



CLARK SCHAEFER HACKETT  
BUSINESS ADVISORS

## **Cincinnati Museum Association and Subsidiary**

Consolidated Financial Statements

And Supplementary Information

August 31, 2023 and 2022

(with Independent Auditors' Report)

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Cincinnati Museum Association and Subsidiary:

### **Opinion**

We have audited the accompanying consolidated financial statements of Cincinnati Museum Association and Subsidiary (not-for-profit organizations), which comprise the consolidated statements of financial position as of August 31, 2023 and 2022, 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.

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, 2023 and 2022, 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.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Consolidated Financial Statements**

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal

control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cincinnati Museum Association and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cincinnati Museum Association and Subsidiary's ability to continue as a going concern for a reasonable period of time.

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

#### **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 26-29 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 14, 2023

Cincinnati Museum Association and Subsidiary  
Consolidated Statements of Financial Position  
August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 5,963,463	5,755,987
Restricted cash	3,824,552	3,021,511
Accounts receivable	38,672	82,111
Pledges receivable, net	8,597,011	11,424,119
Note receivable	3,406,400	3,406,400
Interest and dividend receivable	70,341	53,871
Prepaid expenses	656,114	407,551
Inventories	282,682	254,088
Investments	183,566,219	170,627,046
Cash surrender value of life insurance	32,944	75,227
Beneficial interest in perpetual trusts	16,107,992	15,555,787
Buildings and equipment, net	<u>41,066,725</u>	<u>40,822,812</u>
<b>Total assets</b>	<b>\$ <u>263,613,115</u></b>	<b><u>251,486,510</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Line of credit	\$ -	3,500,000
Accounts payable	404,054	454,196
Accrued liabilities	1,807,779	1,053,108
Notes payable, net	4,551,919	4,544,586
Charitable remainder trusts	<u>-</u>	<u>117,262</u>
	<u>6,763,752</u>	<u>9,669,152</u>
<b>Net Assets:</b>		
Without donor restrictions	89,880,147	78,781,179
With donor restrictions	<u>166,969,216</u>	<u>163,036,179</u>
	<u>256,849,363</u>	<u>241,817,358</u>
<b>Total liabilities and net assets</b>	<b>\$ <u>263,613,115</u></b>	<b><u>251,486,510</u></b>

See accompanying notes to the consolidated financial statements.

Cincinnati Museum Association and Subsidiary  
Consolidated Statement of Activities  
Year Ended August 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Contributions, revenues, and gains:			
Operating revenue:			
Grants, contributions and gifts	\$ 11,280,855	6,249,150	17,530,005
Trust income	1,042,350	129,800	1,172,150
Investment allocation income	2,705,674	(2,705,674)	-
Earned income	3,468,202	-	3,468,202
Interest income	34,064	-	34,064
Other income	136,099	-	136,099
Net assets released from restrictions	<u>12,378,519</u>	<u>(12,378,519)</u>	<u>-</u>
 Total contributions, revenues, gains	 <u>31,045,763</u>	 <u>(8,705,243)</u>	 <u>22,340,520</u>
 Expenses:			
Program services	19,441,135	-	19,441,135
Management and general	3,713,395	-	3,713,395
Fundraising	<u>1,373,493</u>	<u>-</u>	<u>1,373,493</u>
 Total expenses	 <u>24,528,023</u>	 <u>-</u>	 <u>24,528,023</u>
 Operating income (loss)	 <u>6,517,740</u>	 <u>(8,705,243)</u>	 <u>(2,187,503)</u>
 Non-operating income:			
Investment return, net	4,581,228	12,086,075	16,667,303
Change in beneficial interest in perpetual trusts	<u>-</u>	<u>552,205</u>	<u>552,205</u>
 Total non-operating income	 <u>4,581,228</u>	 <u>12,638,280</u>	 <u>17,219,508</u>
 Change in net assets	 11,098,968	 3,933,037	 15,032,005
Net assets, beginning of year	<u>78,781,179</u>	<u>163,036,179</u>	<u>241,817,358</u>
 Net assets, end of year	 \$ <u>89,880,147</u>	 <u>166,969,216</u>	 <u>256,849,363</u>

See accompanying notes to the consolidated financial statements.

