



CLARK SCHAEFER HACKETT  
BUSINESS ADVISORS

## **Cincinnati Museum Association and Subsidiary**

Consolidated Financial Statements

And Supplementary Information

August 31, 2021 and 2020

(with Independent Auditors' Report)

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Cincinnati Museum Association and Subsidiary:

**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, 2021 and 2020, 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 consolidated 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, 2021 and 2020, 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 16, 2021

Cincinnati Museum Association and Subsidiary  
Consolidated Statements of Financial Position  
August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 6,402,715	5,856,032
Restricted cash	1,857,798	5,424,480
Accounts receivable	129,049	14,224
Pledges receivable, net	13,638,018	11,049,251
Note receivable	3,406,400	3,406,400
Interest and dividend receivable	34,608	52,738
Prepaid expenses	346,349	601,120
Inventories	249,249	301,323
Investments	200,744,302	149,829,851
Cash surrender value of life insurance	110,956	143,046
Beneficial interest of perpetual trusts	19,104,816	16,239,253
Buildings and equipment, net	<u>35,221,277</u>	<u>30,224,414</u>
<b>Total assets</b>	<b>\$ <u>281,245,537</u></b>	<b><u>223,142,132</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Line of credit	\$ 3,500,000	3,500,000
Accounts payable	2,829,513	1,022,194
Accrued liabilities	1,180,821	1,812,878
Notes payable, net	4,537,253	4,529,920
Charitable remainder trusts	<u>216,570</u>	<u>307,968</u>
	<u>12,264,157</u>	<u>11,172,960</u>
<b>Net Assets:</b>		
Without donor restrictions	80,039,932	64,127,033
With donor restrictions	<u>188,941,448</u>	<u>147,842,139</u>
	<u>268,981,380</u>	<u>211,969,172</u>
<b>Total liabilities and net assets</b>	<b>\$ <u>281,245,537</u></b>	<b><u>223,142,132</u></b>

See accompanying notes to the consolidated financial statements.

Cincinnati Museum Association and Subsidiary  
Consolidated Statement of Activities  
Year Ended August 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Contributions, revenues, and gains:			
Operating revenue:			
Grants, contributions and gifts	\$ 4,316,018	12,773,043	17,089,061
Trust income	922,214	127,000	1,049,214
Investment allocation income	2,677,084	(2,677,084)	-
Earned income	2,058,161	-	2,058,161
Deaccession income	-	158,594	158,594
Interest income	34,064	-	34,064
Other income	149,282	-	149,282
Bad debt loss	-	(5,616)	(5,616)
Net assets released from restrictions	<u>12,105,616</u>	<u>(12,105,616)</u>	<u>-</u>
 Total contributions, revenues, gains	 <u>22,262,439</u>	 <u>(1,729,679)</u>	 <u>20,532,760</u>
Expenses:			
Program services	12,753,397	-	12,753,397
Management and general	2,709,541	-	2,709,541
Fundraising	<u>1,292,325</u>	<u>-</u>	<u>1,292,325</u>
 Total expenses	 <u>16,755,263</u>	 <u>-</u>	 <u>16,755,263</u>
 Operating income (loss)	 <u>5,507,176</u>	 <u>(1,729,679)</u>	 <u>3,777,497</u>
Non-operating revenue:			
Investment return, net	10,405,723	39,963,425	50,369,148
Change in beneficial interest in perpetual trusts	<u>-</u>	<u>2,865,563</u>	<u>2,865,563</u>
 Total non-operating revenue	 <u>10,405,723</u>	 <u>42,828,988</u>	 <u>53,234,711</u>
 Change in net assets	 15,912,899	 41,099,309	 57,012,208
Net assets, beginning of year	<u>64,127,033</u>	<u>147,842,139</u>	<u>211,969,172</u>
 Net assets, end of year	 <u>\$ 80,039,932</u>	 <u>188,941,448</u>	 <u>268,981,380</u>

See accompanying notes to the consolidated financial statements.

