

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM

AUDITED FINANCIAL STATEMENTS

AND OTHER INFORMATION

JUNE 30, 2020 AND 2019

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CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
SCHEDULE OF BOARD OF TRUSTEES AND MANAGEMENT (UNAUDITED)
JUNE 30, 2020

BOARD OF TRUSTEES

Mr. Brad Martin	Chairman
Ms. Jamie Durrett	Vice-Chairman
Ms. Betsy Kimbrough	Secretary
Mr. Wes Sumner	Treasurer
Ms. Paige Adkins	Member
Mr. Frazier Allen	Member
Mr. Tommy Bates	Member
Mr. Kell Black	Member
Mr. Charles Booth	Member
Mr. Joe Creek	Member
Ms. Heather Fleming	Member
Ms. Martha Hopson	Member
Mr. Tracy Jackson	Ex-Officio
Dr. Jennifer Johnston	Member
Mr. Lawson Mabry	Member
Ms. Linda Nichols	Member
Ms. Thomasa Ross	Member
Ms. Stacy Streetman	Ex-Officio
Ms. Eleanor Williams	Ex-Officio

MANAGEMENT

Mr. Frank Lott	Executive Director
Mr. Colin McAlexander	Finance Manager



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Clarksville-Montgomery County Museum
Clarksville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Clarksville-Montgomery County Museum (the Museum), a component unit of the City of Clarksville, Tennessee, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the Museum as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Museum's basic financial statements. The introductory section and the other information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2020, on our consideration of the Museum’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Museum’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Museum’s internal control over financial reporting and compliance.

Stone Rudolph & Henry, PLC

Clarksville, Tennessee

September 23, 2020

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2020 AND 2019

INTRODUCTION

The purpose of this section, Management's Discussion and Analysis ("MD&A"), is to provide a narrative that can be used in conjunction with the audited financial statements of the Clarksville-Montgomery County Museum (the "Museum"), that provides context through which the organization and its financial information can be analyzed. This includes financial information for the years ended June 30, 2020 and 2019. Historical and non-financial information may also be presented to evaluate patterns related to the fiscal year results.

MISSION

The Museum is a private non-profit organization founded in 1983 and is exempt from federal income taxation under Section 501 (c)(3). Its mission is to collect, preserve and interpret historical, artistic and scientific material. The vision is to expose the widest audience possible to the creativity and ingenuity of the human spirit through art, science, and history within the context of cultural diversity.

OVERVIEW OF OPERATIONS AND PROGRAMS

In order to fulfill its mission, the Museum operates within two properties, both owned by the City of Clarksville. The property located on South 2nd Street consists of 35,000 square feet of temporary and permanent exhibiting space, educational activities, a gift shop, and staff offices. The Museum uses this property primarily for exhibitions, educational activities, processing collections donations, facility rentals, meetings, retail, and other day to day operating activities. This property also includes the original Customs House building, built in 1898, which the Museum is named after and is listed on the National Register of Historic Places. The property located on Jefferson Street houses and helps to preserve the Museum's permanent collection, including important historic, artistic, and scientific materials. Currently, the Museum's collection consists of over 21,000 artifacts related to the Clarksville-Montgomery County region. In order to maintain operations and programming, the Museum uses a number of activities to generate revenue. Its primary funding is provided by the City of Clarksville, but other revenue streams also include grants, admissions, donations, fundraisers, sponsorships, gift shop sales, facility rentals, and income from the Gracey Trust investment. In addition, the Museum's mission could not be accomplished without its employees. During the year ended June 30, 2020, the Museum employed ten full time and seven part time employees. The Museum is considered a component unit of the City of Clarksville.

GOVERNANCE

The Museum is governed by a Board of Trustees, which consisted of thirteen voting members and five ex-officio (non-voting) members during the year ended June 30, 2020.

OVERVIEW OF FINANCIAL STATEMENTS

The audited financial statements provide information on the health and activities of the Museum. The *Statement of Net Position* includes information on the assets, liabilities, and the net position of the organization. This states the value of the Museum's resources, any restrictions on resources, and the types of financial obligations that will need to be met by utilizing available resources. The *Statement of Revenues, Expenses, and Changes in Net Position* include all of the operating and non-operating revenues and expenses that impact the change in the Museum's net position. This helps provide an

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
YEARS ENDED JUNE 30, 2020 AND 2019

OVERVIEW OF FINANCIAL STATEMENTS (CONT'D)

overview of the types of revenue and types of expenses involved in the change in the Museum's net position, both in cash and non-cash items. The *Statement of Cash Flow's* purpose is to provide information regarding operating, investing, and financing activities of the Museum and the amount of cash that is provided and used in each activity, which affects cash and cash equivalent amounts that the Museum has at the end of the year. This report can be used to see how much cash the Museum is generating and how much cash is used during the year to pay its obligations. It is important to review all of the financial statements together to understand the Museum's financial health. Increases and decreases over time can be used as indicators of whether the Museum is improving or not improving financially.

