

**MUHAMMAD ALI MUSEUM AND
EDUCATION CENTER, INC.**

FINANCIAL REPORT

December 31, 2022

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	1-2
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5
Statements of cash flows	6
Notes to financial statements	7-18



Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Muhammad Ali Museum and Education Center, Inc.
Louisville, Kentucky

Opinion

We have audited the accompanying financial statements of Muhammad Ali Museum and Education Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Muhammad Ali Museum and Education Center, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the 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 Muhammad Ali Museum and Education Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Muhammad Ali Museum and Education Center, Inc.'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Muhammad Ali Museum and Education Center, Inc.'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.

Jones, Nale & Mattingly P.C.

Louisville, Kentucky
May 1, 2023

MUHAMMAD ALI MUSEUM AND EDUCATION CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash	\$ 2,952,766	\$ 1,303,446
Accounts receivable	15,302	11,906
Contributions receivable, net	61,000	12,000
Inventory	89,940	72,720
Prepaid expenses	20,833	14,516
Other investments	--	1,660
Endowment investments	1,866,584	2,197,015
Property and equipment, net	26,276,106	27,518,327
Operating lease right-of-use asset	33,053	--
Total assets	\$ 31,315,584	\$ 31,131,590
 LIABILITIES		
Accounts payable	\$ 86,298	\$ 228,010
Accrued expenses	211,260	157,930
Deferred revenue	54,028	42,933
Operating lease liability	33,053	--
Total liabilities	384,639	428,873
 NET ASSETS		
Without donor restrictions	28,984,825	28,437,702
With donor restrictions	1,946,120	2,265,015
Total net assets	30,930,945	30,702,717
Total liabilities and net assets	\$ 31,315,584	\$ 31,131,590

The Notes to Financial Statements are an integral part of these statements.

MUHAMMAD ALI MUSEUM AND EDUCATION CENTER, INC.

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2022 and 2021

	December 31, 2022		
	Without Donor Restriction	With Donor Restriction	Total
Revenues and support:			
Contributions and grants	\$ 3,501,821	\$ 98,536	\$ 3,600,357
Contributed nonfinancial assets	78,330	--	78,330
Admissions and memberships	799,474	--	799,474
Sales - gift shop	634,798	--	634,798
Event space rental revenue	408,835	--	408,835
Promotional events income, net of expenses of \$231,699 in 2022 and \$222,284 in 2021	180,891	--	180,891
Investment (loss) gain, net of fees of \$19,490 in 2022 and \$20,907 in 2021	19,254	(368,611)	(349,357)
Interest and dividend income	16,197	38,180	54,377
Total revenues and support	5,639,600	(231,895)	5,407,705
Expenses:			
Program services	4,255,916	--	4,255,916
Management and general	620,203	--	620,203
Fundraising	303,358	--	303,358
Total expenses	5,179,477	--	5,179,477
Increase (decrease) in net assets before release from restrictions	460,123	(231,895)	228,228
Net assets released from restrictions	87,000	(87,000)	--
Increase (decrease) in net assets	547,123	(318,895)	228,228
Net assets at beginning of year	28,437,702	2,265,015	30,702,717
Net assets at end of year	\$ 28,984,825	\$ 1,946,120	\$ 30,930,945

The Notes to Financial Statements are an integral part of these statements.

December 31, 2021

Without Donor Restriction	With Donor Restriction	Total
\$ 2,896,866	\$ 114,014	\$ 3,010,880
171,920	--	171,920
502,220	--	502,220
431,185	--	431,185
207,722	--	207,722
156,191	--	156,191
20,907	319,649	340,556
38	53,120	53,158
<u>4,387,049</u>	<u>486,783</u>	<u>4,873,832</u>
3,824,759	--	3,824,759
294,390	--	294,390
198,578	--	198,578
<u>4,317,727</u>	<u>--</u>	<u>4,317,727</u>
69,322	486,783	556,105
<u>431,016</u>	<u>(431,016)</u>	<u>--</u>
500,338	55,767	556,105
<u>27,937,364</u>	<u>2,209,248</u>	<u>30,146,612</u>
<u>\$ 28,437,702</u>	<u>\$ 2,265,015</u>	<u>\$ 30,702,717</u>

MUHAMMAD ALI MUSEUM AND EDUCATION CENTER, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2022 and 2021