Cincinnati Museum Association and Subsidiary  
Consolidated Statement of Activities  
Year Ended August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Contributions, revenues, and gains:			
Operating revenue:			
Grants, contributions and gifts	\$ 4,299,458	14,717,156	19,016,614
Trust income	897,367	120,000	1,017,367
Investment allocation income	2,675,769	(2,675,769)	-
Earned income	1,810,032	-	1,810,032
Deaccession income	-	902,031	902,031
Interest income	34,064	-	34,064
Other income	91,679	-	91,679
Bad debt loss	-	(2,500)	(2,500)
Net assets released from restrictions	<u>11,769,717</u>	<u>(11,769,717)</u>	<u>-</u>
 Total contributions, revenues, gains	 <u>21,578,086</u>	 <u>1,291,201</u>	 <u>22,869,287</u>
Expenses:			
Program services	13,937,234	-	13,937,234
Management and general	2,771,874	-	2,771,874
Fundraising	<u>1,341,507</u>	<u>-</u>	<u>1,341,507</u>
 Total expenses	 <u>18,050,615</u>	 <u>-</u>	 <u>18,050,615</u>
 Operating income	 <u>3,527,471</u>	 <u>1,291,201</u>	 <u>4,818,672</u>
Non-operating revenue (loss):			
Investment return, net	222,605	(10,752,676)	(10,530,071)
Change in beneficial interest in perpetual trusts	<u>-</u>	<u>929,799</u>	<u>929,799</u>
 Total non-operating revenue (loss)	 <u>222,605</u>	 <u>(9,822,877)</u>	 <u>(9,600,272)</u>
 Change in net assets	 3,750,076	 (8,531,676)	 (4,781,600)
Net assets, beginning of year	<u>60,376,957</u>	<u>156,373,815</u>	<u>216,750,772</u>
Net assets, end of year	\$ <u>64,127,033</u>	<u>147,842,139</u>	<u>211,969,172</u>

See accompanying notes to the consolidated financial statements.

Cincinnati Museum Association and Subsidiary  
Consolidated Statement of Functional Expenses  
Year Ended August 31, 2021

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 5,982,779	1,380,203	842,798	8,205,780
Supplies	158,026	36,750	4,986	199,762
Services and professional fees	713,823	372,113	261,885	1,347,821
Travel and entertainment	28,462	3,335	30	31,827
Event cost and hospitality	42,710	30,782	50,658	124,150
Shipping, exhibition fees, installation and framing	656,541	2,145	2,113	660,799
Museum shop and food services cost of goods sold	274,380	69,835	-	344,215
Advertising and promotion	339,769	5,542	4,000	349,311
Printing and design	159,579	3,334	47,001	209,914
Occupancy	750,472	168,032	10,604	929,108
Building maintenance, equipment and technology	314,032	70,144	2,761	386,937
Interest	-	130,495	-	130,495
Depreciation	1,367,435	322,772	13,974	1,704,181
Other	115,907	114,059	51,515	281,481
Purchases of art	<u>1,849,482</u>	<u>-</u>	<u>-</u>	<u>1,849,482</u>
	<u>\$ 12,753,397</u>	<u>2,709,541</u>	<u>1,292,325</u>	<u>16,755,263</u>

See accompanying notes to the consolidated financial statements.



Cincinnati Museum Association and Subsidiary  
Consolidated Statement of Functional Expenses  
Year Ended August 31, 2020

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 6,094,211	1,404,777	827,982	8,326,970
Supplies	166,817	55,663	5,213	227,693
Services and professional fees	703,067	337,094	280,472	1,320,633
Travel and entertainment	54,638	23,019	2,615	80,272
Event cost and hospitality	55,814	39,456	77,389	172,659
Shipping, exhibition fees, installation and framing	1,153,254	57	1,111	1,154,422
Museum shop and food services cost of goods sold	306,088	101,458	-	407,546
Advertising and promotion	201,474	6,157	9,107	216,738
Printing and design	141,663	5,080	61,344	208,087
Occupancy	727,342	153,344	10,873	891,559
Building maintenance, equipment and technology	757,747	182,470	7,342	947,559
Interest	-	54,647	-	54,647
Depreciation	1,181,834	278,962	12,078	1,472,874
Other	152,843	129,690	45,981	328,514
Purchases of art	<u>2,240,442</u>	<u>-</u>	<u>-</u>	<u>2,240,442</u>
	<u>\$ 13,937,234</u>	<u>2,771,874</u>	<u>1,341,507</u>	<u>18,050,615</u>

See accompanying notes to the consolidated financial statements.

