,588
Museum shop and food services cost of goods sold	502,491	220,763	-	723,254
Advertising and promotion	333,991	6,984	5,488	346,463
Printing and design	155,363	4,818	69,567	229,748
Occupancy	741,053	163,343	11,054	915,450
Building maintenance, equipment and technology	533,073	116,772	4,736	654,581
Interest	-	38,582	-	38,582
Depreciation	1,060,619	250,350	10,839	1,321,808
Other	289,890	142,861	112,885	545,636
Purchases of art	1,348,839	-	-	1,348,839
	<u>\$ 13,882,778</u>	<u>2,792,912</u>	<u>1,305,371</u>	<u>17,981,061</u>

See accompanying notes to the consolidated financial statements.

Cincinnati Museum Association and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended August 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 5,624,893	1,221,271	760,602	7,606,766
Supplies	197,766	46,711	11,842	256,319
Services and professional fees	765,404	337,684	53,942	1,157,030
Travel and entertainment	132,294	24,226	6,973	163,493
Event cost and hospitality	109,565	41,299	135,233	286,097
Shipping, exhibition fees, installation and framing	1,145,350	1,141	3,341	1,149,832
Museum shop and food services cost of goods sold	518,188	213,634	-	731,822
Advertising and promotion	303,786	10,460	10,015	324,261
Printing and design	154,071	5,342	64,615	224,028
Occupancy	756,022	168,567	12,989	937,578
Building maintenance, equipment and technology	357,256	60,577	2,399	420,232
Interest	1,922	265	-	2,187
Depreciation	1,200,435	283,353	12,268	1,496,056
Other	283,453	123,775	82,197	489,425
Purchases of art	<u>1,017,194</u>	<u>-</u>	<u>-</u>	<u>1,017,194</u>
	<u>\$ 12,567,599</u>	<u>2,538,305</u>	<u>1,156,416</u>	<u>16,262,320</u>

See accompanying notes to the consolidated financial statements.

Cincinnati Museum Association and Subsidiary
Consolidated Statements of Cash Flows
Years Ended August 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 18,095,669	7,075,851
Adjustments to reconcile change in net assets to net cash and cash equivalents provided (used) by operating activities:		
Depreciation	1,321,808	1,496,056
Bad debt loss	9,501	-
Realized and unrealized gain on investments	(16,611,366)	(4,576,320)
Change in beneficial interest in perpetual trusts	852,205	(760,512)
Contributions restricted for endowment	1,300,784	(202,375)
Donated stock	(1,390,980)	(849,759)
Loss on disposal of equipment	-	2,214
Effects of change in operating assets and liabilities:		
Accounts receivable	13,532	(81,605)
Pledges receivable	138,947	492,411
Interest and dividend receivable	(12,091)	(3,545)
Prepaid expenses	(270,232)	(268,883)
Inventories	23,743	60,162
Accounts payable	(526,582)	349,376
Accrued liabilities	484,623	(100,006)
Charitable remainder trusts	(77,419)	(87,178)
Net cash and cash equivalents provided (used) by operating activities	3,352,142	2,545,887
Cash flows from investing activities:		
Proceeds from sale of investments	37,752,928	20,531,466
Purchase of investments	(36,066,984)	(18,476,440)
Capital expenditures	(2,574,460)	(1,915,094)
Issuance of note receivable	(3,406,400)	-
Change in cash value of life insurance	19,261	14,098
Net cash and cash equivalents provided by investing activities	(4,275,655)	154,030
Cash flows from financing activities:		
Proceeds from long term debt	4,775,000	-
Debt issuance costs	(252,413)	-
Net change on line of credit	3,500,000	(153,298)
Contributions restricted for endowment	(1,300,784)	202,375
Net cash and cash equivalents provided by financing activities	6,721,803	49,077
Net change in cash, cash equivalents and restricted cash	5,798,290	2,748,994
Cash, cash equivalents and restricted cash, beginning of year	8,419,239	5,670,245
Cash, cash equivalents and restricted cash, end of year	\$ 14,217,529	8,419,239
Supplemental disclosures:		
Property and equipment included in accounts payable	\$ 554,188	22,955
Income tax paid	\$ 58,772	37,977
Capitalized interest	\$ 136,551	-
Interest paid	\$ 175,133	2,187

See accompanying notes to the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of Cincinnati Museum Association and Subsidiary (the "Association") are set forth to facilitate the understanding of data presented in the consolidated financial statements.

Nature of operations

The Cincinnati Museum Association (the "Museum") was organized in 1881 as a not-for-profit corporation. The Museum's purpose is to inspire, empower, educate, and build communities through the Museum's programs, exhibitions, collections, conservation, interpretation and scholarship. Through the power of art, the Museum contributes to a more vibrant Cincinnati by inspiring its people and connecting its communities.

In October 2018, the Museum formed Art Museum Support Corporation ("AMSC") which is a 501(c)(3) organization that is a leveraged lender as part of a New Markets Tax Credit ("NMTC") arrangement. The Museum is the sole member of AMSC.

Principles of consolidation

The consolidated financial statements of the Cincinnati Museum Association and Subsidiary include, on a consolidated basis, the financial statements of the Cincinnati Museum Association and Art Museum Support Corporation (collectively known as the "Association"). All significant intercompany transactions are eliminated upon consolidation.

