

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
AUDITED FINANCIAL STATEMENTS AND OTHER INFORMATION
JUNE 30, 2022 AND 2021

TABLE OF CONTENTS

Introductory Section:

Schedule of Board of Trustees and Management (unaudited).....	1
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Financial Section:

Independent Auditor's Report	2
Management's Discussion and Analysis (unaudited).....	5
Statements of Net Position	11
Statements of Revenues, Expenses and Changes in Net Position	13
Statements of Cash Flows	15
Notes to Financial Statements	17

Supplementary Information:

Schedule of Expenditures of Federal Awards	25
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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 <i>Government Auditing Standards</i>	27
Schedule of Prior Year Findings and Questioned Costs.....	29

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
SCHEDULE OF BOARD OF TRUSTEES AND MANAGEMENT (UNAUDITED)
JUNE 30, 2022

BOARD OF TRUSTEES

Ms. Jamie Durrett	Chairman
Ms. Thomasa Ross	Vice-Chairman
Ms. Linda Nichols	Secretary
Mr. Frazier Allen	Treasurer
Ms. Paige Adkins	Member
Mr. Dan Black	Member
Mr. Kell Black	Member
Ms. Christina Clark	Member
Mr. Joe Creek	Ex-Officio
Mr. Jim Diehr	Member
Mr. Darwin Eldridge	Member
Mr. Lawson Mabry	Member
Ms. Brendalyn Player	Member
Mr. Larry Richardson	Member
Ms. Vondell Richmond	Ex-Officio
Mr. Wes Sumner	Member
Ms. Eleanor Williams	Ex-Officio

MANAGEMENT

Mr. Frank Lott	Executive Director
Ms. Vicky Parker	Office Manager



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Museum as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Museum and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 and *Government 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 the Museum'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum'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 audit.

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 is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Museum's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The 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.

Other Information

Management is responsible for the other information as listed in the introductory section of the table of contents. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2022, 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 26, 2022

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2022, 2021, AND 2020

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 through the years ended June 30, 2022 and 2021. Historical and non-financial information may also be presented to evaluate patterns related to the fiscal year results.

MISSION

The Museum is a public 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, 2022, the Museum employed fourteen 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, 2022.

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 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.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
YEARS ENDED JUNE 30, 2022, 2021, AND 2020

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, 2022 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, 2022 and 2021. The Museum's *Statement of Net Position* and its *Statement of Activities with budget to actual comparison* 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, unrealized changes in market value for the Gracey Trust and donated use of property.

Assets

The Museum's total assets decreased by \$81,067 compared to the year ended June 30, 2021. This is primarily due to decreases in restricted assets. The decrease in restricted assets is largely due to the market value of the Gracey Trust Investment. The trust decreased \$184,137 during the fiscal year ending June 30, 2022. The Museum receives income from the trust annually, but the principal is restricted until July 2022, when the Museum will be entitled to receive 14.5% of the market value of the trust. As of the report date, the Trust has not disbursed funds but expects to in the next few months. The Museum's portion of the trust is currently valued at \$1,547,001 and is currently planned to continue to be restricted for Museum related programming. The stock market decreased dramatically during the second half of the fiscal year and has continued to be volatile due to supply chain issues and inflation. A conservative investment policy has been adopted to help protect the remaining principal against further market volatility.

Current and long-term pledges receivable decreased slightly by \$3,785 compared to the prior year due to generous pledges from the Clarksville Community to help maintain the Museum's model train area and to remodel the explorer's landing educational area. The explorer's landing remodeling project was completed in the fall of 2021. The amount spent on the explorer's landing project also caused an additional decrease in restricted assets of \$40,602 and an increase of \$111,783 in property and equipment. This is due to the Museum utilizing donor restricted funds for their intended use on the explorer's landing renovation project. The completion of the project also helped boost visitation, which helped cause an increase in non-donor restricted assets. The Museum also replaced an outdated HVAC unit and electrical infrastructure with more energy efficient equipment, which also contributed to the increase in property and equipment. Current assets without restrictions increased primarily due to prepaid expenses related to the Museum's largest annual fundraising event, Flying High, happening in July 2022.