Cincinnati Museum Association and Subsidiary  
Consolidated Statement of Activities  
Year Ended August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Contributions, revenues, and gains:			
Operating revenue:			
Grants, contributions and gifts	\$ 3,602,305	12,235,413	15,837,718
Trust income	964,008	147,152	1,111,160
Investment allocation income	2,662,247	(2,662,247)	-
Earned income	2,886,370	-	2,886,370
Deaccession income	-	594	594
Interest income	34,064	-	34,064
Other loss	(48,469)	-	(48,469)
Bad debt loss	-	(47,452)	(47,452)
Net assets released from restrictions	<u>12,248,681</u>	<u>(12,248,681)</u>	<u>-</u>
Total contributions, revenues, gains	<u>22,349,206</u>	<u>(2,575,221)</u>	<u>19,773,985</u>
Expenses:			
Program services	15,179,041	-	15,179,041
Management and general	3,427,562	-	3,427,562
Fundraising	<u>1,348,719</u>	<u>-</u>	<u>1,348,719</u>
Total expenses	<u>19,955,322</u>	<u>-</u>	<u>19,955,322</u>
Operating income (loss)	<u>2,393,884</u>	<u>(2,575,221)</u>	<u>(181,337)</u>
Non-operating loss:			
Investment return, net	(3,652,637)	(19,781,019)	(23,433,656)
Change in beneficial interest in perpetual trusts	<u>-</u>	<u>(3,549,029)</u>	<u>(3,549,029)</u>
Total non-operating loss	<u>(3,652,637)</u>	<u>(23,330,048)</u>	<u>(26,982,685)</u>
Change in net assets	(1,258,753)	(25,905,269)	(27,164,022)
Net assets, beginning of year	<u>80,039,932</u>	<u>188,941,448</u>	<u>268,981,380</u>
Net assets, end of year	<u>\$ 78,781,179</u>	<u>163,036,179</u>	<u>241,817,358</u>

See accompanying notes to the consolidated financial statements.

Cincinnati Museum Association and Subsidiary  
Consolidated Statement of Functional Expenses  
Year Ended August 31, 2023

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Services</u>	<u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 7,221,494	1,837,352	889,525	9,948,371
Supplies	211,579	51,442	8,697	271,718
Services and professional fees	975,954	447,720	124,090	1,547,764
Travel and entertainment	143,066	31,733	7,224	182,023
Event cost and hospitality	127,430	38,401	193,996	359,827
Shipping, exhibition fees, installation and framing	1,643,048	1,325	1,483	1,645,856
Museum shop and food services cost of goods sold	472,849	231,608	-	704,457
Advertising and promotion	319,063	-	4,100	323,163
Printing and design	160,703	5,511	58,290	224,504
Occupancy	787,350	171,037	12,270	970,657
Building maintenance, equipment and technology	728,522	158,941	6,569	894,032
Interest	-	141,860	-	141,860
Depreciation	1,810,605	427,379	18,503	2,256,487
Other	167,826	169,086	48,746	385,658
Purchases of art	<u>4,671,646</u>	<u>-</u>	<u>-</u>	<u>4,671,646</u>
	<u>\$ 19,441,135</u>	<u>3,713,395</u>	<u>1,373,493</u>	<u>24,528,023</u>

See accompanying notes to the consolidated financial statements.



Cincinnati Museum Association and Subsidiary  
Consolidated Statement of Functional Expenses  
Year Ended August 31, 2022