RESULTS OF OPERATIONS AND PROGRAMS

This section of the MD&A provides a narrative for how the Museum's operations and programs during the year ended June 30, 2020 impacted the financial statements. The purpose is to provide an understanding of the primary causes of changes in the financial information between years ended June 30, 2020 and 2019. The Museum's *Statement on Net Position* and its *Budget to Actuals for Income/Expense FY 2019-2020* is also included. This information can help show how the Museum is budgeting for expected revenues and expenses, and how it is able to perform by either reaching or not reaching budgeted amounts. The Museum does not budget for depreciation, changes in market value for the Gracey Trust and donated use of property.

Assets

The Museum's total assets decreased by \$84,608 compared to the year ended June 30, 2019. This is primarily due to accumulated depreciation, which is \$203,402 higher than the prior year. While it is a non-cash item, depreciation continues to impact the Museum's financials significantly due to numerous building projects that have occurred over the past twenty-six years. Out of the items currently being depreciated, there are three items with the most significant impact on the financials, which include the building expansion in 1996, HVAC improvements performed in 2012, and building improvements in 2008, which collectively represent 60% of the accumulated depreciation total.

During the year ended June 30, 2020 the Museum added \$106,484 in leasehold improvements due to replacing outdated HVAC and electrical systems with more energy efficient equipment. The Museum also expanded the Boehm Porcelain permanent exhibition with new displays and lighting. Flooring throughout the two largest gallery spaces was replaced and significant improvements to the historic 1898 building were made. The Museum also added \$10,479 in furniture and equipment by replacing outdated computer equipment and technology. Funding for these projects was secured through a combination of revenue from the City of Clarksville, the Gracey Trust investment, and private donors. Due to the funding, this prevented a reduction in current assets. Current assets increased primarily due to prepaid expenses related to renovating and adding lighting to the exterior of the historic 1898 building. Restricted assets decreased by \$38,672 due to the change in the market value of the Gracey Trust investment. The Museum receives income from the trust annually, but the principal is restricted until 2022, when the Museum will receive 14.5% of the market value of the trust. The Museum's portion of the trust is \$1,592,163. Due to the volatility in the stock market during the third

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
YEARS ENDED JUNE 30, 2020 AND 2019

Assets (Cont'd)

and fourth quarters of the year ended June 30, 2020, the market value for the Gracey Trust decreased \$127,589. A conservative investment approach has been adopted to help protect the remaining principal against further market volatility, primarily related to the COVID-19 pandemic.

Liabilities

The Museum's total liabilities increased \$144,772 compared to the fiscal year ended June 30, 2019. The primary reason this occurred is due to receiving a \$110,597 forgivable loan through the Small Business Administration's "Paycheck Protection Program". The Museum anticipates forgiveness of the loan during the FY 2021 fiscal year. This provided funding to help cover payroll costs in the last quarter of the fiscal year, due to the Museum closing to the public for two and a half months, and cancelling its largest annual fundraiser, *Flying High*. Closing the facility and cancelling the fundraiser was a direct result of the COVID-19 pandemic, which created a period of economic uncertainty and lost revenue from admissions, membership, retail sales, fundraising, and facility rentals. The second primary reason is due to an increase in accounts payable, primarily related to a \$25,000 invoice to add exterior lighting to the historic 1898 building. The Museum continues to pay off the \$400,000 loan provided by the City of Clarksville in 1996 to help pay for the building expansion during that year. Since the year ended June 30, 2017, the Museum has focused on paying off this long-term debt while simultaneously increasing its current assets. This is part of a focus on improving the short term and long term sustainability of the organization through improving liquidity. This is the third year in a row that the Museum has been able to significantly reduce its liabilities without a large reduction in its current assets. The Museum will submit the final payment on this debt in July 2020. This will provide the Museum greater flexibility with its assets moving forward.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
YEARS ENDED JUNE 30, 2020 AND 2019

Statement of Net Position

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2020	2019	2018	Dollar Change 19 to 20	Percent Change 19 to 20
Current assets	\$ 253,470	\$ 212,967	\$ 220,123	\$ 40,503	19.02
Restricted assets	1,772,650	1,811,322	1,829,469	(38,672)	(2.14)
Subtotal	2,026,120	2,024,289	2,049,592	1,831	0.09
OTHER ASSETS					
Property and equipment (net of accumulated depreciation)	2,391,876	2,478,315	2,621,739	(86,439)	(3.49)
TOTAL ASSETS	4,417,996	4,502,604	4,671,331	(84,608)	(1.88)
Deferred outflows of resources	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,417,996	\$ 4,502,604	\$ 4,671,331	\$ (84,608)	(1.88)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	2020	2019	2018	Dollar Change 19 to 20	Percent Change 19 to 20
Current liabilities	\$ 99,831	\$ 55,025	\$ 82,951	\$ 44,806	81.43
Long-term debt	110,597	10,631	31,398	99,966	940.33
TOTAL LIABILITIES	210,428	65,656	114,349	144,772	220.50
Deferred inflows of resources	-	-	-	-	-
NET POSITION					
Unrestricted	156,629	178,704	157,274	(22,075)	(12.35)
Restricted	1,772,650	1,811,322	1,829,469	(38,672)	(2.14)
Net Investment in capital assets	2,278,289	2,446,922	2,570,239	(168,633)	(6.89)
TOTAL NET POSITION	4,207,568	4,436,948	4,556,982	(229,380)	(5.17)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 4,417,996	\$ 4,502,604	\$ 4,671,331	\$ (84,608)	(1.88)