Liabilities

The Museum's total liabilities increased \$19,402 compared to the fiscal year ended June 30, 2021. The primary reason this occurred is due to payables for the Flying High fundraiser and the Museum utilizing a line of credit to help finance the explorer's landing renovation project. This debt is due to be paid off by early 2023 because of pledges from generous community sponsors helping to fund the project. Payables related to Flying High are paid off by the month of the event each year and is currently on track to be one of the most successful fundraising events in many years. The Museum continues to maintain both positive short-term and long-term liquidity due to its success in fundraising since 2020. Long term debt is only incurred when there is a plan in place to raise funds to help cover the debt to protect the Museum's financial health for years to come. Increases in revenue have helped the Museum increase its current liabilities while also increasing current assets to help cover the additional costs incurred.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
YEARS ENDED JUNE 30, 2022, 2021, AND 2020

Statements of Net Position

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2022	2021	2020	Dollar Change 21 to 22	Percent Change 21 to 22
Current assets	\$ 305,720	\$ 273,831	\$ 253,470	\$ 31,889	11.64
Restricted assets	1,715,812	1,940,551	1,772,650	(224,739)	(11.58)
Subtotal	2,021,532	2,214,382	2,026,120	(192,850)	(8.70)
OTHER ASSETS					
Property and equipment (net of accumulated depreciation)	2,493,625	2,381,842	2,391,876	111,783	4.69
TOTAL ASSETS	4,515,157	4,596,224	4,417,996	(81,067)	(1.76)
Deferred outflows of resources	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,515,157	\$ 4,596,224	\$ 4,417,996	\$ (81,067)	(1.76)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	2022	2021	2020	Dollar Change 21 to 22	Percent Change 21 to 22
Current liabilities	\$ 134,308	\$ 114,906	\$ 99,831	\$ 19,402	16.88
Long-term debt	-	-	110,597	-	-
TOTAL LIABILITIES	134,308	114,906	210,428	19,402	16.88
Deferred inflows of resources	-	-	-	-	-
NET POSITION					
Unrestricted	171,412	158,925	156,629	12,487	7.85
Restricted	1,715,812	1,940,551	1,772,650	(224,739)	(11.58)
Net Investment in capital assets	2,493,625	2,381,842	2,278,289	111,783	4.69
TOTAL NET POSITION	4,380,849	4,481,318	4,207,568	(100,469)	(2.24)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 4,515,157	\$ 4,596,224	\$ 4,417,996	\$ (81,067)	(1.76)

Revenues

Total revenues equaled \$1,918,282, during the year ended June 30, 2022, a decrease of \$87,731 or 4.37% compared to the year ended June 30, 2021. The primary reason for the decrease in revenue is due to multi-year pledges from generous donors to help remodel the explorer's landing area of the Museum raised in the prior year as well as the drop in the market value of the Gracey Trust Investment in the later half of the fiscal year ended June 30, 2022. However, the Museum's total revenues outperformed budgeted expectations by \$167,786, a 9.58% increase over budget. Earned revenue streams such as: Admissions, Memberships, and Museum Store Sales all improved compared to the prior fiscal year and budgeted revenue totals for fiscal year ended June 30, 2022. Historically, the revenue totals for Admissions and Membership were the highest ever in the Museum's history, dating back to 1983.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
YEARS ENDED JUNE 30, 2022, 2021, AND 2020

Revenues Cont'd)

The Museum was very successful in generating grant revenue, including two major grant awards. A \$150,000 grant was secured from a generous community supporter to help with the explorer's landing renovation and a \$79,338 grant was awarded from the U.S. Small Business Administration's Shuttered Venue Operator program. This helped the Museum recover earned revenue lost during the COVID-19 pandemic to help maintain payroll costs during the year while the Museum opened its doors to the community again. Fundraising revenue also outperformed the prior fiscal year and budget primarily due to increased fundraising efforts and the end of the pandemic. The Museum was able to hold its first Flying High fundraiser since the beginning of the pandemic. The event was held in the late summer of 2021 and helped the Museum secure funding critical to continuing its mission. Fundraising revenue also improved due to the Museum raising funds to create 2nd & Commerce Magazine, a new printed and digital magazine, which serves the Museum's mission by showcasing local and regional art and history. A blockbuster exhibit, entitled Start Your Engines was also another successful fundraising revenue generator, which helped kickstart the fiscal year ended June 30, 2022.