Use of estimates

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

Consolidated financial statement presentation

The Association reports information regarding its financial position and activities in the following net asset classifications:

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association's management and the Board of Trustees. Certain net assets without donor restrictions have been designated for specific purposes by action of the Board of Trustees.
- *Net asset with donor restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions that are likely to be met by the actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Adoption of new accounting standards

During 2019, the Association adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The standard addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about investment return and functional expenses, including allocation methodologies and presentation of consolidated statements of functional expenses as part of the basic consolidated financial statements. The Association has implemented this guidance and applied retrospectively to all periods presented.

ASU 2018-13, *Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. The standard addresses the disclosures required for level 3 fair value measurements, including the valuation process, transfers, purchases and issues, and simplifies the presentation of that information. The Association has early implemented this guidance on a modified retrospective basis to all periods presented as permitted under the ASU.

During 2019, the Association adopted FASB ASU 2016-18, *Statement of Cash Flows (Topic 230) – Restricted Cash*. The standard addresses the disclosures required for restricted cash and requires restricted cash to be included with cash and cash equivalents in the reconciliation of the total cash balance. The Association has early implemented this guidance and applied retrospectively to all periods presented.

During 2019, the Association adopted FASB ASU 2019-03, *Updating the Definition of Collections*. The standard addresses the disclosures required for collections regarding the organizational policy for the use of proceeds from deaccessioned items. The Association has early implemented this guidance and applied retrospectively to all periods presented.

Gifts, grants and donations

Contributions of cash and other assets without donor stipulations concerning the use of such assets are reported as increases in net assets without donor restrictions. Contributions of cash or other assets to be used in accordance with donor stipulations are reported as increases in net asset with donor restrictions.

The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction expires and at that time the related resources are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. All contributions made to the Association are considered available for use, unless specifically restricted by the donor.

The Association reports gifts of land, buildings, and equipment as increases in net assets without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as increases in net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated services

A substantial number of unpaid volunteers have contributed their time and talents to the Association. No amounts have been recorded in the consolidated financial statements for donated services since no objective basis is available to measure the value of such services.

Cash, cash equivalents and restricted cash

Interest-bearing deposits and short-term investments with original maturities of three months or less are classified as cash equivalents. The Association has cash that is restricted by donors for specified programs. Cash, cash equivalents and restricted cash reported within the consolidated statements of financial position that aggregate to the total reported on the consolidated statements of cash flows for the years ended August 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 8,249,041	4,164,953
Restricted cash – CDE compliance	175,000	-
Restricted cash – plant	1,312,024	-
Restricted cash – operations	<u>4,481,464</u>	<u>4,254,286</u>
	<u>\$ 14,217,529</u>	<u>8,419,239</u>

Accounts receivable

Accounts receivable are stated at their contractual outstanding balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of the account has not been paid in full within the contractual terms of the account. The Association reviews its outstanding accounts receivable and considers an allowance for doubtful accounts based on historical collection information and existing economic conditions. Based on these criteria, the Association has estimated no allowance for doubtful accounts is necessary at August 31, 2019 and 2018.

Pledges receivable

Unconditional promises to give that are expected to be collected within one year are recorded as pledges receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met. The Association provides an allowance for estimated uncollectible contributions. A bad debt loss is recorded if the Association determines that a pledge receivable with an existing donor restriction will not likely be received from the donor.

Inventories

Inventories are stated at the lower of cost or net realizable value and consists primarily of gift shop merchandise and publications. Costs are computed using the first-in, first-out (FIFO) method.

Prepaid expenses

Prepaid expenses include expenditures made for development of future exhibitions. These expenditures typically relate to research, travel, insurance, transportation costs and other costs related to the development of the exhibitions.

Buildings and equipment

Buildings and equipment are recorded at cost and depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method. Maintenance and repairs are charged to operations when incurred. Significant betterments and renewals, which the Association considers to be \$10,000 or more for buildings and \$2,500 or more for equipment, are capitalized. When buildings and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations. The useful lives of buildings and equipment for purposes of computing depreciation range from five to forty years.

Cash surrender value of life Insurance

The Association is the beneficiary of a donor life insurance policy. This policy is recorded at its current cash surrender value.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Net changes in fair value of investments and realized gains (losses) on investments disposed of are accumulated with interest and dividends received net of investment expenses and are reported in the consolidated statements of activities as net investment return.

Art objects

The collections, which were acquired through purchases and contributions since the Association's inception, are not recognized as assets on the consolidated statements 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. Contributed collection items are not reflected on the consolidated financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in net assets with donor restrictions.

Pooled income fund and charitable remainder trusts

The pooled income fund and charitable remainder trusts liabilities are valued using payment streams discounted at market rates over the remaining lives of the donors using standard mortality tables.

Functional expense allocations

The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Association. Expenses are directly applied when applicable and are allocated to programs or support services based on the table shown below. The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. Such allocations are determined by management on an equitable basis.

Allocated expenses include the following:

<u>Expense</u>	<u>Allocation Method</u>
Salaries and benefits	Time and Effort
Supplies	Square footage
Services and professional fees	Square footage
Occupancy	Square footage
Building maintenance, equipment and technology	Square footage
Depreciation	Square footage

Advertising costs

Advertising costs are expensed as incurred. Advertising expenses during 2019 and 2018 were \$346,463 and \$324,261, respectively.