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Services</u>	<u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 6,461,560	1,616,162	896,191	8,973,913
Supplies	207,870	47,833	3,530	259,233
Services and professional fees	1,135,191	492,049	205,232	1,832,472
Travel and entertainment	94,752	25,979	1,147	121,878
Event cost and hospitality	138,248	20,223	98,369	256,840
Shipping, exhibition fees, installation and framing	659,547	1,224	13,191	673,962
Museum shop and food services cost of goods sold	393,365	218,659	-	612,024
Advertising and promotion	299,824	9,483	4,000	313,307
Printing and design	211,861	4,672	46,223	262,756
Occupancy	815,071	181,098	12,222	1,008,391
Building maintenance, equipment and technology	506,319	111,274	4,318	621,911
Interest	-	121,328	-	121,328
Depreciation	1,785,710	422,100	18,249	2,226,059
Other	159,422	155,478	46,047	360,947
Purchases of art	<u>2,310,301</u>	<u>-</u>	<u>-</u>	<u>2,310,301</u>
	<u>\$ 15,179,041</u>	<u>3,427,562</u>	<u>1,348,719</u>	<u>19,955,322</u>

See accompanying notes to the consolidated financial statements.

Cincinnati Museum Association and Subsidiary  
Consolidated Statements of Cash Flows  
Years Ended August 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 15,032,005	(27,164,022)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	2,256,487	2,226,059
Bad debt loss	-	47,452
Realized and unrealized gain on investments	11,375,205	30,189,720
Change in beneficial interest in perpetual trusts	(552,205)	3,549,029
Contributions restricted for endowment	(3,500)	(7,000)
Donated stock	(1,679,096)	(1,912,053)
Debt issuance cost amortization included in interest expense	7,333	7,333
Loss on disposal of equipment	65,187	16,696
Effects of change in operating assets and liabilities:		
Accounts receivable	43,439	46,938
Pledges receivable	2,827,108	2,166,447
Interest and dividend receivable	(16,470)	(19,263)
Prepaid expenses	(248,563)	(61,202)
Inventories	(28,594)	(4,839)
Accounts payable	(50,142)	(2,375,317)
Accrued liabilities	791,219	68,495
Charitable remainder trusts	(117,262)	(99,308)
Net cash and cash equivalents provided by operating activities	<u>29,702,151</u>	<u>6,675,165</u>
Cash flows from investing activities:		
Proceeds from sale of investments	20,509,440	22,392,043
Purchase of investments	(43,144,722)	(20,552,454)
Capital expenditures	(2,602,135)	(8,040,498)
Change in cash value of life insurance	42,283	35,729
Net cash and cash equivalents used by investing activities	<u>(25,195,134)</u>	<u>(6,165,180)</u>
Cash flows from financing activities:		
Net change on line of credit	(3,500,000)	-
Contributions restricted for endowment	3,500	7,000
Net cash and cash equivalents provided (used) by financing activities	<u>(3,496,500)</u>	<u>7,000</u>
Net change in cash, cash equivalents and restricted cash	1,010,517	516,985
Cash, cash equivalents and restricted cash, beginning of year	<u>8,777,498</u>	<u>8,260,513</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 9,788,015</u>	<u>8,777,498</u>
Supplemental disclosures:		
Property and equipment included in accrued expenses	\$ <u>217,857</u>	<u>254,405</u>
Income tax paid	\$ <u>64,230</u>	<u>60,320</u>
Interest paid	\$ <u>134,527</u>	<u>113,995</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.

**Revenue recognition – grants, contributions and gifts**

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 immaterial at August 31, 2023 and 2022, 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. Accounts receivable for exchange transactions are not material. 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>2023</u>	<u>2022</u>
Special exhibition admission fees	\$ 270,662	84,918
Program fees	79,112	92,932
Facility rental/food services	1,781,546	1,578,183
Museum gift shop	732,244	635,989
Membership income	440,305	446,719
Exhibition income	147,858	22,102
Other earned income	<u>16,475</u>	<u>25,527</u>
 Total	 <u>\$ 3,468,202</u>	 <u>2,886,370</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, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 5,963,463	5,755,987
Restricted cash – CDE compliance	75,000	100,000
Restricted cash – operations	<u>3,749,552</u>	<u>2,921,511</u>
	<u>\$ 9,788,015</u>	<u>8,777,498</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, 2023 and 2022.

**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 were 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 2023 and 2022 were \$323,163 and \$313,307, 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 \$26,448,000 and \$24,240,000 at August 31, 2023 and 2022, 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, 2023 and 2022, the Association held a total of 538,516 shares of this corporate stock. At August 31, 2023, this corporate stock represented 31% of the fair value of all investments. At August 31, 2022, this corporate stock and one mutual fund represented 40% of the fair value of all investments.