Cincinnati Museum Association and Subsidiary  
Consolidated Statements of Cash Flows  
Years Ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 57,012,208	(4,781,600)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	1,704,181	1,472,874
Bad debt loss	5,616	2,500
Realized and unrealized (gain) loss on investments	(46,395,774)	14,404,335
Change in beneficial interest in perpetual trusts	(2,865,563)	(929,799)
Contributions restricted for endowment	(10,500)	(12,468)
Donated stock	(1,777,813)	(594,906)
Debt issuance cost amortization included in interest expense	7,333	7,333
Effects of change in operating assets and liabilities:		
Accounts receivable	(114,825)	86,710
Pledges receivable	(2,594,383)	(7,396,055)
Interest and dividend receivable	18,130	27,451
Prepaid expenses	254,771	167,249
Inventories	52,074	(29,513)
Accounts payable	2,993,090	9,296
Accrued liabilities	(1,082,670)	560,271
Charitable remainder trusts	(91,398)	(84,119)
Net cash and cash equivalents provided by operating activities	<u>7,114,477</u>	<u>2,909,559</u>
Cash flows from investing activities:		
Proceeds from sale of investments	26,114,748	30,350,038
Purchase of investments	(28,855,612)	(27,727,656)
Capital expenditures	(7,436,202)	(8,506,507)
Change in cash value of life insurance	<u>32,090</u>	<u>25,081</u>
Net cash and cash equivalents used by investing activities	<u>(10,144,976)</u>	<u>(5,859,044)</u>
Cash flows from financing activities:		
Contributions restricted for endowment	<u>10,500</u>	<u>12,468</u>
Net change in cash, cash equivalents and restricted cash	(3,019,999)	(2,937,017)
Cash, cash equivalents and restricted cash, beginning of year	<u>11,280,512</u>	<u>14,217,529</u>
Cash, cash equivalents and restricted cash, end of year	\$ <u><u>8,260,513</u></u>	<u><u>11,280,512</u></u>
Supplemental disclosures:		
Property and equipment included in accounts payable	\$ <u>-</u>	<u>1,185,771</u>
Property and equipment included in accrued expenses	\$ <u>450,613</u>	<u>-</u>
Income tax paid	\$ <u>15,516</u>	<u>28,877</u>
Capitalized interest	\$ <u>-</u>	<u>174,519</u>
Interest paid	\$ <u>123,162</u>	<u>218,253</u>

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 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 assets 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 standard**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU, as updated, represented a comprehensive overhaul of substantially all previous revenue recognition guidance within GAAP. Additionally, the ASU required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Association adopted the new standard effective September 1, 2020, the first day of the Association's fiscal year, using the modified retrospective approach.

As part of the adoption of the ASU, the Association elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

Management has analyzed the provisions of the ASU and has concluded that no changes are necessary to conform with the new standard.

### **Revenue recognition – 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.

Unconditional contributions are recorded when the promise to give is received. Grant revenue is recorded when the grant is awarded, unless conditional by nature. Conditional grants are generally received to reimburse eligible expenses. Reimbursement-type grant revenue for which the donor-imposed restrictions expire in the same period as received are recorded in net assets with donor restrictions, reclassified to net assets without donor restrictions and reported as net assets released from restrictions in the consolidated statements of activities. Conditional promises to give are approximately \$493,000 and \$591,000 at August 31, 2021 and 2020, respectively. Funding received under conditional contributions to be fulfilled in a future period is recorded as refundable advances. Revenues from sources other than

contributions are reported as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions.

### **Revenue recognition – exchange transactions**

The Association derives exchange transaction revenue primarily from program fees, exhibition income, gift shop and café sales, catering sales, facility rentals and memberships. These revenues are recognized when control of these products or services is transferred to its members and customers, in an amount that reflects the consideration the Association expects to be entitled to in exchange for those products and services. Sales and other taxes the Association collects concurrent with revenue-producing activities are excluded from revenue. Incidental items that are immaterial in the context of the contracts are recognized as expense. The Association does not have any significant financing components as payment is received at or shortly after the point of sale. Costs incurred to obtain a contract will be expensed as incurred when the amortization period is less than a year.

The following table disaggregates the Association's revenue based on the timing of satisfaction of performance obligations at a point in time for the years ended August 31:

	<u>2021</u>	<u>2020</u>
Special exhibition admission fees	\$ 144,084	73,142
Program fees	48,786	27,051
Facility rental/food services	759,033	852,751
Museum gift shop	455,803	415,234
Membership income	445,208	407,554
Exhibition income	191,044	4,936
Other earned income	<u>14,203</u>	<u>29,364</u>
 Total	 \$ <u>2,058,161</u>	 <u>1,810,032</u>

Revenue from performance obligations satisfied at a point in time consists of program fees, exhibition income, gift shop and café sales, catering sales, facility and memberships. Program fees are recognized at the time the program takes place. Exhibition income is recognized at the time the visitation takes place. Revenue from gift shop and café sales is recognized upon delivery of goods. Revenue from facility rentals and catering sales are recognized at the time the services are provided. Revenue from memberships is recognized at the time of purchase, rather than ratably over the term of the membership. This treatment creates no material difference in membership revenue recognized.