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
YEARS ENDED JUNE 30, 2020 AND 2019

Revenues

Total revenues equaled \$1,356,670, during the year ended June 30, 2020, a decrease of \$23,924 or 1.73% compared to the year ended June 30, 2019. The primary reason is due to the Museum closing for two and a half months due to the COVID-19 pandemic. This closure and pandemic continue to impact the Museum financially. The revenue stream impacted the most was fundraising, which is \$102,517 less than the prior year due to the cancellation of the Museum's largest annual fundraiser, *Flying High*. However, the Museum used this opportunity to create a new fundraising campaign to help revitalize the historic 1898 building and help raise funds for continued programming, called the *Grand Illumination Campaign*. This helped revenue from donations to increase during June of 2020 by \$50,000. The Museum will continue this campaign until October 2020. Any donations not restricted by donors for improving the building will be used to help replace income lost from *Flying High* and help fund programming.

The Museum's investment income from the Gracey Trust amounted to \$97,305, a decrease of \$16,694 or 14.8% from the year ended June 30, 2019. Interest revenue from bank accounts also increased due to an increase in cash assets during the year ended June 30, 2020.

The Museum's membership program remained strong, despite the pandemic, just \$62 less than the prior year's revenue. The overall number of members did decrease, but many members increased their annual contributions during the last quarter of the fiscal year. Revenue from the City of Clarksville increased by \$58,029; this helped provide additional staffing, improved benefits, and additional hours for part time employees. Grant revenue was \$45,715 less than the prior year due to finishing grant obligations related to grants from the National Endowment for the Arts (NEA) and the Institute of Museum and Library Services (IMLS). The Museum will be applying for more grants in the future now that a new Executive Director, Mr. Frank Lott has been hired. New leadership will be exploring new and exciting ways to improve revenue, especially during the COVID-19 pandemic to help continue the Museum's mission.

Expenses

Total expenses equaled \$1,556,423, during the year ended June 30, 2020, a decrease of \$34,802 or 2.19% compared to the year ended June 30, 2019. This is primarily due to slight decreases in most expense categories due to closing for two and a half months. Consulting fees increased due to the Museum having a consultant as Interim Executive Director until the end of 2019. Mr. Frank Lott was hired as Executive Director in January 2020, and the Museum no longer incurred consulting expenses for the remainder of the fiscal year. The Museum experienced a substantial increase in repairs and maintenance costs for a few reasons. The outsourcing of janitorial work to a 3rd party resulting in increased cleanliness of the facility for patrons. In addition, there were increased repairs on HVAC units that are necessary for continued operations, programming, and maintaining proper environmental controls for artifacts on exhibit or being processed for the Museum's permanent collection. Safety supplies and equipment due to COVID-19 resulted in higher than normal repairs and maintenance expenses as well.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
YEARS ENDED JUNE 30, 2020 AND 2019

Expenses (Cont'd)

While the Museum's operating expenses were greater than its operating revenue, the primary reason is due to depreciation, a non-cash item. Overall, most of the budgeted expenses were not outside of budgeted limits, and were covered with appropriate funding for each project, resulting in a cash increase from operations during the year. Non-essential expenses were frozen at the onset of the COVID-19 pandemic, this resulted in many expenses being under budget. The spending freeze was lifted when operations resumed in June 2020.

Change in Net Position

Total net position decreased by \$229,380 or 5.17% to \$4,207,568 at the end of June 30, 2020. This is primarily due to depreciation and the unrealized drop in market value of the Gracey Trust Investment. The total net position without donor restrictions amounted to \$156,629, a decrease of \$22,075 or 12.35% from the year ended June 30, 2019. Total net position with donor restrictions amounts to \$1,772,650 which primarily consists of the Gracey Trust principal and \$180,487 is restricted for projects and contingencies. While the Museum's net position decreased during the year ended June 30, 2020 and 2019, it did maintain positive cash flow from operating, investing, and financing activities.

Capital Assets and Long-Term Debt

The Museum's long-term debt is solely due to its participation in the Paycheck Protection Program. The loan is forgivable based on requirements set forth in the loan agreement. The Museum has met these requirements and will be pursuing forgiveness once the Small Business Administration has finalized the process for organizations with smaller loan amounts. Once forgiven, this will have a positive impact on the long-term liquidity of the Museum due to a reduction in long-term liabilities.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
YEARS ENDED JUNE 30, 2020 AND 2019