The Association has pledges receivable from four donors which represent 52% of all pledges receivable at August 31, 2023 and 2022.

**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.

**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 14, 2023, 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>2023</u>	<u>2022</u>
Amounts due in:		
Less than one year	\$ 6,247,399	6,368,226
One to five years	2,289,700	5,121,084
Beyond five years	<u>300,000</u>	<u>300,000</u>
Total	8,837,099	11,798,310
Less net present value 2.95% - 4.46%	(216,355)	(314,121)
Less allowance for doubtful pledges	<u>(23,733)</u>	<u>(51,070)</u>
 Pledges receivable, net	 <u>\$ 8,597,011</u>	 <u>11,424,119</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>2023</u>	<u>2022</u>
Elma Lapp Foundation Trust	11%	\$ 7,538,267	7,231,424
Dorothy Kersten Trust	11%	2,765,548	2,699,550
Lawrence Wachs Trust	100%	2,515,416	2,452,519
ArtsWave Endowment	1.43%	1,609,015	1,512,084
Judson Martin Wilson Foundation			
Irrevocable Charitable Trust	60%	768,417	752,154
Thomas Busse Charitable Trust	9%	393,974	386,086
Clark Davis Trust	50%	249,185	243,599
Richard Schaengold Charitable			
Annuity Trust	10%	193,836	205,360
Rose Drucker Trust	6%	<u>74,334</u>	<u>73,011</u>
		 <u>\$ 16,107,992</u>	 <u>15,555,787</u>

**5. BUILDINGS AND EQUIPMENT:**

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

	<u>2023</u>	<u>2022</u>
Buildings and improvements	\$ 82,154,718	80,642,258
Office furniture and equipment	6,460,387	6,080,738
Construction-in-progress	<u>1,012,880</u>	<u>744,239</u>
	89,627,985	87,467,235
Accumulated depreciation	<u>48,561,260</u>	<u>46,644,423</u>
	<u>\$ 41,066,725</u>	<u>40,822,812</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, 2023 and 2022, sales of art totaled \$0 and \$594, respectively. Purchases of art totaled \$4,671,646 and \$2,310,301 for the years ended August 31, 2023 and 2022, respectively. During the years ended August 31, 2023 and 2022, there was no significant damage or items destroyed in the Association's collection.

**7. POOLED INCOME FUND AND CHARITABLE REMAINDER TRUSTS:**

The Association was 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, 2023 and 2022 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, 2023 and 2022. 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 2023 and 2022 was \$1,062,117 and \$1,067,844, 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, 2023 and 2022. 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, 2023 and 2022 was \$69,575 and \$65,076, 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 145 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, 2023 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Total Endowment <u>Assets</u>
Endowment assets, beginning of year	\$ 33,591,066	125,720,996	159,312,062
Contributions	4,247,610	3,500	4,251,110
Investment return, net	3,311,276	11,708,286	15,019,562
Amounts appropriated for expenditure	<u>(1,721,865)</u>	<u>(4,436,031)</u>	<u>(6,157,896)</u>
Endowment net assets, end of year	<u>\$ 39,428,087</u>	<u>132,996,751</u>	<u>172,424,838</u>

Changes in endowment net assets for the year ended August 31, 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Assets</u>
Endowment assets, beginning of year	\$ 38,931,042	149,357,140	188,288,182
Contributions	185,228	7,000	192,228
Investment return, net	(3,855,979)	(19,278,213)	(23,134,192)
Amounts appropriated for expenditure	<u>(1,669,225)</u>	<u>(4,364,931)</u>	<u>(6,034,156)</u>
Endowment net assets, end of year	<u>\$ 33,591,066</u>	<u>125,720,996</u>	<u>159,312,062</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>2023</u>	<u>2022</u>
Fair value of endowment assets	\$ 1,910,780	1,857,283
Original endowment gifts	<u>2,001,894</u>	<u>2,001,894</u>
Endowment gifts in deficit of fair value	\$ <u>(91,114)</u>	<u>(144,611)</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, 2023 and 2022. 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 \$4,032,106 and \$2,786,472 as of August 31, 2023 and 2022, 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, 2023 and 2022