### **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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 6,402,715	5,856,032
Restricted cash – CDE compliance	125,000	150,000
Restricted cash – operations	<u>1,732,798</u>	<u>5,274,480</u>
	\$ <u>8,260,513</u>	<u>11,280,512</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, 2021 and 2020.

#### **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 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 consolidated 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. 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 2021 and 2020 were \$349,311 and \$216,738, 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 \$30,850,000 and \$19,853,000 at August 31, 2021 and 2020, 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, 2021 and 2020, the Association held a total of 538,516 shares of this corporate stock. At August 31, 2021, this corporate stock and one mutual fund represented 45% of the fair value of all investments. At August 31, 2020, this corporate stock and one mutual fund represented 43% of the fair value of all investments.

The Association has pledges receivable from three donors which represent 48% of all pledges receivable at August 31, 2021. The Association had pledges receivable from ArtsWave and a donor which represents 48% of all pledges receivable at August 31, 2020.

### **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 2020 have been reclassified to conform to the 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 16, 2021, 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>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 6,346,908	5,548,738
One to five years	7,298,825	5,423,953
Beyond five years	<u>300,000</u>	<u>300,000</u>
Total	13,945,733	11,272,691
Less net present value 1.26% - 2.95%	(234,067)	(167,879)
Less allowance for doubtful pledges	<u>(73,648)</u>	<u>(55,561)</u>
Pledges receivable, net	\$ <u>13,638,018</u>	<u>11,049,251</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>2021</u>	<u>2020</u>
Elma Lapp Foundation Trust	11%	\$ 8,888,886	7,495,216
Dorothy Kersten Trust	11%	3,418,489	2,930,558
Lawrence Wachs Trust	100%	2,951,774	2,553,977
ArtsWave Endowment	1.45%	1,790,105	1,479,851
Judson Martin Wilson Foundation			
Irrevocable Charitable Trust	60%	952,856	806,637
Thomas Busse Charitable Trust	9%	452,291	401,141
Clark Davis Trust	50%	293,826	254,644
Richard Schaengold Charitable			
Annuity Trust	10%	268,757	241,110
Rose Drucker Trust	6%	<u>87,832</u>	<u>76,119</u>
		\$ <u>19,104,816</u>	<u>16,239,253</u>

## 5. BUILDINGS AND EQUIPMENT:

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

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 70,953,634	66,425,127
Office furniture and equipment	4,956,621	4,896,885
Construction-in-progress	<u>3,755,724</u>	<u>1,706,409</u>
	79,665,979	73,028,421
Accumulated depreciation	<u>44,444,702</u>	<u>42,804,007</u>
	<u>\$ 35,221,277</u>	<u>30,224,414</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, 18<sup>th</sup> 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, 2021 and 2020, sales of art totaled \$158,594 and \$902,031, respectively. Purchases of art totaled \$1,849,482 and \$2,240,442 for the years ended August 31, 2021 and 2020, respectively. During the years ended August 31, 2021 and 2020, 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, 2021 and 2020 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, 2021 and 2020. 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, 2021 and 2020 was \$1,390,803 and \$1,241,666, 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, 2021 and 2020. 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, 2021 and 2020 was \$159,691 and \$129,379, 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 155 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, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
Endowment assets, beginning of year	\$ 30,438,738	113,404,584	143,843,322
Contributions	898,555	10,500	909,055
Transfers in	-	1,000,000	1,000,000
Investment return, net	9,240,284	39,281,392	48,521,676
Amounts appropriated for expenditure	<u>(1,646,535)</u>	<u>(4,339,336)</u>	<u>(5,985,871)</u>
Endowment net assets, end of year	\$ <u>38,931,042</u>	<u>149,357,140</u>	<u>188,288,182</u>

Changes in endowment net assets for the year ended August 31, 2020 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Total Endowment <u>Assets</u>
Endowment assets, beginning of year	\$ 31,626,864	128,726,124	160,352,988
Contributions	612,422	12,468	624,890
Investment return, net	(334,802)	(10,830,222)	(11,165,024)
Amounts appropriated for expenditure	<u>(1,465,746)</u>	<u>(4,503,786)</u>	<u>(5,969,532)</u>
Endowment net assets, end of year	\$ <u>30,438,738</u>	<u>113,404,584</u>	<u>143,843,322</u>

### Spending policy

During fiscal year 2018, the Association approved a new spending policy beginning in fiscal year 2020. The Association's new spending policy, to be phased in over five years, is 4.50% of its endowment fund's rolling 20-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.