	December 31, 2022			
	Program Services	Management and General	Fundraising	Total
Cost of sales - gift shop	\$ 283,107	\$ --	\$ --	\$ 283,107
Salaries	1,302,773	112,408	203,619	1,618,800
Employee benefits and taxes	286,486	24,719	44,777	355,982
Office expense	87,808	86,151	28,758	202,717
Postage and shipping	5,606	4,183	185	9,974
Printing	10,645	529	2,758	13,932
Insurance	109,193	8,287	921	118,401
Professional services	280,002	176,009	7,567	463,578
Public relations	17,509	--	--	17,509
Travel	4,367	502	61	4,930
Marketing and promotion	40,196	--	--	40,196
Seminars and conferences	102,247	35,236	221	137,704
Depreciation	1,281,152	97,230	10,803	1,389,185
Utilities	336,824	25,563	2,840	365,227
Building, supplies, and maintenance	100,562	7,632	848	109,042
Exhibit maintenance, materials, and services	7,439	--	--	7,439
Loss on disposal	--	41,754	--	41,754
Interest expense	--	--	--	--
	<u>\$ 4,255,916</u>	<u>\$ 620,203</u>	<u>\$ 303,358</u>	<u>\$ 5,179,477</u>

The Notes to Financial Statements are an integral part of these statements.

December 31, 2021

Program Services	Management and General	Fundraising	Total
\$ 152,266	\$ --	\$ --	\$ 152,266
984,203	72,675	109,118	1,165,996
286,727	21,172	31,789	339,688
264,053	32,535	17,475	314,063
4,939	1,257	2,499	8,695
8,010	--	146	8,156
107,262	8,140	904	116,306
247,728	25,066	20,336	293,130
16,049	--	290	16,339
1,285	--	3	1,288
39,667	--	--	39,667
15,305	5,306	1,769	22,380
1,290,504	97,940	10,882	1,399,326
286,032	21,708	2,412	310,152
104,105	7,901	878	112,884
7,526	--	--	7,526
--	--	--	--
9,098	690	77	9,865
<u>\$ 3,824,759</u>	<u>\$ 294,390</u>	<u>\$ 198,578</u>	<u>\$ 4,317,727</u>

MUHAMMAD ALI MUSEUM AND EDUCATION CENTER, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 228,228	\$ 556,105
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	1,389,185	1,399,326
Non-cash operating lease expense	8,133	--
Net realized and unrealized losses (gains) on investments	349,357	(340,556)
Loss on disposal of property and equipment	41,754	--
Loss on disposition of capital lease asset	--	9,104
Contributed property and equipment	(73,000)	(168,200)
Change in assets and liabilities, net of the effects of investing and financing activities:		
Accounts receivable	(3,396)	9,894
Contributions receivable	(49,000)	48,000
Inventory	(17,220)	4,646
Prepaid expenses	(6,317)	(3,435)
Accounts payable	(141,712)	66,579
Accrued expenses	53,330	(115,314)
Deferred revenue	11,095	(16,237)
Refundable advance	--	(455,900)
Operating lease liability	(8,133)	--
Net cash provided by operating activities	1,782,304	994,012
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(181,725)	(294,572)
Sale of investments	164,459	713,788
Purchase of property and equipment	(115,718)	(60,851)
Net cash provided by (used in) investing activities	(132,984)	358,365
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	--	(325,000)
Net cash (used in) financing activities	--	(325,000)
Net increase in cash and restricted cash	1,649,320	1,027,377
Cash:		
Beginning of year	1,303,446	276,069
End of year	\$ 2,952,766	\$ 1,303,446
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	\$ --	\$ 9,865

The Notes to Financial Statements are an integral part of these statements.

MUHAMMAD ALI MUSEUM AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Summary of Significant Accounting Policies

Nature of business

Muhammad Ali Museum and Education Center, Inc. (the Organization) exists to build and operate an education center to preserve and share the legacy and ideals of Muhammad Ali, to promote respect, hope and understanding, and to inspire adults and children everywhere to be as great as they can be.

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents held in managed accounts have been recorded as investments.

The Organization maintains its cash balances in bank deposit accounts which, at times, may exceed coverage provided by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Donated investments are recorded at fair value at the date of gift. Fair value is determined by quoted market prices of identical or similar investments. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

The investments are in various money market and mutual funds, bonds and common stocks. These investments are subject to the risks common to financial markets, including interest rate risk, credit risk, and overall market risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes could materially affect the amounts reported in the statements of financial position.

Accounts receivable

Accounts receivable consist primarily of amounts due from events held at the museum. An allowance for doubtful accounts is not considered necessary because probable uncollectible amounts are immaterial.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Contributions receivable

Unconditional promises to give are reported in the statement of financial position as contributions receivable and in the statement of activities as increases in the appropriate net asset category, based on donor or time restrictions, if any. Contributions due after one year are recorded after discounting to the present value of the future cash flows.