<u>REVENUE</u>	FY 2020 budget	FY 2020 actual	FY 2019 actual	Over (Under) Budget	Budget Variance
					%
Admissions	\$ 44,000	\$ 35,636	\$ 44,788	\$ (8,364)	(19.01)
City of Clarksville	737,271	737,271	696,067	-	-
City of Clarksville – capital budget	46,300	43,161	26,336	(3,139)	(6.78)
Contributions/Donations*	35,500	88,203	4,616	52,703	148.46
Donated use of building	Non-Budgeted	330,644	330,644	330,644	-
Fundraising	154,000	31,746	134,263	(122,254)	(79.39)
Grants	-	729	46,444	729	-
Interest/Investment	63,000	98,724	115,311	35,724	56.70
Membership	44,000	46,401	46,463	2,401	5.46
Rental & Miscellaneous Inc.	17,400	17,938	14,566	538	3.09
Museum store sales	39,000	24,941	36,407	(14,059)	(36.05)
Unrealized gain (loss)	Non-Budgeted	(127,589)	(23,349)	(127,589)	-
TOTAL REVENUES	\$1,180,471	\$ 1,327,805	\$ 1,472,556	\$ 147,334	12.48
<u>*includes in-kind donations</u>					
EXPENSES				(Over) Under Budget	
Exhibits, Education, and Collections	\$ 70,025	\$ 30,916	\$ 60,540	\$ 39,109	55.85
Administrative and General, Supplies, Advertising, City Loan, Storage, Insurance, Printing, Professional Dues etc.	179,934	111,804	93,103	68,130	37.86
Depreciation	Non-budgeted	203,402	197,205	(203,402)	-
Fundraising	50,000	8,239	56,202	41,761	83.52
Payroll & Payroll Tax	528,819	523,254	494,945	5,565	1.05
Benefits (Health Insurance)	138,400	96,118	110,344	42,282	30.55
Accounting and Consulting Fees	35,721	66,068	47,133	(30,347)	(84.96)
Repairs and maintenance	59,072	81,007	68,783	(21,935)	(37.13)
Rent	Non-Budgeted	330,644	330,644	(330,644)	-
Utilities	99,500	83,885	107,515	15,615	15.69
Cost of Museum store sales	19,000	21,848	26,176	(2,848)	(14.99)
TOTAL EXPENSES	\$ 1,180,471	\$ 1,557,185	\$ 1,592,590	\$ (376,714)	(31.91)
CHANGE IN NET POSITION		(229,380)	(120,034)		
BEGINNING NET POSITION		\$ 4,436,948	\$ 4,556,982		
ENDING NET POSITION		\$ 4,207,568	\$ 4,436,948		

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
YEARS ENDED JUNE 30, 2020 AND 2019

CLOSING REMARKS

Overall, the Museum accomplished many aspects of its mission during the year ending June 30, 2020. The IMLS grant helped the Museum add another 2,248 ft. of storage space, store an additional 400 artifacts, and rehouse 90% of the textiles in the Museum's permanent collections storage facility. Over twenty temporary exhibits were hosted, which ranged from award-winning, national artists to revisiting the historical relevance of the passage of the 19th amendment and its importance in Clarksville history. The Museum also utilized more of its restricted cash assets from prior years for projects related to the Family Art Studio and a puppet tree area in the educational wing of the Museum, called "Explorer's Landing". Gracey Trust funds were used to improve technology, flooring, and lighting throughout the building. Operating support from the City of Clarksville continues to increase, which will help the Museum maintain a qualified and talented staff. The Museum also continues to raise funds to help reinvigorate the historic 1898 building, improving the campus and Downtown Clarksville as a result. With new leadership, the Museum will continue looking at new and exciting ways to generate revenue and continue its mission.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2020	2019
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 187,340	\$ 157,023
Accounts receivable	26,159	19,926
Grants receivable	-	10,000
Prepaid expenses	25,000	3,983
Inventory	14,971	22,035
Total current assets	253,470	212,967
<u>RESTRICTED ASSETS</u>		
Cash and cash equivalents	180,487	91,570
Investments	1,592,163	1,719,752
Total restricted assets	1,772,650	1,811,322
<u>PROPERTY AND EQUIPMENT</u>		
Leasehold improvements	4,987,028	4,880,544
Furniture and equipment	227,990	217,511
Total property and equipment	5,215,018	5,098,055
Less: Accumulated depreciation	(2,823,142)	(2,619,740)
Net property and equipment	2,391,876	2,478,315
Total assets	4,417,996	4,502,604
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
	-	-
Total assets and deferred outflows of resources	\$ 4,417,996	\$ 4,502,604

The accompanying notes are an integral part of the financial statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2020</u>	<u>2019</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 70,669	\$ 22,900
Accrued and withheld taxes	8,261	2,886
Accrued vacation	17,911	8,477
Current portion of long-term debt	2,990	20,762
Total current liabilities	<u>99,831</u>	<u>55,025</u>
<u>LONG-TERM DEBT</u>		
Note payable	<u>110,597</u>	<u>10,631</u>
Total liabilities	<u>210,428</u>	<u>65,656</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	<u>-</u>	<u>-</u>
<u>NET POSITION</u>		
Net investment in capital assets	2,278,289	2,446,922
Restricted:		
Expendable: restricted for projects	180,487	91,570
Nonexpendable	1,592,163	1,719,752
Unrestricted	156,629	178,704
Total net position	<u>4,207,568</u>	<u>4,436,948</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 4,417,996</u>	<u>\$ 4,502,604</u>