### 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 policy 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 4.5%, 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>2021</u>	<u>2020</u>
Fair value of endowment assets	\$ 343,649	3,146,334
Original endowment gifts	<u>400,000</u>	<u>3,398,819</u>
Endowment gifts in deficit of fair value	\$ <u>(56,351)</u>	<u>(252,485)</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.

Generally accepted accounting principles allows for the use of a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by the Association to value alternative investments is the net asset value (NAV) per share, or its equivalent. Because some of these investments are not readily marketable, their estimated value is subject to uncertainty and therefore may be different from the value that would have been used had a ready market for such investments existed. The net asset values provided by fund administrators consider variables such as the financial performance of underlying investments, recent sales prices of underlying investments and other pertinent information. In addition, actual market exchanges at year-end provide additional observable market inputs of the exit price. The Association, relying on the work of its investment consultants, reviews valuations and assumptions provided by fund administrators for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of fair value.

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, 2021 and 2020. 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 \$1,880,002 and \$2,844,242 as of August 31, 2021 and 2020, respectively.

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.

Cincinnati Museum Association and Subsidiary  
Notes to the Consolidated Financial Statements  
August 31, 2021 and 2020

The following tables present the assets as of August 31, 2021 and 2020 that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

	August 31, <u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Cash and cash equivalents	\$ 351,104	351,104	-	-
Equities:				
Financial *	66,452,874	66,452,874	-	-
Mutual funds and ETF's:				
Fixed income	19,645,500	19,645,500	-	-
Large cap blend	50,244,504	50,244,504	-	-
Large cap growth	243,514	243,514	-	-
Large cap value	17,548,689	17,548,689	-	-
Mid cap blend	2,362,102	2,362,102	-	-
Mid cap growth	19,679	19,679	-	-
Mid cap value	11,736	11,736	-	-
Small cap blend	29,216	29,216	-	-
Small cap growth	19,243	19,243	-	-
Small cap value	10,334,255	10,334,255	-	-
International	81,476	81,476	-	-
Inflation protection bond	9,491,667	9,491,667	-	-
Alternative investments:				
Multi-alternative	75,945	75,945	-	-
Real estate funds	68,009	68,009	-	-
Corporate bonds	2,315,241	-	2,315,241	-
U.S. Treasury bonds	1,638,835	1,638,835	-	-
Agency bonds	1,052,407	-	1,052,407	-
Municipal bonds	18,591	-	18,591	-
Asset backed	43,984	-	43,984	-
Mortgages	39,938	-	39,938	-
	<u>182,088,509</u>	<u>178,618,348</u>	<u>3,470,161</u>	<u>-</u>
Investments measured at NAV:				
Hedge funds	16,425,397			
Private equity funds	<u>2,230,396</u>			
	<u>18,655,793</u>			
Total investments	\$ <u>200,744,302</u>			
Beneficial interest in perpetual trusts	\$ <u>19,104,816</u>	<u>-</u>	<u>-</u>	<u>19,104,816</u>

Cincinnati Museum Association and Subsidiary  
Notes to the Consolidated Financial Statements  
August 31, 2021 and 2020