The following tables present the assets as of August 31, 2023 and 2022 that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

	August 31, <u>2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Cash and cash equivalents	\$ 5,552,757	5,552,757	-	-
Equities:				
Consumer non-cyclical	282	282	-	-
Financial *	56,969,608	56,969,608	-	-
Mutual funds and ETF's:				
Fixed income	15,345,125	15,345,125	-	-
Large cap blend	30,307,596	30,307,596	-	-
Large cap growth	103,493	103,493	-	-
Large cap value	26,845,548	26,845,548	-	-
Mid cap blend	1,905,661	1,905,661	-	-
Small cap blend	26,203	26,203	-	-
Small cap growth	14,481	14,481	-	-
Small cap value	10,493,840	10,493,840	-	-
International	137,554	137,554	-	-
Inflation protection bond	6,990,472	6,990,472	-	-
Alternative investments:				
Multi-alternative	48,981	48,981	-	-
Real estate funds	35,337	35,337	-	-
Large cap growth	887	887	-	-
Corporate bonds	2,007,571	-	2,007,571	-
U.S. Treasury bonds	1,036,018	1,036,018	-	-
Agency bonds	1,412,445	-	1,412,445	-
Municipal bonds	15,097	-	15,097	-
Asset backed	29,750	-	29,750	-
Mortgages	16,126	-	16,126	-
	<u>159,294,832</u>	<u>155,813,843</u>	<u>3,480,989</u>	<u>-</u>
Investments measured at NAV:				
Hedge funds	21,999,473			
Private equity funds	<u>2,271,914</u>			
	<u>24,271,387</u>			
Total investments	\$ <u>183,566,219</u>			
Beneficial interest in perpetual trusts				
	\$ <u>16,107,992</u>	<u>-</u>	<u>-</u>	<u>16,107,992</u>

Cincinnati Museum Association and Subsidiary  
Notes to the Consolidated Financial Statements  
August 31, 2023 and 2022

	August 31, <u>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Cash and cash equivalents	\$ 2,743,722	2,743,722	-	-
Equities:				
Financial *	52,214,511	52,214,511	-	-
Mutual funds and ETF's:				
Fixed income	15,324,621	15,324,621	-	-
Large cap blend	29,962,191	29,962,191	-	-
Large cap growth	122,506	122,506	-	-
Large cap value	24,727,586	24,727,586	-	-
Mid cap blend	2,034,125	2,034,125	-	-
Mid cap growth	15,107	15,107	-	-
Mid cap value	10,461	10,461	-	-
Small cap blend	25,272	25,272	-	-
Small cap growth	13,351	13,351	-	-
Small cap value	9,272,742	9,272,742	-	-
International	61,786	61,786	-	-
Inflation protection bond	7,080,334	7,080,334	-	-
Alternative investments:				
Multi-alternative	47,728	47,728	-	-
Real estate funds	45,365	45,365	-	-
Corporate bonds	1,965,018	-	1,965,018	-
U.S. Treasury bonds	1,225,044	1,225,044	-	-
Agency bonds	1,214,794	-	1,214,794	-
Municipal bonds	15,820	-	15,820	-
Asset backed	34,801	-	34,801	-
Mortgages	20,865	-	20,865	-
	<u>148,177,750</u>	<u>144,926,452</u>	<u>3,251,298</u>	<u>-</u>
Investments measured at NAV:				
Hedge funds	20,139,485			
Private equity funds	<u>2,309,811</u>			
	<u>22,449,296</u>			
Total investments	\$ <u>170,627,046</u>			
Beneficial interest in perpetual trusts	\$ <u>15,555,787</u>	<u>-</u>	<u>-</u>	<u>15,555,787</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 1.85% plus the greater of 0.00% and one-month Secured Overnight Financing Rate (7.16% at August 31, 2023) and expires August 31, 2024. The Association had \$0 and \$3,500,000 outstanding on this line of credit at August 31, 2023 and 2022, respectively. The line of credit agreement contained certain covenants. The Association was in compliance with these covenants at August 31, 2023. 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>2023</u>	<u>2022</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>(223,081)</u>	<u>(230,414)</u>
	<u>\$ 4,551,919</u>	<u>4,544,586</u>