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
<u>OPERATING REVENUES</u>		
City of Clarksville	\$ 780,432	\$ 722,403
Grants	729	46,444
Donated use of building	330,644	330,644
Memberships	46,401	46,463
Donations and contributions	88,203	4,616
Admissions receipts	35,636	44,788
Fundraising	31,746	134,263
Gift shop sales	24,941	36,407
Rental and miscellaneous income	17,938	14,566
Total operating revenues	1,356,670	1,380,594
<u>OPERATING EXPENSES</u>		
Administrative and general	8,489	11,718
Advertising	15,093	13,721
Cost of gift shop sales	21,848	26,176
Depreciation	203,402	197,205
Dues and memberships	5,453	6,837
Education	247	823
Employee benefits	96,118	110,344
Exhibits	30,669	43,151
Fees	7,933	2,876
Fundraising	8,239	56,202
Insurance	23,289	21,891
Legal, accounting and consulting fees	66,068	47,133
Other	27,965	17,150
Payroll taxes	37,069	36,692
Postage	22	253
Printing and reproduction	13,639	10,863
Rent	330,850	336,045
Repairs and maintenance	81,007	68,783
Salaries	486,185	458,253
Supplies	8,953	17,594
Utilities	83,885	107,515
Total operating expenses	1,556,423	1,591,225
<u>OPERATING LOSS</u>	(199,753)	(210,631)

(Continued)

The accompanying notes are an integral part of the financial statements.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONT'D)
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Investment income	97,305	114,269
Interest income	1,419	1,042
Unrealized gain (loss)	(127,589)	(23,349)
Interest expense	(762)	(1,365)
Total non-operating revenues (expenses)	<u>(29,627)</u>	<u>90,597</u>
 <u>CHANGE IN NET POSITION</u>	 (229,380)	 (120,034)
 <u>NET POSITION - BEGINNING</u>	 <u>4,436,948</u>	 <u>4,556,982</u>
 <u>NET POSITION - ENDING</u>	 <u>\$ 4,207,568</u>	 <u>\$ 4,436,948</u>

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers	\$ 106,978	\$ 127,658
Cash received from contributors	922,249	909,906
Cash payments to suppliers of goods and services	(496,435)	(631,326)
Cash payments to employees for services	(476,751)	(462,161)
Net cash provided by (used in) operating activities	<u>56,041</u>	<u>(55,923)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest received	1,419	1,042
Investment income received	97,305	114,269
Net cash provided by investing activities	<u>98,724</u>	<u>115,311</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING</u> <u>ACTIVITIES</u>		
Proceeds from long-term debt	<u>110,597</u>	-
Net cash provided by noncapital financing activities	<u>110,597</u>	-
<u>CASH FLOWS FROM CAPITAL AND RELATED</u> <u>FINANCING ACTIVITIES</u>		
Purchases of leasehold improvements and equipment	(116,963)	(53,781)
Payments on long-term debt	(28,403)	(20,107)
Interest paid	(762)	(1,365)
Net cash used in capital and related financing activities	<u>(146,128)</u>	<u>(75,253)</u>
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	119,234	(15,865)
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>248,593</u>	<u>264,458</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 367,827</u>	<u>\$ 248,593</u>

(Continued)

The accompanying notes are an integral part of the financial statements.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
STATEMENTS OF CASH FLOWS (CONT'D)
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
<u>RECONCILIATION OF OPERATING LOSS</u>		
<u>TO NET CASH PROVIDED BY (USED IN)</u>		
<u>OPERATING ACTIVITIES</u>		
Operating loss	\$ (199,753)	\$ (210,631)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	203,402	197,205
Changes in:		
Accounts receivable	(6,233)	(1,820)
Grants receivable	10,000	(10,000)
Prepaid expense	(21,017)	(3,983)
Inventory	7,064	1,892
Accounts payable	47,769	(19,783)
Accrued and withheld taxes	5,375	(4,895)
Accrued vacation	9,434	(3,908)
	\$ 56,041	\$ (55,923)
Net cash provided by (used in) operating activities		

During the years ended June 30, 2020 and 2019, the Museum received free use of facilities from the City of Clarksville with an estimated value of \$330,644. The in-kind rent was accounted for as a noncash operating activity.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. Summary of Significant Accounting Policies

Reporting Entity

In November 1982, the Clarksville-Montgomery County Museum (the Museum) was established to collect, preserve, and interpret significant historic, political, social, intellectual, and technological achievements of Clarksville and Montgomery County and further the understanding of the historical development of Clarksville and Montgomery County from the beginning to the present.

The Museum is a component unit of the City of Clarksville, Tennessee (the City), which is the principal reporting entity and primary government. The City is responsible for appointing the majority of the Museum's board of trustees and provides its primary funding support.

Use of Estimates

The Museum's financial statements are presented in accordance with accounting principles generally accepted in the United States of America which require the use of management's estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from estimates in the near term and variances could have a material effect on the financial statements.

Concentration of Credit Risk

Financial instruments that potentially subject the Museum to significant concentrations of credit risk consist principally of cash and accounts receivable. Custodial credit risk for the Museum's deposits is the risk that the Museum's deposits may not be returned in the event of a bank failure. As required by state statutes, the Museum's policy is to require that financial institutions holding its deposits be members of the Tennessee Collateral Pool or pledge collateral for deposits in excess of federal depository insurance. The collateral is required to be held by the Museum or its agent in the Museum's name. With respect to accounts receivable, credit risk is dispersed across a few customers who are geographically concentrated in the service area of the Museum.