	August 31, <u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Cash and cash equivalents	\$ 123,616	123,616	-	-
Equities:				
Financial *	42,763,556	42,763,556	-	-
Mutual funds and ETF's:				
Fixed income	11,544,565	11,544,565	-	-
Large cap blend	28,070,796	28,070,796	-	-
Large cap growth	6,587,496	6,587,496	-	-
Large cap value	13,955,589	13,955,589	-	-
Mid cap blend	12,241,254	12,241,254	-	-
Mid cap growth	29,985	29,985	-	-
Mid cap value	8,219	8,219	-	-
Small cap blend	26,651	26,651	-	-
Small cap value	7,127,862	7,127,862	-	-
International	23,079	23,079	-	-
Alternative investments:				
Multi-alternative	68,236	68,236	-	-
Real estate funds	63,436	63,436	-	-
Corporate bonds	2,774,676	-	2,774,676	-
U.S. Treasury bonds	726,056	726,056	-	-
Agency bonds	1,362,111	-	1,362,111	-
Municipal bonds	38,884	-	38,884	-
Asset backed	98,332	-	98,332	-
Mortgages	131,111	-	131,111	-
Other/foreign bonds	<u>5,873,472</u>	<u>-</u>	<u>5,873,472</u>	<u>-</u>
	133,638,982	123,360,396	10,278,586	-
Investments measured at NAV:				
Hedge funds	14,773,153			
Private equity funds	<u>1,417,716</u>			
	<u>16,190,869</u>			
Total investments	\$ <u>149,829,851</u>			
Beneficial interest in perpetual trusts	\$ <u>16,239,253</u>	<u>-</u>	<u>-</u>	<u>16,239,253</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 \$5,000,000 which bears interest at one-month LIBOR plus 1.20% (1.29% at August 31, 2021) and expires August 31, 2022. The Association had \$3,500,000 outstanding on this line of credit at August 31, 2021 and 2020. The line of credit agreement contained certain covenants. The Association was in compliance with these covenants at August 31, 2021. 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>2021</u>	<u>2020</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	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>1,368,600</u>
Total notes payable	4,775,000	4,775,000
Unamortized debt issuance costs	<u>(237,747)</u>	<u>(245,080)</u>
	<u>\$ 4,537,253</u>	<u>4,529,920</u>

Notes payable mature as follows as of August 31:

2022	\$ -
2023	-
2024	-
2025	-
2026	71,171
Thereafter	<u>4,703,829</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. The costs are amortized over the term of the related debt of 35 years. Amortization expense for the years ended August 31, 2021 and 2020 was \$7,333.

## 12. NET ASSETS WITH DONOR RESTRICTIONS:

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

	<u>2021</u>	<u>2020</u>
Subject to the passage of time:		
Time restricted investments	\$ <u>8,396,414</u>	<u>3,392,307</u>
Subject to expenditure for a specific purpose:		
Capital projects	7,358,342	6,247,260
Art purchases	670,162	4,393,701
Other	<u>3,788,194</u>	<u>2,896,343</u>
	<u>11,816,698</u>	<u>13,537,304</u>
Subject to spending policy and appropriation:		
Unappropriated endowment funds	85,620,162	50,678,106
Endowment held in perpetuity for specified purposes	41,426,390	40,415,890
Endowment held in perpetuity for general operations	<u>22,310,588</u>	<u>22,310,588</u>
	<u>149,357,140</u>	<u>113,404,584</u>
Other funds held in perpetuity:		
Funds with purpose restricted income	266,380	1,268,691
Beneficial interest in perpetual trusts	<u>19,104,816</u>	<u>16,239,253</u>
	<u>19,371,196</u>	<u>17,507,944</u>
Total net assets with donor restrictions:	\$ <u>188,941,448</u>	<u>147,842,139</u>

Net assets released from donor restrictions during 2021 and 2020 were \$12,105,616 and \$11,769,717, 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 contributes 100% of the first 2% of eligible compensation that a participant contributes to the plan. 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 2021 and 2020 were \$111,350 and \$100,121, respectively. No discretionary profit-sharing contribution was made during 2021 or 2020.

#### 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>2021</u>	<u>2020</u>
Financial assets:		
Cash, cash equivalents and restricted cash	\$ 8,260,513	11,280,512
Accounts receivable	129,049	14,224
Pledges receivable, net	13,638,018	11,049,251
Interest and dividends receivable	34,608	52,738
Investments	<u>200,744,302</u>	<u>149,829,851</u>
Financial assets available at year-end	222,806,490	172,226,576
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with time or purpose restriction	20,479,492	18,198,302
Long-term debt proceeds for NMTC project	125,000	150,000
Investments held in board designated endowment	38,931,042	30,438,738
Investments held in donor restricted endowment	<u>149,357,140</u>	<u>113,404,584</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>13,913,816</u>	<u>10,034,952</u>

#### 15. CONTINGENCIES:

During 2019, the Museum entered into a New Markets Tax Credit arrangement. The new markets tax credits arrangement was 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 operating deficits and delivery of the new markets tax credits. 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, 2021 and 2020.