Notes payable mature as follows as of August 31:

2024	\$ -
2025	-
2026	71,171
2027	143,790
2028	145,744
Thereafter	<u>4,414,295</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, 2023 and 2022 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>2023</u>	<u>2022</u>
Subject to the passage of time:		
Time restricted investments	\$ <u>3,363,361</u>	<u>7,836,586</u>
Subject to expenditure for a specific purpose:		
Capital projects	4,416,832	6,787,426
Art purchases	7,364,880	3,147,267
Other	<u>2,480,810</u>	<u>3,742,396</u>
	<u>14,262,522</u>	<u>13,677,089</u>
Subject to spending policy and appropriation:		
Unappropriated endowment funds	69,249,273	61,977,018
Endowment held in perpetuity for specified purposes	41,436,890	41,433,390
Endowment held in perpetuity for general operations	<u>22,310,588</u>	<u>22,310,588</u>
	<u>132,996,751</u>	<u>125,720,996</u>
Other funds held in perpetuity:		
Funds with purpose restricted income	238,590	245,721
Beneficial interest in perpetual trusts	<u>16,107,992</u>	<u>15,555,787</u>
	<u>16,346,582</u>	<u>15,801,508</u>
Total net assets with donor restrictions:	\$ <u>166,969,216</u>	<u>163,036,179</u>

Net assets released from donor restrictions during 2023 and 2022 were \$12,378,519 and \$12,248,681, 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 2023 and 2022 were \$305,714 and \$214,872, respectively.

**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>2023</u>	<u>2022</u>
Financial assets:		
Cash, cash equivalents and restricted cash	\$ 9,788,015	8,777,498
Accounts receivable	38,672	82,111
Pledges receivable, net	8,597,011	11,424,119
Interest and dividends receivable	70,341	53,871
Investments	<u>183,566,219</u>	<u>170,627,046</u>
Financial assets available at year-end	202,060,258	190,964,645
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with time or purpose restriction	16,664,474	21,759,396
Long-term debt proceeds for NMTC project	75,000	100,000
Investments held in board designated endowment	39,428,087	33,591,066
Investments held in donor restricted endowment	<u>134,196,751</u>	<u>125,720,996</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>11,695,946</u>	<u>9,793,187</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, 2023 and 2022.

Cincinnati Museum Association and Subsidiary  
Consolidating Schedule of Financial Position  
August 31, 2023

	Cincinnati Museum Association	AMSC	Eliminations	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 5,817,136	146,327	-	5,963,463
Restricted cash	3,824,552	-	-	3,824,552
Accounts receivable	38,672	-	-	38,672
Pledges receivable, net	8,597,011	-	-	8,597,011
Note receivable	-	3,406,400	-	3,406,400
Interest and dividend receivable	64,664	5,677	-	70,341
Prepaid expenses	656,114	-	-	656,114
Inventories	282,682	-	-	282,682
Investments	183,566,219	-	-	183,566,219
Investment in subsidiary	3,406,400	-	(3,406,400)	-
Cash surrender value of life insurance	32,944	-	-	32,944
Beneficial interest of perpetual trusts	16,107,992	-	-	16,107,992
Buildings and equipment, net	<u>41,066,725</u>	<u>-</u>	<u>-</u>	<u>41,066,725</u>
<b>Total assets</b>	<b>\$ <u>263,461,111</u></b>	<b><u>3,558,404</u></b>	<b><u>(3,406,400)</u></b>	<b><u>263,613,115</u></b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 404,054	-	-	404,054
Accrued liabilities	1,807,779	-	-	1,807,779
Notes payable, net	<u>4,551,919</u>	<u>-</u>	<u>-</u>	<u>4,551,919</u>
	<u>6,763,752</u>	<u>-</u>	<u>-</u>	<u>6,763,752</u>
<b>Net Assets:</b>				
Without donor restrictions	89,728,143	3,558,404	(3,406,400)	89,880,147
With donor restrictions	<u>166,969,216</u>	<u>-</u>	<u>-</u>	<u>166,969,216</u>
	<u>256,697,359</u>	<u>3,558,404</u>	<u>(3,406,400)</u>	<u>256,849,363</u>
<b>Total liabilities and net assets</b>	<b>\$ <u>263,461,111</u></b>	<b><u>3,558,404</u></b>	<b><u>(3,406,400)</u></b>	<b><u>263,613,115</u></b>

See accompanying notes to the consolidated financial statements.