Expenses

Total expenses equaled \$2,018,751 during the year ended June 30, 2022, an increase of \$286,488 or 16.54% compared to the year ended June 30, 2021. This is primarily due to increases in operating costs and expenses tied to grant and fundraising obligations. Overall budgeted expenses outside of the non-budgeted items, in-kind donated rent from the City of Clarksville and depreciation, were less than the prior fiscal year. The Museum experienced a substantial increase in repairs and maintenance due to 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. Payroll also increased due to an increase in employees and bringing employees' salaries closer to industry market rates to help retain and attract a highly talented staff. Expenses stayed in line with increases in revenue to maintain cash flow consistent with operations..

Change in Net Position

Total net position decreased by \$100,469 or 2.24% to \$4,380,849 at the end of June 30, 2022. This is primarily due to depreciation expenses related to HVAC replacements and remodeling explorer's landing and model train areas. The unrealized gain/loss with the market value of the Gracey Trust Investment also played a role in decreasing the Museum's net position. The total net position without donor restrictions amounted to \$171,412, an increase of \$12,487 or 7.86% from the year ended June 30, 2021. Total net position with donor restrictions amounts to \$1,715,812 which primarily consists of the Gracey Trust principal and remaining is restricted for projects and contingencies.

Capital Assets and Long-Term Debt

At the end of the year ended June 30, 2022, the Museum had no long-term debt due to meeting forgiveness criteria for the Small Business Administration's Paycheck Protection Program in 2021, which was awarded in 2020. It is the goal of the Museum to keep long term debt minimal unless a primary funding source for the debt can be secured.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
YEARS ENDED JUNE 30, 2022, 2021, AND 2020

Statements of Activities

REVENUE	FY 2022 budget	FY 2022 actual	FY 2021 actual	Over (Under) Budget	Budget Variance
					%
Admissions	\$ 67,000	\$ 72,559	\$ 22,303	\$ 5,559	8.29
City of Clarksville	881,480	881,480	822,571	-	-
Contributions/Donations*	40,000	48,033	228,468	8,033	20.08
Donated use of building	Non-Budgeted	330,644	330,644	330,644	-
Fundraising	330,000	334,582	148,470	4,582	1.38
Grants	230,000	229,338	50,000	(662)	(0.28)
Interest/Investment	85,400	85,064	77,309	(336)	(0.39)
Membership	74,000	79,080	41,218	5,080	6.86
Rental & Miscellaneous Inc.	8,500	6,908	14,063	(1,592)	(18.72)
Museum store sales	34,116	34,732	21,395	616	1.80
Unrealized gain (loss)	Non-Budgeted	(184,138)	138,975	(184,138)	-
Gain on extinguishment of debt	-	-	110,597	-	-
TOTAL REVENUES	\$1,750,496	\$ 1,918,282	\$ 2,006,013	\$ 167,786	9.58
<u>*includes in-kind donations</u>					
EXPENSES				(Over) Under Budget	
Exhibits, Education, and Collections	\$ 96,036	\$ 80,468	\$ 31,503	\$ 15,568	16.21
Administrative and General, Supplies, Advertising, City Loan, Storage, Insurance, Printing, Professional Dues etc.	435,000	108,332	105,821	326,668	75.09
Depreciation	Non-budgeted	237,300	222,040	(237,300)	-
Fundraising	90,000	93,799	22,629	(3,799)	(4.22)
Payroll & Payroll Tax	781,000	797,375	664,103	(16,375)	(2.09)
Benefits (Health Insurance)	81,460	84,102	115,913	(2,642)	(3.24)
Accounting and Consulting Fees	63,000	66,382	48,152	(3,382)	(5.36)
Repairs and maintenance	90,000	93,887	100,092	(3,887)	(4.31)
Rent	Non-Budgeted	330,644	330,644	(330,644)	-
Utilities	89,000	96,365	80,521	(7,365)	(8.27)
Cost of Museum store sales	25,000	29,953	10,845	(4,953)	(19.81)
TOTAL EXPENSES	\$ 1,750,496	\$ 2,018,751	\$ 1,732,263	\$ (268,255)	(15.32)
CHANGE IN NET POSITION		(100,469)	273,750		
BEGINNING NET POSITION		\$ 4,481,318	\$ 4,207,568		
ENDING NET POSITION		\$ 4,380,849	\$ 4,481,318		