Income taxes

For Federal tax purposes, the Museum and AMSC are exempt organizations under Section 501(c)(3) of the Internal Revenue Code. In addition, the Museum qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

The Association evaluates the income tax positions taken or expected to be taken in income tax returns filed by the Association to determine whether a liability for uncertain tax positions exist and whether a liability for such uncertain positions should be recognized. The Association is exempt from income taxes and management believes the Association has not engaged in any activities that would disqualify them from tax-exempt status. Revenues derived from certain catering services provided by the Association and certain museum shop sales that are not substantially related to furthering the Association's mission are considered unrelated business income. Taxes on unrelated business income are paid in accordance with the Internal Revenue Code. No accrual has been provided because the amount of tax due is immaterial. The Association's policy with regards to interest and penalties is to recognize interest through interest expense and penalties through other expense. In evaluating the Association's tax provision and tax-exempt status, interpretations and tax planning strategies were considered. The Association believes its estimates are appropriate based on the current facts and circumstances.

Concentrations of credit risk

Periodically during the year, the Association had cash deposits in excess of federally insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

In 2017, the Association received 250,000 shares of a corporate stock. The 250,000 shares (with an approximate value of \$28,122,000 and \$19,168,000 at August 31, 2019 and 2018, respectively) are restricted for long-term purpose as endowment investments, with the corpus restricted in perpetuity and the earnings usage to be determined by a sub-committee. At August 31, 2019 and 2018, the Association held a total of 538,516 shares of this corporate stock. At August 31, 2019, this corporate stock represented 36% of the fair value of all investments. At August 31, 2018, this corporate stock and one mutual fund represented 38% of the fair value of all investments.

The Association has pledges receivable from ArtsWave and a foundation which represent 52% of all pledges receivable at August 31, 2019. The Association had pledges receivable from ArtsWave which represents 39% of all pledges receivable at August 31, 2018.

Measure of operations

The Association includes in its measure of operations all revenue and expenses that are integral to its programs and supporting activities and net assets released from donor restrictions to support operating expenditures to support current operating activities. The measure of operations includes support for operating activities from net assets with donor restrictions and net assets without donor restrictions designated for long-term investment (the endowment) according to the Association's spending policy described in Note 8. The measure of operations excludes net investment return and changes in beneficial interest in perpetual trusts.

Reclassifications

Certain items from 2018 have been reclassified to conform with current year presentation.

Subsequent events

The Association evaluates events and transactions occurring subsequent to the date of the consolidated financial statements for matters requiring recognition or disclosure in the consolidated financial statements. The accompanying consolidated financial statements consider events through December 12, 2019, the date on which the consolidated financial statements were available to be issued.

2. PLEDGES RECEIVABLE:

The Association's pledges receivable are as follows as of August 31:

	<u>2019</u>	<u>2018</u>
Amounts due in:		
Less than one year	\$ 2,727,871	3,015,176
One to five years	600,715	592,096
Beyond five years	<u>401,375</u>	<u>300,000</u>
Total	3,729,961	3,907,272
Less net present value 1.78% - 2.95%	(64,893)	(95,159)
Less allowance for doubtful pledges	<u>(9,372)</u>	<u>(7,969)</u>
 Pledges receivable, net	 <u>\$ 3,655,696</u>	 <u>3,804,144</u>

3. NOTE RECEIVABLE:

During 2019, the Association provided funds totaling \$3,406,400 to Twain Investment Fund 353, LLC in return for a note receivable. Equal principal payments are to be received beginning in March 2026, until maturity in October 2048. Interest on this loan accrued at a rate of 1.00% paid currently on a quarterly basis. The funds were provided by the leveraged lender, AMSC, as part of the NMTC arrangement.

4. BENEFICIAL INTEREST IN PERPETUAL TRUSTS:

The Association's beneficial interest in perpetual trusts is as follows at August 31:

<u>Trust</u>	Association's Percentage of <u>Trust</u>	<u>2019</u>	<u>2018</u>
Elma Lapp Foundation Trust	11%	\$ 6,980,044	7,265,202
Dorothy Kersten Trust	11%	2,767,931	2,990,019
Lawrence Wachs Trust	100%	2,410,413	2,646,269
ArtsWave Endowment	1.27%	1,403,415	1,443,922
Judson Martin Wilson Foundation Irrevocable Charitable Trust	60%	818,278	852,790
Thomas Busse Charitable Trust	9%	385,216	389,713
Clark Davis Trust	50%	240,080	251,832
Richard Schaengold Charitable Annuity Trust	10%	232,507	246,334
Rose Drucker Trust	6%	<u>71,570</u>	<u>75,578</u>
		\$ <u>15,309,454</u>	<u>16,161,659</u>

5. BUILDINGS AND EQUIPMENT:

Buildings and equipment and related accumulated depreciation consist of the following at August 31:

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 56,766,072	56,053,116
Office furniture and equipment	4,684,193	4,375,094
Construction-in-progress	<u>2,440,066</u>	<u>434,178</u>
	63,890,331	60,862,388
Accumulated depreciation	<u>41,331,133</u>	<u>40,087,075</u>
	\$ <u>22,559,198</u>	<u>20,775,313</u>