Cincinnati Museum Association and Subsidiary  
Consolidating Schedule of Financial Position  
August 31, 2022

	Cincinnati Museum Association	AMSC	Eliminations	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 5,637,454	118,533	-	5,755,987
Restricted cash	3,021,511	-	-	3,021,511
Accounts receivable	82,111	-	-	82,111
Pledges receivable, net	11,424,119	-	-	11,424,119
Note receivable	-	3,406,400	-	3,406,400
Interest and dividend receivable	48,194	5,677	-	53,871
Prepaid expenses	407,551	-	-	407,551
Inventories	254,088	-	-	254,088
Investments	170,627,046	-	-	170,627,046
Investment in subsidiary	3,406,400	-	(3,406,400)	-
Cash surrender value of life insurance	75,227	-	-	75,227
Beneficial interest of perpetual trusts	15,555,787	-	-	15,555,787
Buildings and equipment, net	<u>40,822,812</u>	<u>-</u>	<u>-</u>	<u>40,822,812</u>
<b>Total assets</b>	<b>\$ <u>251,362,300</u></b>	<b><u>3,530,610</u></b>	<b><u>(3,406,400)</u></b>	<b><u>251,486,510</u></b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities:</b>				
Line of credit	\$ 3,500,000	-	-	3,500,000
Accounts payable	454,196	-	-	454,196
Accrued liabilities	1,053,108	-	-	1,053,108
Notes payable, net	4,544,586	-	-	4,544,586
Charitable remainder trusts	<u>117,262</u>	<u>-</u>	<u>-</u>	<u>117,262</u>
	<u>9,669,152</u>	<u>-</u>	<u>-</u>	<u>9,669,152</u>
<b>Net Assets:</b>				
Without donor restrictions	78,656,969	3,530,610	(3,406,400)	78,781,179
With donor restrictions	<u>163,036,179</u>	<u>-</u>	<u>-</u>	<u>163,036,179</u>
	<u>241,693,148</u>	<u>3,530,610</u>	<u>(3,406,400)</u>	<u>241,817,358</u>
<b>Total liabilities and net assets</b>	<b>\$ <u>251,362,300</u></b>	<b><u>3,530,610</u></b>	<b><u>(3,406,400)</u></b>	<b><u>251,486,510</u></b>

See accompanying notes to the consolidated financial statements.

Cincinnati Museum Association and Subsidiary  
Consolidating Schedule of Activities  
Year Ended August 31, 2023