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
YEARS ENDED JUNE 30, 2022, 2021, AND 2020

CLOSING REMARKS

Overall, the Museum accomplished many aspects of its mission during the year ending June 30, 2022. The Flying High and 2nd & Commerce Magazine fundraising opportunities helped secure vital funding to help provide educational programming, exhibits, and protecting the Museum's historical collection. Over fourteen temporary exhibits were hosted, which ranged from award-winning, national artists to revisiting the historical relevance of car racing in the exhibition Start Your Engines. The Museum also utilized more of its restricted cash assets from prior years for projects related to explorer's landing and the model train area. Gracey Trust funds were used to improve technology, remodel parts of the building, and cover programming costs. Operating support from the City of Clarksville continues to increase, which will help the Museum maintain a qualified and talented staff. With the pandemic over, the ability to have major fundraising events will also help the Museum continue to reach the community it serves and raise funds vital to fulfilling its mission. With the remodeling of the heavily visited explorer's landing area and neighboring exhibit areas and improvements with the end of the COVID-19 pandemic, the Museum expects earned revenue and fundraising success to continue.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2022</u>	<u>2021</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 188,997	\$ 182,912
Accounts receivable	24,266	52,408
Prepaid expenses	76,309	22,050
Inventory	16,148	16,461
Total current assets	<u>305,720</u>	<u>273,831</u>
<u>RESTRICTED ASSETS</u>		
Cash and cash equivalents	45,402	82,219
Investments	1,547,001	1,731,138
Current portion of pledges receivable	55,000	30,000
Long-term pledges receivable, net of discount	68,409	97,194
Total restricted assets	<u>1,715,812</u>	<u>1,940,551</u>
<u>PROPERTY AND EQUIPMENT</u>		
Leasehold improvements	5,491,795	5,108,015
Furniture and equipment	284,312	266,353
Construction in progress	-	52,656
Total property and equipment	<u>5,776,107</u>	<u>5,427,024</u>
Less: Accumulated depreciation	<u>(3,282,482)</u>	<u>(3,045,182)</u>
Net property and equipment	<u>2,493,625</u>	<u>2,381,842</u>
Total assets	4,515,157	4,596,224
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>-</u>	<u>-</u>
 Total assets and deferred outflows of resources	 <u><u>\$ 4,515,157</u></u>	 <u><u>\$ 4,596,224</u></u>

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

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2022	2021
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 58,371	\$ 95,816
Accrued and withheld taxes	12,709	4,861
Accrued vacation	17,436	14,229
Line of credit	45,792	-
Total current liabilities	134,308	114,906
Total liabilities	134,308	114,906
<u>DEFERRED INFLOWS OF RESOURCES</u>	-	-
<u>NET POSITION</u>		
Net investment in capital assets	2,493,625	2,381,842
Restricted:		
Expendable: restricted for projects	45,402	82,219
Nonexpendable	1,670,410	1,858,332
Unrestricted	171,412	158,925
Total net position	4,380,849	4,481,318
Total liabilities, deferred inflows of resources and net position	\$ 4,515,157	\$ 4,596,224

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>OPERATING REVENUES</u>		
City of Clarksville	\$ 881,480	\$ 822,571
Federal grants	79,338	25,000
Local grants	150,000	25,000
Donated use of building	330,644	330,644
Memberships	79,080	41,218
Donations and contributions	48,033	228,468
Admissions receipts	72,559	22,303
Fundraising	273,999	148,470
Ad sales	39,775	-
Gift shop sales	34,732	21,395
Rental and miscellaneous income	27,717	14,063
Total operating revenues	<u>2,017,357</u>	<u>1,679,132</u>
<u>OPERATING EXPENSES</u>		
Administrative and general	3,898	4,863
Advertising	19,427	12,277
Cost of gift shop sales	22,695	10,845
Depreciation	237,300	222,040
Dues and memberships	6,864	6,347
Employee benefits	84,102	115,913
Exhibits	64,517	31,007
Fees	14,431	7,231
Fundraising	90,867	22,629
Insurance	25,560	34,458
Legal, accounting and consulting fees	66,382	48,152
Other	14,135	21,292
Payroll taxes	53,966	48,111
Printing and reproduction	32,696	11,187
Rent	330,788	330,644
Repairs and maintenance	94,762	100,092
Salaries	743,409	615,992
Supplies	15,817	8,662
Utilities	96,365	80,521
Total operating expenses	<u>2,017,981</u>	<u>1,732,263</u>
<u>OPERATING INCOME (LOSS)</u>	<u>(624)</u>	<u>(53,131)</u>