6. COLLECTIONS:

The Association's collection is made up of Egyptian, Greek, Roman, Indian, Chinese, Islamic, Nabatean, near and far Eastern and medieval art, 16th to 20th century American paintings, 18th and 19th century portrait miniatures, decorative arts, costumes and textiles, musical instruments, contemporary art, African and Native American art, and works on paper, including prints, drawings, watercolors, and photographs. Each of the items is cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used to acquire new collection items. During the years ended August 31, 2019 and 2018, sales of art totaled \$20,308 and \$21,073, respectively. Purchases of art totaled \$1,348,839 and \$1,017,194 for the years ended August 31, 2019 and 2018, respectively. During the

years ended August 31, 2019 and 2018, there was no significant damage or items destroyed in the Association's collection.

7. POOLED INCOME FUND AND CHARITABLE REMAINDER TRUSTS:

The Association is the beneficiary of several charitable remainder trusts. The Association recognized the present values of these trusts as contributions during the initial year of the trust based on the life expectancies of the contributors, the investment rates of return on the assets, and the distribution percentages stipulated in the agreements. The underlying investments consist of money market funds, common stocks, and mutual funds at August 31, 2019 and 2018 which are included in investments on the consolidated statements of financial position. Under the trust agreements, net earnings from the investments will be added to the principal and distributions of 8.5% of the net fair value of the investment will be made to the grantors on a quarterly basis. There were no changes in actuarial assumptions resulting in revaluations at August 31, 2019 and 2018. The present values of the estimated future payments are calculated using discount rates equal to the distribution percentages and the applicable mortality table. The fair value of the charitable remainder trusts investments at August 31, 2019 and 2018 was \$1,198,082 and \$1,286,678 respectively.

The Association is also the beneficiary of a pooled income fund. The present values of the contributions to the fund were recognized as contributions during the year of the contributions in the same manner as noted for the charitable remainder trusts. The underlying investments consist of money market funds and common stock which are included in investments on the consolidated statements of financial position. Under the fund agreement, net earnings from the investments will be added to the principal and distributions of 5% of the net fair value of the investment will be made to the grantors on a quarterly basis. There were no changes in actuarial assumptions resulting in revaluations at August 31, 2019 and 2018. The present value of the estimated future payments is calculated using discount rates equal to the distribution percentage and the applicable mortality table. The fair value of the pooled income fund investments at August 31, 2019 and 2018 was \$140,557 and \$143,486, respectively.

8. ENDOWMENT FUNDS:

The Association's endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. The donor-restricted endowment consists of 149 individual funds established by donors for a variety of purposes. As required by generally accepted accounting principles, 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.

The Board of Trustees of the Association has interpreted the Ohio enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the contributed value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as perpetually restricted net assets (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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 perpetually restricted net assets is classified as net assets with donor restrictions until those amounts are

appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Association, and (7) the Association's investment policies.

Changes in endowment net assets for the year ended August 31, 2019 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Total Endowment <u>Assets</u>
Endowment assets, beginning of year	\$ 30,346,207	114,487,997	144,834,204
Contributions	29,535	1,310,816	1,340,351
Investment return, net	2,855,243	17,134,668	19,989,911
Amounts appropriated for expenditure	<u>(1,604,121)</u>	<u>(4,207,357)</u>	<u>(5,811,478)</u>
Endowment net assets, end of year	<u>\$ 31,626,864</u>	<u>128,726,124</u>	<u>160,352,988</u>

Changes in endowment net assets for the year ended August 31, 2018 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Total Endowment <u>Assets</u>
Endowment assets, beginning of year	\$ 29,742,074	112,362,112	142,104,186
Contributions	39,793	202,375	242,168
Transfers in	-	6,407	6,407
Investment return, net	2,040,591	5,809,484	7,850,075
Amounts appropriated for expenditure	<u>(1,476,251)</u>	<u>(3,892,381)</u>	<u>(5,368,632)</u>
Endowment net assets, end of year	<u>\$ 30,346,207</u>	<u>114,487,997</u>	<u>144,834,204</u>

Transfers in represent payments on pledges receivable that are not included in the endowment until payment is received by the Association.

Spending policy

The Association has an annual spending policy of 5% of its endowment fund's rolling 12-quarter average fair value. In establishing this policy, the Association considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which may be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return. During fiscal year 2018, the Association approved a new spending policy, to be phased in over five years, of 4.50% of its endowment fund's rolling 20 quarter average fair value beginning in fiscal year 2020.

Investment return objectives, risk parameters, and strategies

The Association has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes cash, corporate stocks and bonds, mutual funds, U.S. and municipal government securities and private equity and hedge funds, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Therefore, the Association expects its endowment assets, over time, to produce an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

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 requires to be maintained in perpetuity. Such deficiencies result from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Trustees as permitted by UPMIFA. Fair value as compared to the original endowment gifts held in perpetuity for the years ended August 31 is as follows:

	<u>2019</u>	<u>2018</u>
Fair value of endowment assets	\$ 1,049,389	1,688,274
Original endowment gifts	<u>1,215,695</u>	<u>1,900,035</u>
Endowment gifts in excess of fair value	\$ <u>(166,306)</u>	<u>(211,761)</u>

9. FAIR VALUE MEASUREMENTS:

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The levels of the fair value hierarchy are described as follows:

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

Level 2: Inputs for the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

Net asset value: The net asset value (NAV) is based on the fair value of the underlying investments held by the fund less its liabilities.