Allowance for uncollectible contributions

The Organization provides an allowance for uncollectible contributions based upon the anticipated collectibility of each specific pledge. In evaluating the collectibility of contributions receivable, the Organization considers a number of factors, including historical loss rates, the age of the accounts, changes in collection patterns, and general economic conditions. Changes in the estimates are charged or credited to the changes in net assets in the period of change. Contributions are considered past due based upon the terms of the donor agreement. No allowance for uncollectible contributions was recorded at December 31, 2022 and 2021.

Inventory

Inventory consists primarily of gift shop merchandise and prints, and is stated at the lower of cost or net realizable value.

Property, equipment and depreciation

The Organization capitalizes, at cost, all expenditures for property and equipment in excess of \$2,000. Contributed property and equipment is recorded at fair value at the date of donation. Property and equipment are depreciated on the straight-line method over estimated useful lives ranging from 3 to 40 years. Museum exhibits including artwork and collections are capitalized and are being depreciated, except for the artwork (see Note 4).

Leases

Adopted accounting pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption), with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Leases (continued)

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022, a lease liability of \$41,186, which represents the present value of the remaining operating lease payments of \$42,696, discounted using a risk-free rate of 1.50%, and a right-of-use asset of \$41,186.

The standard had an impact on the statements of financial position but did not have an impact on the statements of activities, nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

The Organization leases equipment. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, short-term operating lease liabilities, and long-term operating lease liabilities on the statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain the option will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Deferred revenue

Deferred revenue represents amounts paid in advance for events to be held at the museum at a later date. These amounts will be recognized as revenue as the events are held (see Note 13).

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Net assets

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds to be maintained in perpetuity.

Revenue and revenue recognition

The Organization recognizes revenue from ticket sales at the time of admission. Membership dues, which are nonrefundable and consist primarily of an exchange element based on the value of the benefits provided, are recognized over the membership period. Gift shop sales are recognized at the time of the sale. Rental revenue for event space is recognized at the time the event is held with deposits deferred until that time. The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

The Organization recognizes contributions when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Organization treats contributions with donor restrictions whose restrictions are met in the same reporting period as contributions without donor restrictions.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Contributed nonfinancial assets

Contributed nonfinancial assets consist of donated goods and services. Donated goods are valued at their estimated fair value, based on the third-party appraisal value of identical or similar products, at the date of receipt. Contributions of donated services that require specialized skills and would typically need to be purchased if not provided by donation are recorded at their fair value in the period received. Total donated goods for the years ended December 31, 2022 and 2021 were \$78,330 and \$171,920, respectively, and included various pieces of artwork and memorabilia for the Organization's display and collection. Donated services were zero for both years ended December 31, 2022 and 2021. No contributed nonfinancial assets were monetized for the years ended December 31, 2022 and 2021.

Functional allocation of expenses

The costs associated with program services, management and general, and fundraising activities have been presented on a functional basis in the statements of functional expenses and summarized in the statements of activities. Accordingly, certain costs have been allocated to the three functional classifications by management, including salaries and benefits based on time and effort, and insurance, depreciation, utilities, maintenance, and interest based on square footage.

Advertising costs

The Organization expenses advertising costs as incurred. Advertising expenses totaled \$40,196 and \$39,667 for the years ended December 31, 2022 and 2021, respectively.

Income taxes

The Organization qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes has been made in these statements.

The Organization's accounting policy provides that a tax expense/benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigations processes, based on the technical merits. The Organization has no uncertain tax positions resulting in an accrual of a tax expense or benefit.

The Organization's Federal Return of Organization Exempt from Income Tax is subject to examination by the taxing authorities until the expiration of the related statute of limitations on the return, which is generally three years.

Subsequent events

Subsequent events have been evaluated through May 1, 2023, which is the date that the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

Note 2. Availability and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2022	2021
Financial assets at year end:		
Cash	\$ 2,952,766	\$ 1,303,446
Accounts receivable	15,302	11,906
Contributions receivable	61,000	12,000
Investments	1,866,584	2,198,675
Total financial assets	4,895,652	3,526,027
Less amounts not available to be used within one year:		
Net assets with donor restrictions	1,961,120	2,265,015
Less net assets with purpose or time restrictions to be met in less than a year	(61,000)	(12,000)
	1,900,120	2,253,015
	\$ 2,995,532	\$ 1,273,012

As of December 31, 2022, the Organization has \$616,584 in endowment investments available for general expenditure. As part of its liquidity plan, the Organization invests excess cash in short-term investments, including money market accounts. The Organization also has a \$500,000 line of credit to meet cash flow needs, with the full amount available as of December 31, 2022 and 2021.

Note 3. Contributions Receivable

Contributions receivable consist of the following as of December 31:

	2022	2021
Amounts due within:		
One year or less	\$ 61,000	\$ 12,000
One to five years	--	--
	61,000	12,000
Less discounts to net present value	--	--
Total contributions receivable	\$ 61,000	\$ 12,000

No contributions receivable were written off during the years ended December 31, 2022 and 2021.