Uncertainties

In early March 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2020 AND 2019

1. Summary of Significant Accounting Policies (Cont'd)

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The financial statements of the Museum have been prepared using the economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

Cash and Cash Equivalents

The Museum considers all liquid investments purchased with a maturity of 90 days or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. Cash payments for interest were \$762 and \$1,365 for the years ended June 30, 2020 and 2019, respectively.

Uncollectible Accounts

Bad debts are charged to the related revenue account using the direct-write-off method, which is not materially different from the allowance-for-bad-debt method. Bad debt expense charged to the related revenue accounts for the years ended June 30, 2020 and 2019 was \$-0- and \$2,000, respectively.

Restricted Net Position

Restricted net position represents funds restricted for specific projects and the corpus of the endowment fund (see Note 6). When both restricted and unrestricted resources are available for use, it is the Museum's policy to use restricted resources first, then unrestricted resources as needed.

Inventories

Inventories are stated at lower of cost or market value and are determined by the moving average inventory method. A perpetual inventory is maintained with a physical inventory being taken annually.

Property and Equipment

Property and equipment are valued at cost for assets purchased. All assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years are capitalized. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. The Museum's collections are comprised of private documents such as letters, diaries, business ledgers, and other artifacts that shed light on the history of the region. All collections are donated to the Museum and are not recorded because the value of such items is not readily determinable. Upon deaccession, items of

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2020 AND 2019

1. Summary of Significant Accounting Policies (Cont'd)

Property and Equipment (Cont'd)

collection are returned to the donor or destroyed if they are no longer of value. Donated collections are never sold. The Museum deaccessed no items during the year ended June 30, 2020 and approximately 100 items during the year ended June 30, 2019.

Accrued Compensated Absences

Vacation benefits are accrued as earned and charged to salaries.

Tax-Exempt Status

The Museum is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Museum is not subject to federal income tax except on unrelated trade or business income under Section 511 of the Internal Revenue Code. However, the Museum does file the information returns required by the Internal Revenue Service (the IRS). The Museum has not been determined to be a private foundation by the IRS. The Museum is no longer subject to federal or state income tax examinations by tax authorities for fiscal years ended before June 30, 2017.

Revenues and Support

Operating income includes revenues and expenses related to the primary, continuing operations. Operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Contributions are generally available for unrestricted use in the current fiscal year unless specifically restricted by the donor. Unconditional promises to give are recorded as received.

Grants and other contributions of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. To ensure observance of limitations and restrictions placed on the use of resources available to the Museum, separate general ledger accounts of the Museum are maintained for each distinct donor restriction.

The endowment fund is the Museum's portion of a trust, which is restricted for thirty years from its inception in 1991. These funds are considered to be restricted. The earnings that are distributed from the trust are not restricted as to their use and are recorded, as allowed by state law, as unrestricted assets available for expenditure.

Contributions of noncash assets and the use of facilities (see Note 5) are recognized as economic resources and are recorded at their fair values in the period received. During the year ended June 30, 2020, the Museum received approximately 712 hours of non-skilled and 859 hours of

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2020 AND 2019

1. Summary of Significant Accounting Policies (Cont'd)

Revenues and Support (Cont'd)

skilled volunteer services valued at approximately \$6,600 and \$22,345, respectively. During the year ended June 30, 2019, the Museum received approximately 975 hours of non-skilled and 1,482 hours of skilled volunteer services valued at approximately \$9,038 and \$36,070, respectively. None of these services were recognized as income or expense in these financial statements.

Budgets and Budgetary Accounting

The Museum follows these procedures in establishing its budgetary data (not reflected in the financial statements):

- (1) The budget document is approved by the board of trustees. The primary planning tool used is the actual and projected revenues and expenditures of the immediately preceding year. The budget is approved by line item and not by broad category.
- (2) Unused budgetary appropriations lapse at the end of the year.

Date of Management's Review

Subsequent events have been evaluated through September 23, 2020, which is the date the financial statements were available to be issued.

2. Investments and Other Deposits

Investments and other deposits are restricted by state law to deposits with financial institutions and certain obligations guaranteed by the United States government, while investments and other deposits received by bequest and held in the endowment fund are not subject to such restrictions. Investments and other deposits are stated at fair value based on quoted market prices. No information is available on derivatives, if any, held in mutual funds.

Following is a schedule of the Museum's investments and other deposits at June 30, 2020:

	<u>Fair Value/ Carrying Value</u>	<u>Cost</u>	<u>Average Credit Quality/Rating</u>	<u>Percent of Total</u>
Common stocks	\$ 1,372,754	\$ 1,243,767	n/a	86.22
Money market fund	<u>219,409</u>	<u>219,409</u>	n/a	<u>13.78</u>
	<u>\$ 1,592,163</u>	<u>\$ 1,463,176</u>		<u>100.00</u>

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2020 AND 2019

2. Investments and Other Deposits (Cont'd)

Following is a schedule of the Museum's investments and other deposits at June 30, 2019:

	Fair Value/ Carrying Value	Cost	Average Credit Quality/Rating	Percent of Total
Common stocks	\$ 1,668,879	\$ 1,397,513	n/a	97.04
Money market fund	<u>50,873</u>	<u>50,763</u>	n/a	<u>2.96</u>
	<u>\$ 1,719,752</u>	<u>\$ 1,448,276</u>		<u>100.00</u>

At June 30, 2020 and 2019, cash and other deposits included bank balances of \$367,963 and \$272,014, respectively, all of which was insured by the FDIC or collateral was pledged by the State of Tennessee Bank Collateral Pool.