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

The carrying amounts of financial instruments including cash, trade and other receivables, accounts payable, and short-term debt approximated fair value as of August 31, 2019 and 2018. Fair value methods and assumptions for cash and cash equivalents, equity securities, mutual funds and exchange traded funds (ETF) and U.S. Treasury obligations are based on the Level 1 market approach. Alternative investments are based on the Level 1 market approach as these investments are primarily mutual and exchange traded funds. Investments in debt related instruments are valued on Level 2 inputs using prices obtained from the custodians, which used third party data service providers. Investments in beneficial interest in perpetual trusts are valued on Level 3 inputs based on the underlying investments in the assets based on the amounts provided by the custodians of the investments, without adjustment by management. Hedge funds and private equity funds are valued at the NAV based on amounts reported by the custodians of the investments as validated through consideration of the audited financial statements of such investments. The Association's hedge funds are subject to withdrawal restrictions which require advance notification to the fund managers ranging from 60 – 100 days. Certain funds also have restrictions relating to withdrawal amounts based on total NAV of the fund.

The Association has committed to providing additional capital related to the private equity and hedge fund investments in the amounts of \$2,040,000 and \$2,752,500 as of August 31, 2019 and 2018, respectively. The carrying amounts of financial instruments including cash equivalents, trade accounts receivable, the line of credit and accounts payable approximated fair value as of August 31, 2019 and 2018 because of the relatively short maturity of these instruments.

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 Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring and nonrecurring measurements. The Association's Board of Trustees assesses and approves these policies and procedures. At least annually, management: (1) determines if the current valuation techniques used in fair value measurements are still appropriate, and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information. The Association recognizes transfers between levels in the fair value hierarchy at the end of the reporting period, if applicable.

Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due the level of risk associated with certain investment securities, it is reasonably possible that a change in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the consolidated financial statements.

The following tables present the assets as of August 31, 2019 and 2018 that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

	August 31, <u>2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Cash and cash equivalents	\$ 399,883	399,883	-	-
Equities:				
Financial *	60,577,665	60,577,665	-	-
Mutual funds and ETF's:				
Fixed income	7,531,802	7,531,802	-	-
Large cap blend	19,334,348	19,334,348	-	-
Large cap growth	5,978,934	5,978,934	-	-
Large cap value	13,972,179	13,972,179	-	-
Mid cap blend	7,330,695	7,330,695	-	-
Mid cap growth	27,967	27,967	-	-
Mid cap value	8,702	8,702	-	-
Small cap blend	27,693	27,693	-	-
Small cap value	8,101,731	8,101,731	-	-
International	20,901	20,901	-	-
Alternative investments:				
Multi-alternative	73,156	73,156	-	-
Real estate funds	85,996	85,996	-	-
Corporate bonds	3,602,938	-	3,602,938	-
U.S. Treasury bonds	2,046,794	2,046,794	-	-
Agency bonds	2,215,322	-	2,215,322	-
Municipal bonds	37,344	-	37,344	-
Asset backed	375,666	-	375,666	-
Mortgages	218,519	-	218,519	-
Other/foreign bonds	<u>8,363,240</u>	<u>-</u>	<u>8,363,240</u>	<u>-</u>
	140,331,475	125,518,446	14,813,029	-
Investments measured at NAV:				
Hedge funds	24,948,470			
Private equity funds	<u>981,717</u>			
	<u>25,930,187</u>			
Total investments	\$ <u>166,261,662</u>			
Beneficial interest in perpetual trusts	\$ <u>15,309,454</u>	<u>-</u>	<u>-</u>	<u>15,309,454</u>

Cincinnati Museum Association and Subsidiary
Notes to the Consolidated Financial Statements
August 31, 2019 and 2018

	August 31, <u>2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Cash and cash equivalents	\$ 872,423	872,423	-	-
Equities:				
Financial *	41,288,022	41,288,022	-	-
Mutual funds and ETF's:				
Fixed income	6,478,003	6,478,003	-	-
Large cap blend	20,451,586	20,451,586	-	-
Large cap growth	10,990,602	10,990,602	-	-
Large cap value	14,513,388	14,513,388	-	-
Mid cap blend	2,174,078	2,174,078	-	-
Mid cap growth	14,840	14,840	-	-
Small cap blend	23,481	23,481	-	-
Small cap value	12,440,368	12,440,368	-	-
International	67,247	67,247	-	-
Inflation protected	2,464,101	2,464,101	-	-
Alternative investments:				
Large cap blend	74,485	74,485	-	-
Real estate funds	83,882	83,882	-	-
Corporate bonds	7,234,837	-	7,234,837	-
U.S. Treasury bonds	3,002,562	3,002,562	-	-
Agency bonds	2,201,340	-	2,201,340	-
Municipal bonds	33,979	-	33,979	-
Asset backed	482,347	-	482,347	-
Mortgages	159,786	-	159,786	-
Other/foreign bonds	<u>41,656</u>	<u>-</u>	<u>41,656</u>	<u>-</u>
	125,093,013	114,939,068	10,153,945	-
Investments measured at NAV:				
Hedge funds	24,313,109			
Private equity funds	<u>539,138</u>			
Total investments	\$ <u>149,945,260</u>			
Beneficial interest in perpetual trusts	\$ <u>16,161,659</u>	<u>-</u>	<u>-</u>	<u>16,161,659</u>

* See description of long-term purpose of shares in the concentrations of credit risk section of Note 1.