	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	\$ 11,280,855	6,249,150	17,530,005	-	-	17,530,005
Trust income	1,042,350	129,800	1,172,150	-	-	1,172,150
Investment allocation income	2,705,674	(2,705,674)	-	-	-	-
Earned income	3,468,202	-	3,468,202	-	-	3,468,202
Interest income	-	-	-	34,064	-	34,064
Other income	136,099	-	136,099	-	-	136,099
Net assets released from restrictions	12,378,519	(12,378,519)	-	-	-	-
 Total contributions, revenues, gains	 <u>31,011,699</u>	 <u>(8,705,243)</u>	 <u>22,306,456</u>	 <u>34,064</u>	 <u>-</u>	 <u>22,340,520</u>
Expenses:						
Program services	19,441,135	-	19,441,135	-	-	19,441,135
Management and general	3,707,125	-	3,707,125	6,270	-	3,713,395
Fundraising	1,373,493	-	1,373,493	-	-	1,373,493
 Total expenses	 <u>24,521,753</u>	 <u>-</u>	 <u>24,521,753</u>	 <u>6,270</u>	 <u>-</u>	 <u>24,528,023</u>
 Operating income (loss)	 <u>6,489,946</u>	 <u>(8,705,243)</u>	 <u>(2,215,297)</u>	 <u>27,794</u>	 <u>-</u>	 <u>(2,187,503)</u>
Non-operating loss:						
Investment return, net	4,581,228	12,086,075	16,667,303	-	-	16,667,303
Change in beneficial interest in perpetual trusts	-	552,205	552,205	-	-	552,205
 Total non-operating income	 <u>4,581,228</u>	 <u>12,638,280</u>	 <u>17,219,508</u>	 <u>-</u>	 <u>-</u>	 <u>17,219,508</u>
 Change in net assets	 11,071,174	 3,933,037	 15,004,211	 27,794	 -	 15,032,005
Net assets, beginning of year	<u>78,656,969</u>	<u>163,036,179</u>	<u>241,693,148</u>	<u>3,530,610</u>	<u>(3,406,400)</u>	<u>241,817,358</u>
Net assets, end of year	\$ <u>89,728,143</u>	<u>166,969,216</u>	<u>256,697,359</u>	<u>3,558,404</u>	<u>(3,406,400)</u>	<u>256,849,363</u>

See accompanying notes to the consolidated financial statements.

Cincinnati Museum Association and Subsidiary  
Consolidating Schedule of Activities  
Year Ended August 31, 2022

	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	\$ 3,602,305	12,235,413	15,837,718	-	-	15,837,718
Trust income	964,008	147,152	1,111,160	-	-	1,111,160
Investment allocation income	2,662,247	(2,662,247)	-	-	-	-
Earned income	2,886,370	-	2,886,370	-	-	2,886,370
Deaccession income	-	594	594	-	-	594
Interest income	-	-	-	34,064	-	34,064
Other loss	(48,469)	-	(48,469)	-	-	(48,469)
Bad debt loss	-	(47,452)	(47,452)	-	-	(47,452)
Net assets released from restrictions	12,248,681	(12,248,681)	-	-	-	-
<b>Total contributions, revenues, gains</b>	<b>22,315,142</b>	<b>(2,575,221)</b>	<b>19,739,921</b>	<b>34,064</b>	<b>-</b>	<b>19,773,985</b>
Expenses:						
Program services	15,179,041	-	15,179,041	-	-	15,179,041
Management and general	3,427,494	-	3,427,494	68	-	3,427,562
Fundraising	1,348,719	-	1,348,719	-	-	1,348,719
<b>Total expenses</b>	<b>19,955,254</b>	<b>-</b>	<b>19,955,254</b>	<b>68</b>	<b>-</b>	<b>19,955,322</b>
<b>Operating income (loss)</b>	<b>2,359,888</b>	<b>(2,575,221)</b>	<b>(215,333)</b>	<b>33,996</b>	<b>-</b>	<b>(181,337)</b>
Non-operating loss:						
Investment return, net	(3,652,637)	(19,781,019)	(23,433,656)	-	-	(23,433,656)
Change in beneficial interest in perpetual trusts	-	(3,549,029)	(3,549,029)	-	-	(3,549,029)
<b>Total non-operating loss</b>	<b>(3,652,637)</b>	<b>(23,330,048)</b>	<b>(26,982,685)</b>	<b>-</b>	<b>-</b>	<b>(26,982,685)</b>
<b>Change in net assets</b>	<b>(1,292,749)</b>	<b>(25,905,269)</b>	<b>(27,198,018)</b>	<b>33,996</b>	<b>-</b>	<b>(27,164,022)</b>
<b>Net assets, beginning of year</b>	<b>79,949,718</b>	<b>188,941,448</b>	<b>268,891,166</b>	<b>3,496,614</b>	<b>(3,406,400)</b>	<b>268,981,380</b>
<b>Net assets, end of year</b>	<b>\$ 78,656,969</b>	<b>163,036,179</b>	<b>241,693,148</b>	<b>3,530,610</b>	<b>(3,406,400)</b>	<b>241,817,358</b>

See accompanying notes to the consolidated financial statements.