Total investment income (expense) of \$(30,284) and \$90,920 for the years ended June 30, 2020 and 2019, respectively, consisted of investment earnings of \$97,305 and \$114,269 for the years ended June 30, 2020 and 2019, respectively, and a net decrease in fair value of investments of \$(127,589) and \$(23,349), respectively. As described in Note 6, substantially all of the Museum's investments are held by a trustee and are not registered in the name of the Museum.

3. Funding Sources

The Museum's operating expenses are primarily funded by transfers of funds from the City of Clarksville. Other funding sources include grants, donations, endowments, memberships, gift shop sales, and fundraising projects. A major reduction in funding by the City of Clarksville could have a significant effect on the future operations of the Museum's programs and activities.

4. Property and Equipment

A summary of changes in property and equipment for the year ended June 30, 2020 is as follows:

<u>Property and Equipment</u>	<u>Balance</u> <u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2020</u>
Leasehold improvements	\$ 4,880,544	\$ 106,484	\$ -	\$ 4,987,028
Furniture and equipment	202,947	10,479	-	213,426
Vehicles	<u>14,564</u>	<u>-</u>	<u>-</u>	<u>14,564</u>
Total property and equipment	<u>\$ 5,098,055</u>	<u>\$ 116,963</u>	<u>\$ -</u>	<u>\$ 5,215,018</u>

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2020 AND 2019

4. Property and Equipment (Cont'd)

<u>Accumulated Depreciation</u>	Balance <u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2020</u>
Leasehold improvements	\$ 2,445,517	\$ 194,272	\$ -	\$ 2,639,789
Furniture and equipment	159,658	9,130	-	168,788
Vehicles	<u>14,565</u>	<u>-</u>	<u>-</u>	<u>14,565</u>
Total accumulated depreciation	<u>\$ 2,619,740</u>	<u>\$ 203,402</u>	<u>\$ -</u>	<u>\$ 2,823,142</u>

A summary of changes in property and equipment for the year ended June 30, 2019 is as follows:

<u>Property and Equipment</u>	Balance <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2019</u>
Leasehold improvements	\$ 4,860,194	\$ 20,350	\$ -	\$ 4,880,544
Furniture and equipment	169,516	33,431	-	202,947
Vehicles	<u>14,564</u>	<u>-</u>	<u>-</u>	<u>14,564</u>
Total property and equipment	<u>\$ 5,044,274</u>	<u>\$ 53,781</u>	<u>\$ -</u>	<u>\$ 5,098,055</u>

<u>Accumulated Depreciation</u>	Balance <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2019</u>
Leasehold improvements	\$ 2,253,375	\$ 192,142	\$ -	\$ 2,445,517
Furniture and equipment	154,595	5,063	-	159,658
Vehicles	<u>14,565</u>	<u>-</u>	<u>-</u>	<u>14,565</u>
Total accumulated depreciation	<u>\$ 2,422,535</u>	<u>\$ 197,205</u>	<u>\$ -</u>	<u>\$ 2,619,740</u>

5. Related Party Transactions

The building which houses the Museum was leased from the City of Clarksville for \$1 per year for 25 years beginning May 1, 2008. The warehouse which houses the Museum's artifacts was leased from the City of Clarksville for \$1 per year for 10 years beginning June 1, 2008. The fair rental value of the building and warehouse was \$330,644 for each of the years ended June 30, 2020 and 2019 and was recognized as rent expense. The fair rental value of the building and warehouse was determined by considering the age and condition of the buildings and the cost of rental space for property in the same vicinity. The Museum has completed significant renovation of the building with funds from various grants.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2020 AND 2019

6. Endowment Fund

A significant bequest was made to the Museum in fiscal year 1991 from the Estate of Finley Gracey. During the years ended June 30, 2020 and 2019, the Museum received \$97,305 and \$114,269, respectively, of investment income from the trust established under this bequest. The Museum will receive 14.5% of the annual income from the trust for thirty years. After thirty years, the same percentage of accrued income and principal will be distributed to the Museum. The Museum's portion of the funded principal balance of the trust at June 30, 2020 and 2019, was \$1,592,163 and \$1,719,752, respectively. This amount represents 14.5% of the fair value of the assets of the trust.