10. LINE OF CREDIT:

The Association has a line of credit for \$3,500,000, which bears interest at one-month LIBOR plus 0.95% (3.12% at August 31, 2019) and expires May 31, 2020. The Association had \$3,500,000 outstanding on this line of credit at August 31, 2019. The line of credit agreement contained certain covenants. The Association was in compliance with these covenants at August 31, 2019. Based on the borrowing rates currently available to the Association, carrying value approximates fair value for the line of credit.

11. NOTES PAYABLE, NET:

Long-term debt consists of the following at August 31:

	<u>2019</u>	<u>2018</u>
Note payable to Citywide Cincinnati Development Fund 25, LLC for advances, quarterly interest only payments at 1.35%, equal principal payments beginning March 2026 until maturity in October 2053.	\$ 3,406,400	-
Note payable to Citywide Cincinnati Development Fund 25, LLC for advances, quarterly interest only payments at 1.35%, equal principal payments beginning March 2026 until maturity in October 2053.	<u>1,368,600</u>	<u>-</u>
Total notes payable	4,775,000	-
Unamortized debt issuance costs	<u>(252,413)</u>	<u>-</u>
	<u>\$ 4,522,587</u>	<u>-</u>

Notes payable mature as follows as of August 31:

2020	\$ -
2021	-
2022	-
2023	-
2024	-
Thereafter	<u>4,775,000</u>
	<u>\$ 4,775,000</u>

Debt issuance costs of \$252,413 were recorded at cost and reported within notes payable in the statements of financial position at August 31, 2019. The costs will be amortized over the term of the related debt of 35 years. There was no amortization expense for the year ended August 31, 2019.

12. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are restricted for the following purposes or periods at August 31:

	<u>2019</u>	<u>2018</u>
Subject to the passage of time:		
Time restricted investments	\$ <u>3,250,642</u>	<u>1,342,239</u>
Subject to expenditure for a specific purpose:		
Capital projects	1,887,043	729,457
Art purchases	3,903,170	4,161,406
Other	<u>3,036,979</u>	<u>3,598,834</u>
	<u>8,827,192</u>	<u>8,489,697</u>
Subject to spending policy and appropriation:		
Unappropriated endowment funds	66,012,114	53,084,803
Endowment held in perpetuity for specified purposes	40,403,424	39,092,608
Endowment held in perpetuity for general operations	<u>22,310,586</u>	<u>22,310,586</u>
	<u>128,726,124</u>	<u>114,487,997</u>
Other funds held in perpetuity:		
Funds with purpose restricted income	260,403	230,288
Beneficial interest in perpetual trusts	<u>15,309,454</u>	<u>16,161,659</u>
	<u>15,569,857</u>	<u>16,391,947</u>
Total net assets with donor restrictions:	\$ <u>156,373,815</u>	<u>140,711,880</u>

Net assets released from donor restrictions during 2019 and 2018 were \$5,262,861 and \$5,435,452, respectively.

13. 401(k) PROFIT SHARING PLAN:

The Association has a defined contribution plan covering all employees. Under the plan, eligible employees may contribute a percentage of their salaries. The Association makes a matching contribution up to 2% of the employee's contribution and a discretionary profit sharing contribution. The plan also allows for a discretionary profit sharing contribution at a percentage of the employee's compensation.

Participants are fully vested in the employer discretionary contributions after three years of service. The Association's contributions and expenses related to the 401(k) plan in 2019 and 2018 were \$116,934 and \$82,411, respectively. No discretionary profit sharing contribution was made during 2019 or 2018.

14. LIQUIDITY DISCLOSURES:

The Association is substantially supported by donor contributions, earned revenue and investment income. As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Board designated endowment could be utilized in the event of a liquidity issue.

The following table presents the financial assets available to meet cash needs for general expenditures within one year at August 31:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash, cash equivalents and restricted cash	\$ 14,217,529	8,419,239
Accounts receivable	100,934	114,466
Current pledges receivable, net	2,727,871	3,015,176
Interest and dividends receivable	80,189	68,098
Investments	<u>166,261,662</u>	<u>149,945,260</u>
Financial assets available at year-end	183,388,185	161,562,239
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with time or purpose restriction	12,338,237	10,062,224
Long-term debt proceeds for NMTC project	4,544,680	-
Investments held in board designated endowment	31,626,864	30,346,207
Investments held in donor restricted endowment	<u>128,726,124</u>	<u>114,487,997</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>6,152,280</u>	<u>6,665,811</u>

15. CONTINGENCIES:

During 2019, the Museum entered into a New Markets Tax Credit arrangement. The new markets tax credits arrangement will be used for construction of the ArtClimb for the museum. As a requirement of the tax credit arrangement, the Museum created AMSC, which is the leveraged lender.