On March 11, 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) as a global pandemic. The COVID-19 pandemic has caused business disruption through closings of offices and museums, cancelling of events and significant fluctuations in stock market indices. The extent of the impact of COVID-19 pandemic on the Association's operational and financial performance will depend on certain developments, including the duration and spread of the pandemic.

Cincinnati Museum Association and Subsidiary  
Consolidating Schedule of Financial Position  
August 31, 2021

	Cincinnati Museum Association	AMSC	Eliminations	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 6,318,178	84,537	-	6,402,715
Restricted cash	1,857,798	-	-	1,857,798
Accounts receivable	129,049	-	-	129,049
Pledges receivable, net	13,638,018	-	-	13,638,018
Note receivable	-	3,406,400	-	3,406,400
Interest and dividend receivable	28,931	5,677	-	34,608
Prepaid expenses	346,349	-	-	346,349
Inventories	249,249	-	-	249,249
Investments	200,744,302	-	-	200,744,302
Investment in subsidiary	3,406,400	-	(3,406,400)	-
Cash surrender value of life insurance	110,956	-	-	110,956
Beneficial interest of perpetual trusts	19,104,816	-	-	19,104,816
Buildings and equipment, net	<u>35,221,277</u>	<u>-</u>	<u>-</u>	<u>35,221,277</u>
<b>Total assets</b>	<b>\$ <u>281,155,323</u></b>	<b><u>3,496,614</u></b>	<b><u>(3,406,400)</u></b>	<b><u>281,245,537</u></b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities:</b>				
Line of credit	\$ 3,500,000	-	-	3,500,000
Accounts payable	2,829,513	-	-	2,829,513
Accrued liabilities	1,180,821	-	-	1,180,821
Notes payable, net	4,537,253	-	-	4,537,253
Charitable remainder trusts	<u>216,570</u>	<u>-</u>	<u>-</u>	<u>216,570</u>
	<u>12,264,157</u>	<u>-</u>	<u>-</u>	<u>12,264,157</u>
<b>Net Assets:</b>				
Without donor restrictions	79,949,718	3,496,614	(3,406,400)	80,039,932
With donor restrictions	<u>188,941,448</u>	<u>-</u>	<u>-</u>	<u>188,941,448</u>
	<u>268,891,166</u>	<u>3,496,614</u>	<u>(3,406,400)</u>	<u>268,981,380</u>
<b>Total liabilities and net assets</b>	<b>\$ <u>281,155,323</u></b>	<b><u>3,496,614</u></b>	<b><u>(3,406,400)</u></b>	<b><u>281,245,537</u></b>

See accompanying notes to the consolidated financial statements.

Cincinnati Museum Association and Subsidiary  
Consolidating Schedule of Financial Position  
August 31, 2020

	Cincinnati Museum Association	AMSC	Eliminations	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 5,802,443	53,589	-	5,856,032
Restricted cash	5,424,480	-	-	5,424,480
Accounts receivable	14,224	-	-	14,224
Pledges receivable, net	11,049,251	-	-	11,049,251
Note receivable	-	3,406,400	-	3,406,400
Interest and dividend receivable	47,061	5,677	-	52,738
Prepaid expenses	601,120	-	-	601,120
Inventories	301,323	-	-	301,323
Investments	149,829,851	-	-	149,829,851
Investment in subsidiary	3,406,400	-	(3,406,400)	-
Cash surrender value of life insurance	143,046	-	-	143,046
Beneficial interest of perpetual trusts	16,239,253	-	-	16,239,253
Buildings and equipment, net	<u>30,224,414</u>	<u>-</u>	<u>-</u>	<u>30,224,414</u>
<b>Total assets</b>	<b>\$ <u>223,082,866</u></b>	<b><u>3,465,666</u></b>	<b><u>(3,406,400)</u></b>	<b><u>223,142,132</u></b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities:</b>				
Line of credit	\$ 3,500,000	-	-	3,500,000
Accounts payable	1,022,194	-	-	1,022,194
Accrued liabilities	1,812,878	-	-	1,812,878
Notes payable, net	4,529,920	-	-	4,529,920
Charitable remainder trusts	<u>307,968</u>	<u>-</u>	<u>-</u>	<u>307,968</u>
	<u>11,172,960</u>	<u>-</u>	<u>-</u>	<u>11,172,960</u>
<b>Net Assets:</b>				
Without donor restrictions	64,067,767	3,465,666	(3,406,400)	64,127,033
With donor restrictions	<u>147,842,139</u>	<u>-</u>	<u>-</u>	<u>147,842,139</u>
	<u>211,909,906</u>	<u>3,465,666</u>	<u>(3,406,400)</u>	<u>211,969,172</u>
<b>Total liabilities and net assets</b>	<b>\$ <u>223,082,866</u></b>	<b><u>3,465,666</u></b>	<b><u>(3,406,400)</u></b>	<b><u>223,142,132</u></b>

See accompanying notes to the consolidated financial statements.