(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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Gain on extinguishment of debt	-	110,597
Investment income	84,743	76,761
Interest income	320	548
Unrealized gain (loss)	(184,138)	138,975
Interest expense	(770)	-
Total non-operating revenues (expenses)	<u>(99,845)</u>	<u>326,881</u>
 <u>CHANGE IN NET POSITION</u>	 (100,469)	 273,750
 <u>NET POSITION - BEGINNING</u>	 <u>4,481,318</u>	 <u>4,207,568</u>
 <u>NET POSITION - ENDING</u>	 <u>\$ 4,380,849</u>	 <u>\$ 4,481,318</u>

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers	\$ 186,371	\$ 84,916
Cash received from contributors	1,532,269	1,109,563
Cash payments to suppliers of goods and services	(790,171)	(539,814)
Cash payments to employees for services	(740,202)	(619,674)
Net cash provided by operating activities	<u>188,267</u>	<u>34,991</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest received	320	548
Investment income received	84,743	76,761
Net cash provided by investing activities	<u>85,063</u>	<u>77,309</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING</u> <u>ACTIVITIES</u>		
Net proceeds from line of credit	45,792	-
Net cash provided by noncapital financing activities	<u>45,792</u>	<u>-</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED</u> <u>FINANCING ACTIVITIES</u>		
Purchases of leasehold improvements and equipment	(349,084)	(212,006)
Payments on long-term debt	-	(2,990)
Interest paid	(770)	-
Net cash used in capital and related financing activities	<u>(349,854)</u>	<u>(214,996)</u>
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	<u>(30,732)</u>	<u>(102,696)</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>265,131</u>	<u>367,827</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 234,399</u>	<u>\$ 265,131</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>RECONCILIATION OF OPERATING LOSS</u>		
<u>TO NET CASH PROVIDED BY</u>		
<u>OPERATING ACTIVITIES</u>		
Operating loss	\$ (624)	\$ (53,131)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Discount accretion (net)	(1,215)	2,806
Depreciation	237,300	222,040
Changes in:		
Accounts receivable	28,142	(26,249)
Pledge receivable	5,000	(130,000)
Prepaid expense	(54,259)	2,950
Inventory	313	(1,490)
Accounts payable	(37,445)	25,147
Accrued and withheld taxes	7,848	(3,400)
Accrued vacation	3,207	(3,682)
	<u>\$ 188,267</u>	<u>\$ 34,991</u>
Net cash provided by operating activities		
<u>Supplemental Disclosure of Non-Cash Activity</u>		
Paycheck Protection Program loan forgiveness	\$ -	\$ 110,597
In-kind rent from City of Clarksville	\$ 330,644	\$ 330,644

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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, accounts receivable, and pledges 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. With respect to pledges receivable, credit risk is dispersed across contributors who are geographically concentrated in the Clarksville, Tennessee service area. Consequently, the Museum's ability to collect the pledges due from contributors is affected by economic and other conditions in this geographic area. The Museum does not obtain collateral for accounts receivable or pledges receivable.

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.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2022 AND 2021

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

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 \$770 and \$-0- for the years ended June 30, 2022 and 2021, respectively.

Pledges Receivable

Pledges receivable are recognized in the period the pledge is received. Pledges receivable are expected to be collected over three- to five-year periods.

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 was \$-0- for the years ended June 30, 2022 and 2021.

Restricted Net Position

Restricted net position represents funds restricted for specific projects and the corpus of the endowment fund (see Note 7). 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 collection are returned to the donor or destroyed if they are no longer of value. Donated collections are never sold. The Museum deaccessioned no items during the years ended June 30, 2022 and 2021.