Under the new market tax credit agreement, the Museum made certain guarantees and commitments for construction completion, operating deficits and delivery of the new markets tax credits. The project is currently under construction.

The Museum's maximum exposure to the guarantees is not determinable with any degree of accuracy, as determination of the ultimate amounts is dependent upon the Museum's ability to oversee, manage and optimize cash flows of the above-mentioned project. Therefore, no amounts have been accrued for the commitments noted above as of August 31, 2019.

16. NEW ACCOUNTING PRONOUNCEMENTS:

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the Association's year ending August 31, 2020.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The standard will assist entities in determining whether transactions should be recorded as a contribution (nonreciprocal transaction) or as an exchange (reciprocal transaction). The standard also provides expanded guidance on determining whether or not a contribution is conditional. This standard will be effective for the Association's year ending August 31, 2020.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Association's year ending August 31, 2022.

The Association is currently in the process of evaluating the impact of adoption of these ASU's on the financial statements.

Cincinnati Museum Association and Subsidiary
Consolidating Schedule of Financial Position
August 31, 2019

	Cincinnati Museum Association	AMSC	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 8,226,280	22,761	-	8,249,041
Restricted cash	5,968,488	-	-	5,968,488
Accounts receivable	100,934	-	-	100,934
Pledges receivable, net	3,655,696	-	-	3,655,696
Note receivable	-	3,406,400	-	3,406,400
Interest and dividend receivable	74,512	5,677	-	80,189
Prepaid expenses	768,369	-	-	768,369
Inventories	271,810	-	-	271,810
Investments	166,261,662	-	-	166,261,662
Investment in subsidiary	3,406,400	-	(3,406,400)	-
Cash surrender value of life insurance	168,127	-	-	168,127
Beneficial interest of perpetual trusts	15,309,454	-	-	15,309,454
Buildings and equipment, net	<u>22,559,198</u>	<u>-</u>	<u>-</u>	<u>22,559,198</u>
Total assets	\$ <u>226,770,930</u>	<u>3,434,838</u>	<u>(3,406,400)</u>	<u>226,799,368</u>
Liabilities and Net Assets				
Liabilities:				
Line of credit	\$ 3,500,000	-	-	3,500,000
Accounts payable	381,315	-	-	381,315
Accrued liabilities	1,252,607	-	-	1,252,607
Notes payable, net	4,522,587	-	-	4,522,587
Charitable remainder trusts	<u>392,087</u>	<u>-</u>	<u>-</u>	<u>392,087</u>
	<u>10,048,596</u>	<u>-</u>	<u>-</u>	<u>10,048,596</u>
Net Assets:				
Without donor restrictions	60,348,519	3,434,838	(3,406,400)	60,376,957
With donor restrictions	<u>156,373,815</u>	<u>-</u>	<u>-</u>	<u>156,373,815</u>
	<u>216,722,334</u>	<u>3,434,838</u>	<u>(3,406,400)</u>	<u>216,750,772</u>
Total liabilities and net assets	\$ <u>226,770,930</u>	<u>3,434,838</u>	<u>(3,406,400)</u>	<u>226,799,368</u>

See accompanying notes to the consolidated financial statements.

Cincinnati Museum Association and Subsidiary
Consolidating Schedule of Financial Position
August 31, 2018

	Cincinnati Museum Association	AMSC	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 4,164,953	-	-	4,164,953
Restricted cash	4,254,286	-	-	4,254,286
Accounts receivable	114,466	-	-	114,466
Pledges receivable, net	3,804,144	-	-	3,804,144
Interest and dividend receivable	68,098	-	-	68,098
Prepaid expenses	498,137	-	-	498,137
Inventories	295,553	-	-	295,553
Investments	149,945,260	-	-	149,945,260
Cash surrender value of life insurance	187,388	-	-	187,388
Beneficial interest of perpetual trusts	16,161,659	-	-	16,161,659
Buildings and equipment, net	<u>20,775,313</u>	<u>-</u>	<u>-</u>	<u>20,775,313</u>
Total assets	\$ <u>200,269,257</u>	<u>-</u>	<u>-</u>	<u>200,269,257</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable	\$ 376,664	-	-	376,664
Accrued liabilities	767,984	-	-	767,984
Charitable remainder trusts	<u>469,506</u>	<u>-</u>	<u>-</u>	<u>469,506</u>
	<u>1,614,154</u>	<u>-</u>	<u>-</u>	<u>1,614,154</u>
Net Assets:				
Without donor restrictions	57,943,223	-	-	57,943,223
With donor restrictions	<u>140,711,880</u>	<u>-</u>	<u>-</u>	<u>140,711,880</u>
	<u>198,655,103</u>	<u>-</u>	<u>-</u>	<u>198,655,103</u>
Total liabilities and net assets	\$ <u>200,269,257</u>	<u>-</u>	<u>-</u>	<u>200,269,257</u>

See accompanying notes to the consolidated financial statements.