Endowment fund investments were composed of the following at June 30:

<u>2020</u>	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>
Common stocks	\$ 1,243,767	\$ 137,277	\$ 8,290	\$1,372,754
Money market fund	<u>219,409</u>	-	-	<u>219,409</u>
	<u>\$ 1,463,176</u>	<u>\$ 137,277</u>	<u>\$ 8,290</u>	<u>\$1,592,163</u>
<u>2019</u>	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>
Common stocks	\$ 1,397,513	\$ 271,704	\$ 338	\$1,668,879
Money market fund	<u>50,763</u>	<u>110</u>	-	<u>50,873</u>
	<u>\$ 1,448,276</u>	<u>\$ 271,814</u>	<u>\$ 338</u>	<u>\$1,719,752</u>

7. Long-Term and Other Debt

At June 30, 2020, the Museum had an outstanding balance of \$2,990 on an unsecured promissory note dated January 1, 2006 with the City of Clarksville. The note will mature on December 31, 2020. Interest is charged on the unpaid balance of the loan at a fixed annual rate of 3.28%. Monthly payments of \$1,789 of principal and interest are due on the last day of each month.

On April 29, 2020, the Museum received loan proceeds in the amount of \$110,597 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the 24-week period.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2020 AND 2019

7. Long-Term and Other Debt (Cont'd)

The unforgiven portion of the PPP loan is a note payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Museum intends to use the proceeds for purposes consistent with the PPP. While the Museum currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, the Museum cannot make absolute assurances that actions will not be taken that could cause the Museum to be ineligible for forgiveness of the loan, in whole or in part, and have therefore included the entire portion as a long-term note payable at June 30, 2020.

Following are the changes in long-term debt for the year ended June 30, 2020:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Estimated Amount Due Year Ending June 30, 2021
Notes payable	\$ 31,393	\$ 110,597	\$ 28,403	\$ 113,587	\$ 2,990

Following are the changes in long-term debt for the year ended June 30, 2019:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Estimated Amount Due Year Ending June 30, 2020
Note payable	\$ 51,500	\$ -	\$ 20,107	\$ 31,393	\$ 20,762

Future payments on long-term debt are as follows:

Year Ending June 30,	Principal	Interest
2021	\$ 2,990	\$ 1,207
Later years	110,597	1,106
Total	<u>\$ 113,587</u>	<u>\$ 2,313</u>

8. Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes 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 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under FASB ASC 820 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 Museum has the ability to access.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2020 AND 2019

8. Fair Value Measurements (Cont'd)

Level 2: Inputs to the valuation methodology include:

- o quoted prices for similar assets or liabilities in active markets;
- o quoted prices for identical or similar assets or liabilities in inactive markets;
- o inputs other than quoted prices that are observable for the asset or liability;
- o inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

Level 1 Fair Value Measurements: The fair value of the endowment fund is based on quoted net asset values of the shares held by the Museum at year end.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Museum believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Museum's assets at fair value as of June 30, 2020:

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Common stocks	\$ 1,372,754	\$ -	\$ -	\$ 1,372,754
Total	\$ 1,372,754	\$ -	\$ -	\$ 1,372,754

The following table sets forth by level, within the fair value hierarchy, the Museum's assets at fair value as of June 30, 2019:

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Common stocks	\$ 1,668,879	\$ -	\$ -	\$ 1,668,879
Total	\$ 1,668,879	\$ -	\$ -	\$ 1,668,879

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2020 AND 2019

9. Commitments and Contingencies

The Museum's exposure to property loss and general liability is handled through the purchase of commercial insurance. Insurance coverage was adequate to cover settlements for the past three fiscal years.

10. Related Entity

The Museum is supported by the Customs House Foundation, Inc. (the Foundation), a Tennessee nonprofit corporation which is recognized as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation was founded in 2012 and is managed by a board of directors which is autonomous from the Museum board of trustees. The Foundation's board members are nominated and elected by the Foundation board. The Museum's director, finance manager and finance committee chair serve as ex-officio (nonvoting) members of the Foundation's board. The Museum has no legal responsibility for or authority over the Foundation's finances. Accordingly, the Foundation does not meet the requirements for inclusion as a component unit of the Museum.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

<u>Grantor/Program Title</u>	<u>Grant Number Or Pass Through Grantor's Contract Number</u>	<u>Federal CFDA Number</u>	<u>Accrued Receivable July 1, 2019</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued Receivable June 30, 2020</u>
<u>Institute of Museum and Library Sciences</u>						
Collections Conservation	MA-30-18-0330-18	45.301	\$ -	\$ 729	\$ 729	\$ -
<u>National Endowment for the Arts</u>						
Visual Arts Programming	1847061-59-18	45.024	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
Total expenditures of federal awards			<u>\$ 10,000</u>	<u>\$ 10,729</u>	<u>\$ 729</u>	<u>\$ -</u>

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2020 AND 2019

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the State of Tennessee, Department of Audit, Audit Manual. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
Clarksville-Montgomery County Museum
Clarksville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Clarksville-Montgomery County Museum (the Museum), a component unit of the City of Clarksville, Tennessee, as of and for the year ended June 30, 2020, and the related notes to the financial statements, as listed in the table of contents, which collectively comprise the Museum's basic financial statements and have issued our report thereon dated September 23, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Museum's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control. Accordingly, we do not express an opinion on the effectiveness of the Museum's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Museum's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Museum's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Museum's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stone Rudolph & Henry, PLC

Clarksville, Tennessee

September 23, 2020

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

There were no prior year findings reported.