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, 2019.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2022 AND 2021

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

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 net assets. 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 6) are recognized as economic resources and are recorded at their fair values in the period received. During the year ended June 30, 2022, the Museum received approximately 682 hours of non-skilled and 769 hours of skilled volunteer services valued at approximately \$6,322 and \$20,825, respectively. During the year ended June 30, 2021, the Museum received approximately 582 hours of non-skilled and 449 hours of skilled volunteer services valued at approximately \$5,395 and \$12,590, respectively. No amounts have been recognized in the statement of activities because the criteria for recognition under FASB ASC Codification 958-605-50-1 have not been satisfied.

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 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 26, 2022, which is the date the financial statements were available to be issued.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2022 AND 2021

2. Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Museum had pledges receivable of \$125,000 at June 30, 2022, discounted \$1,591 at the rate of 0.75%, to the present value of \$123,409. No allowance was considered necessary at June 30, 2022.

The present value was calculated in the following manner:

Year	Present Value Calculation	Pledges Receivable Amount	Total Present Value	Present Value Discount
2023	1.0000	\$ 55,000	\$ 55,000	\$ -
2024	.9877	30,000	29,631	369
2025	.9755	20,000	19,510	490
2026	.9634	20,000	19,268	732
		<u>\$ 125,000</u>	<u>\$ 123,409</u>	<u>\$ 1,591</u>

Pledges receivable at June 30, 2022 and 2021, were as follows:

	2022	2021
Receivable in less than one year	\$ 55,000	\$ 30,000
Receivable in one to five years	70,000	100,000
Total receivable	125,000	130,000
Less: discounts to net present value	(1,591)	(2,806)
Net pledges receivable	<u>\$ 123,409</u>	<u>\$ 127,194</u>

3. 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, 2022:

	Fair Value/ Carrying Value	Cost	Average Credit Quality/Rating	Percent of Total
Common stocks	\$ 1,213,095	\$ 1,014,767	n/a	78.42
Money market fund	333,906	333,795	n/a	21.58
	<u>\$ 1,547,001</u>	<u>\$ 1,348,562</u>		<u>100.00</u>

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2022 AND 2021

3. Investments and Other Deposits (Cont'd)

Following is a schedule of the Museum's investments and other deposits at June 30, 2021:

	<u>Fair Value/ Carrying Value</u>	<u>Cost</u>	<u>Average Credit Quality/Rating</u>	<u>Percent of Total</u>
Common stocks	\$ 1,549,500	\$ 1,222,613	n/a	89.51
Money market fund	<u>181,638</u>	<u>181,638</u>	n/a	<u>10.49</u>
	<u>\$ 1,731,138</u>	<u>\$ 1,404,251</u>		<u>100.00</u>

At June 30, 2022 and 2021, cash and other deposits included bank balances of \$236,875 and \$275,167, 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 \$(99,395) and \$215,736 for the years ended June 30, 2022 and 2021, respectively, consisted of investment earnings of \$84,743 and \$76,761 for the years ended June 30, 2022 and 2021, respectively, and a net increase (decrease) in fair value of investments of \$(184,138) and \$138,975, respectively. As described in Note 7, substantially all of the Museum's investments are held by a trustee and are not registered in the name of the Museum.

4. 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.

5. Property and Equipment

A summary of changes in property and equipment for the year ended June 30, 2022 is as follows:

<u>Property and Equipment</u>	<u>Balance July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2022</u>
Leasehold improvements	\$ 5,108,015	\$ 383,780	\$ -	\$ 5,491,795
Furniture and equipment	251,789	17,959	-	269,748
Vehicles	14,564	-	-	14,564
Construction in progress	<u>52,656</u>	<u>-</u>	<u>52,656</u>	<u>-</u>
Total property and equipment	<u>\$ 5,427,024</u>	<u>\$ 401,739</u>	<u>\$ 52,656</u>	<u>\$ 5,776,107</u>

<u>Accumulated Depreciation</u>	<u>Balance July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2022</u>
Leasehold improvements	\$ 2,848,292	\$ 220,937	\$ -	\$ 3,069,229
Furniture and equipment	182,325	16,363	-	198,688
Vehicles	<u>14,565</u>	<u>-</u>	<u>-</u>	<u>14,565</u>
Total accumulated depreciation	<u>\$ 3,045,182</u>	<u>\$ 237,300</u>	<u>\$ -</u>	<u>\$ 3,282,482</u>

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2022 AND 2021

5. Property and Equipment (Cont'd)

A summary of changes in property and equipment for the year ended June 30, 2021 is as follows:

<u>Property and Equipment</u>	Balance <u>July 1, 2020</u>	Increases	Decreases	Balance <u>June 30, 2021</u>
Leasehold improvements	\$ 4,987,028	\$ 120,987	\$ -	\$ 5,108,015
Furniture and equipment	213,426	38,363	-	251,789
Vehicles	14,564	-	-	14,564
Construction in progress	-	52,656	-	52,656
Total property and equipment	<u>\$ 5,215,018</u>	<u>\$ 212,006</u>	<u>\$ -</u>	<u>\$ 5,427,024</u>

<u>Accumulated Depreciation</u>	Balance <u>July 1, 2020</u>	Increases	Decreases	Balance <u>June 30, 2021</u>
Leasehold improvements	\$ 2,639,789	\$ 208,503	\$ -	\$ 2,848,292
Furniture and equipment	168,788	13,537	-	182,325
Vehicles	14,565	-	-	14,565
Total accumulated depreciation	<u>\$ 2,823,142</u>	<u>\$ 222,040</u>	<u>\$ -</u>	<u>\$ 3,045,182</u>

Construction in progress is not depreciated until placed in service.

6. 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 lease has been continued on a month-to-month basis. The fair rental value of the building and warehouse was \$330,644 for each of the years ended June 30, 2022 and 2021 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.

7. 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, 2022 and 2021, the Museum received \$84,743 and \$76,761, 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. As of the audit report date, the Estate is in the process of determining the method of disbursing the principal of this bequest. There is not a definitive date the Museum will receive the portion of the principal balance.

The Museum's portion of the funded principal balance of the trust at June 30, 2022 and 2021, was \$1,547,001 and \$1,731,138, respectively. This amount represents 14.5% of the fair value of the assets of the trust.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2022 AND 2021

7. Endowment Fund (Cont'd)

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

<u>2022</u>	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>
Common stocks	\$ 1,014,807	\$ 206,292	\$ 8,004	\$ 1,213,095
Money market fund	333,755	151	-	333,906
	<u>\$ 1,348,562</u>	<u>\$ 206,443</u>	<u>\$ 8,004</u>	<u>\$ 1,547,001</u>
 <u>2021</u>	 <u>Cost</u>	 <u>Unrealized Gain</u>	 <u>Unrealized Loss</u>	 <u>Fair Value</u>
Common stocks	\$ 1,222,613	\$ 326,887	\$ -	\$ 1,549,500
Money market fund	181,638	-	-	181,638
	<u>\$ 1,404,251</u>	<u>\$ 326,887</u>	<u>\$ -</u>	<u>\$ 1,731,138</u>

8. Line of Credit

The Museum has an unsecured \$100,000 line of credit, of which \$54,208 and \$100,000 was unused at June 30, 2022 and 2021, respectively. Interest payments are due quarterly and are calculated on a variable rate of interest which was 4.75% and 3.25% at June 30, 2022 and 2021, respectively.

Changes in line of credit during the year ended June 30, 2022, was as follows:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2022</u>
Line of Credit	\$ -	\$ 73,648	\$ 27,856	\$ 45,792

9. 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.

Level 2: Inputs to 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.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2022 AND 2021

9. Fair Value Measurements (Cont'd)

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, 2022:

Assets at Fair Value			
	Level 1	Level 2	Level 3
Common stocks	\$ 1,213,095	\$ -	\$ -
Total	\$ 1,213,095	\$ -	\$ -

The following table sets forth by level, within the fair value hierarchy, the Museum's assets at fair value as of June 30, 2021:

Assets at Fair Value			
	Level 1	Level 2	Level 3
Common stocks	\$ 1,549,500	\$ -	\$ -
Total	\$ 1,549,500	\$ -	\$ -

10. 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.

11. 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 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, 2022

<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, 2021</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued Receivable June 30, 2022</u>
Shuttered Venue Operations	N/A	59.075	\$ -	\$ 79,338	\$ 79,338	\$ -
Total expenditures of federal awards			<u>\$ -</u>	<u>\$ 79,338</u>	<u>\$ 79,338</u>	<u>\$ -</u>

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022 AND 2021

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.



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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, 2022, 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 26, 2022.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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 statements. 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 26, 2022

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

There were no prior year findings reported.