Cincinnati Museum Association and Subsidiary
Consolidating Schedule of Activities
Year Ended August 31, 2019

	Cincinnati Museum Association			AMSC		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Eliminations	
Contributions, revenues, and gains:						
Operating revenue:						
Grants, contributions and gifts	\$ 4,943,877	6,954,886	11,898,763	-	-	11,898,763
Trust income	853,347	249,416	1,102,763	-	-	1,102,763
Investment allocation income	2,696,544	(2,696,544)	-	-	-	-
Earned income	2,957,667	-	2,957,667	-	-	2,957,667
Exhibition income	85,081	-	85,081	-	-	85,081
Deaccession income	-	20,308	20,308	-	-	20,308
Interest income	-	-	-	28,481	-	28,481
Other income	2,960	-	2,960	-	-	2,960
Bad debt loss	-	(9,501)	(9,501)	-	-	(9,501)
Net assets released from restrictions	5,262,861	(5,262,861)	-	-	-	-
	<u>16,802,337</u>	<u>(744,296)</u>	<u>16,058,041</u>	<u>28,481</u>	<u>-</u>	<u>16,086,522</u>
Total contributions, revenues, gains						
Expenses:						
Program services	13,882,778	-	13,882,778	-	-	13,882,778
Management and general	2,792,869	-	2,792,869	43	-	2,792,912
Fundraising	1,305,371	-	1,305,371	-	-	1,305,371
	<u>17,981,018</u>	<u>-</u>	<u>17,981,018</u>	<u>43</u>	<u>-</u>	<u>17,981,061</u>
	<u>(1,178,681)</u>	<u>(744,296)</u>	<u>(1,922,977)</u>	<u>28,438</u>	<u>-</u>	<u>(1,894,539)</u>
Operating income (loss)						
Non-operating revenue:						
Investment return, net	3,583,977	17,258,436	20,842,413	-	-	20,842,413
Change in beneficial interest in perpetual trusts	-	(852,205)	(852,205)	-	-	(852,205)
	<u>3,583,977</u>	<u>16,406,231</u>	<u>19,990,208</u>	<u>-</u>	<u>-</u>	<u>19,990,208</u>
Total non-operating revenue						
Change in net assets	2,405,296	15,661,935	18,067,231	28,438	-	18,095,669
Net assets, beginning of year	57,943,223	140,711,880	198,655,103	-	-	198,655,103
Capital contribution	-	-	-	3,406,400	(3,406,400)	-
Net assets, end of year	\$ <u>60,348,519</u>	<u>156,373,815</u>	<u>216,722,334</u>	<u>3,434,838</u>	<u>(3,406,400)</u>	<u>216,750,772</u>

See accompanying notes to the consolidated financial statements.

Cincinnati Museum Association and Subsidiary
Consolidating Schedule of Activities
Year Ended August 31, 2018

	Cincinnati Museum Association			AMSC		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Eliminations	Total
Contributions, revenues, and gains:						
Operating revenue:						
Grants, contributions and gifts	\$ 3,349,927	6,170,129	9,520,056	-	-	9,520,056
Trust income	802,803	-	802,803	-	-	802,803
Investment allocation income	2,483,542	(2,483,542)	-	-	-	-
Earned income	3,451,050	-	3,451,050	-	-	3,451,050
Exhibition income	34,270	-	34,270	-	-	34,270
Deaccession income	-	21,073	21,073	-	-	21,073
Loss on disposal of equipment	(2,214)	-	(2,214)	-	-	(2,214)
Other income	67,478	-	67,478	-	-	67,478
Net assets released from restrictions	<u>5,435,452</u>	<u>(5,435,452)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total contributions, revenues, gains	 <u>15,622,308</u>	 <u>(1,727,792)</u>	 <u>13,894,516</u>	 <u>-</u>	 <u>-</u>	 <u>13,894,516</u>
Expenses:						
Program services	12,567,599	-	12,567,599	-	-	12,567,599
Management and general	2,538,305	-	2,538,305	-	-	2,538,305
Fundraising	<u>1,156,416</u>	<u>-</u>	<u>1,156,416</u>	<u>-</u>	<u>-</u>	<u>1,156,416</u>
 Total expenses	 <u>16,262,320</u>	 <u>-</u>	 <u>16,262,320</u>	 <u>-</u>	 <u>-</u>	 <u>16,262,320</u>
 Operating loss	 <u>(640,012)</u>	 <u>(1,727,792)</u>	 <u>(2,367,804)</u>	 <u>-</u>	 <u>-</u>	 <u>(2,367,804)</u>
Non-operating revenue:						
Investment return, net	2,802,745	5,880,398	8,683,143	-	-	8,683,143
Change in beneficial interest in perpetual trusts	<u>-</u>	<u>760,512</u>	<u>760,512</u>	<u>-</u>	<u>-</u>	<u>760,512</u>
 Total non-operating revenue	 <u>2,802,745</u>	 <u>6,640,910</u>	 <u>9,443,655</u>	 <u>-</u>	 <u>-</u>	 <u>9,443,655</u>
 Change in net assets	 2,162,733	 4,913,118	 7,075,851	 -	 -	 7,075,851
Net assets, beginning of year	<u>55,780,490</u>	<u>135,798,762</u>	<u>191,579,252</u>	<u>-</u>	<u>-</u>	<u>191,579,252</u>
Net assets, end of year	<u>\$ 57,943,223</u>	<u>140,711,880</u>	<u>198,655,103</u>	<u>-</u>	<u>-</u>	<u>198,655,103</u>

See accompanying notes to the consolidated financial statements.