Cincinnati Museum Association and Subsidiary  
Consolidating Schedule of Activities  
Year Ended August 31, 2021

	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	\$ 4,316,018	12,773,043	17,089,061	-	-	17,089,061
Trust income	922,214	127,000	1,049,214	-	-	1,049,214
Investment allocation income	2,677,084	(2,677,084)	-	-	-	-
Earned income	2,058,161	-	2,058,161	-	-	2,058,161
Deaccession income	-	158,594	158,594	-	-	158,594
Interest income	-	-	-	34,064	-	34,064
Other income	149,282	-	149,282	-	-	149,282
Bad debt loss	-	(5,616)	(5,616)	-	-	(5,616)
Net assets released from restrictions	12,105,616	(12,105,616)	-	-	-	-
Total contributions, revenues, gains	22,228,375	(1,729,679)	20,498,696	34,064	-	20,532,760
Expenses:						
Program services	12,753,397	-	12,753,397	-	-	12,753,397
Management and general	2,706,425	-	2,706,425	3,116	-	2,709,541
Fundraising	1,292,325	-	1,292,325	-	-	1,292,325
Total expenses	16,752,147	-	16,752,147	3,116	-	16,755,263
Operating income	5,476,228	(1,729,679)	3,746,549	30,948	-	3,777,497
Non-operating revenue:						
Investment return, net	10,405,723	39,963,425	50,369,148	-	-	50,369,148
Change in beneficial interest in perpetual trusts	-	2,865,563	2,865,563	-	-	2,865,563
Total non-operating revenue	10,405,723	42,828,988	53,234,711	-	-	53,234,711
Change in net assets	15,881,951	41,099,309	56,981,260	30,948	-	57,012,208
Net assets, beginning of year	64,067,767	147,842,139	211,909,906	3,465,666	(3,406,400)	211,969,172
Net assets, end of year	\$ 79,949,718	188,941,448	268,891,166	3,496,614	(3,406,400)	268,981,380

See accompanying notes to the consolidated financial statements.

Cincinnati Museum Association and Subsidiary  
Consolidating Schedule of Activities  
Year Ended August 31, 2020

	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	\$ 4,299,458	14,717,156	19,016,614	-	-	19,016,614
Trust income	897,367	120,000	1,017,367	-	-	1,017,367
Investment allocation income	2,675,769	(2,675,769)	-	-	-	-
Earned income	1,810,032	-	1,810,032	-	-	1,810,032
Deaccession income	-	902,031	902,031	-	-	902,031
Interest income	-	-	-	34,064	-	34,064
Other income	91,679	-	91,679	-	-	91,679
Bad debt loss	-	(2,500)	(2,500)	-	-	(2,500)
Net assets released from restrictions	11,769,717	(11,769,717)	-	-	-	-
Total contributions, revenues, gains	21,544,022	1,291,201	22,835,223	34,064	-	22,869,287
Expenses:						
Program services	13,937,234	-	13,937,234	-	-	13,937,234
Management and general	2,768,638	-	2,768,638	3,236	-	2,771,874
Fundraising	1,341,507	-	1,341,507	-	-	1,341,507
Total expenses	18,047,379	-	18,047,379	3,236	-	18,050,615
Operating income (loss)	3,496,643	1,291,201	4,787,844	30,828	-	4,818,672
Non-operating revenue (loss):						
Investment return, net	222,605	(10,752,676)	(10,530,071)	-	-	(10,530,071)
Change in beneficial interest in perpetual trusts	-	929,799	929,799	-	-	929,799
Total non-operating revenue (loss)	222,605	(9,822,877)	(9,600,272)	-	-	(9,600,272)
Change in net assets	3,719,248	(8,531,676)	(4,812,428)	30,828	-	(4,781,600)
Net assets, beginning of year	60,348,519	156,373,815	216,722,334	3,434,838	(3,406,400)	216,750,772
Net assets, end of year	\$ 64,067,767	147,842,139	211,909,906	3,465,666	(3,406,400)	211,969,172

See accompanying notes to the consolidated financial statements.