NOTES TO FINANCIAL STATEMENTS

Note 4. Property and Equipment

Property and equipment consisted of the following at December 31:

	2022	2021
Building	\$ 38,141,618	\$ 38,141,618
Museum exhibits	14,246,639	14,227,434
Office equipment	283,871	364,564
Computers and software	1,429,949	1,374,608
Leasehold improvements	12,657	12,657
Furniture, fixtures, and other	1,344,609	1,535,689
	55,459,343	55,656,570
Less accumulated depreciation	(29,183,237)	(28,138,243)
	\$ 26,276,106	\$ 27,518,327

Note 5. Operating Leases

The Organization's building and facilities are located on land leased from the Parking Authority of River City, Inc., an agency of Louisville Metro Government, for \$1 per year paid in advance. The lease expires on January 15, 2101.

In addition, the Organization has an operating lease for equipment. The lease has remaining lease terms of 4 years, some of which may include options to extend the leases for up to 5 years.

Operating lease expense was \$8,684 for the year ended December 31, 2022.

	2022
Supplemental cash flow information	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 8,684
Right-of-use assets obtained in exchange for lease obligations	
Operating leases	\$ 41,186
Weighted average remaining lease term	
Operating leases	3.92 years
Weighted average discount rate	
Operating leases	1.50%

NOTES TO FINANCIAL STATEMENTS

Note 5. Operating Leases (Continued)

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2022 were as follows:

2023	\$	8,684
2024		8,684
2025		8,684
2026		7,960
		34,012
	\$	34,012
Less: imputed interest		(959)
Net lease liability	\$	33,053

Note 6. Line of Credit

The Organization has a \$500,000 line of credit agreement with PNC Bank secured by certain assets of the Organization. The line of credit bears interest equal to 2.5% in excess of the Daily SOFR Rate, as defined by PNC Bank in the August 2022 loan amendments. The interest rate at December 31, 2022 was 6.86% and the line is scheduled to mature on November 13, 2023. The Organization is required to make monthly payments of interest only on any unpaid principal balance. The line of credit had a zero balance as of both December 31, 2022 and 2021.

Note 7. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of December 31:

	2022	2021
Contributions receivable	\$ 61,000	\$ 12,000
Other donor restricted contributions	18,536	56,000
Endowment investments	1,866,584	2,197,015
	\$ 1,946,120	\$ 2,265,015

NOTES TO FINANCIAL STATEMENTS

Note 8. Net Asset Endowment

The Organization's endowment fund consists of one fund established for a variety of purposes. As required by accounting principles generally accepted in the United States of America (U.S. GAAP), net assets associated with the endowment fund are classified and reported based on the existence of donor-imposed restrictions and classified as net assets with donor restrictions in the financial statements.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Kentucky Uniform Prudent Management of Institutional Funds Act (UPMIFA) as prescribed by Kentucky Revised Statutes Section 273.600 through 273.645, as requiring the preservation of spending power of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions, the original value of gifts donated to the endowment, the original value of subsequent gifts to the endowment, and any resulting investment returns until appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the Organization and the donor-restricted endowment funds; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Organization; and (7) the investment and spending policies of the Organization.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration which is \$1,250,000. There were no such deficiencies as of December 31, 2022 and 2021.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a minimal level of investment risk.

NOTES TO FINANCIAL STATEMENTS

Note 8. Net Asset Endowment (Continued)

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Organization invests in certificates of deposit, money market funds, stocks, bonds and mutual funds. Any income earned is appropriated for spending in the same period earned and classified as unrestricted in accordance with the intent of the donor. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to maintain the fair value of the original gift. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

The changes in endowment net assets with donor restrictions for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of year	\$ 2,197,015	\$ 2,149,248
Investment income (loss)	<u>(330,431)</u>	<u>47,767</u>
Endowment net assets, end of year	<u>\$ 1,866,584</u>	<u>\$ 2,197,015</u>

Note 9. Retirement Plan

The Organization has a 401(k) plan covering substantially all eligible employees, as defined in the plan. The Organization matches 100% of employees' contributions for the first 3% of their salaries and 50% of the next 2% of their salaries. Employer contributions were \$30,826 and \$33,469 for the years ended December 31, 2022 and 2021, respectively.

Note 10. Concentrations

Contribution revenue under control of two donors was \$2,500,000 and \$795,000 for the years ended December 31, 2022 and 2021, respectively. In addition, undiscounted contributions receivable under control of the same two donors was zero for both December 31, 2022 and 2021.

Note 11. Capital Campaigns

The Organization has two previous capital campaigns, which are now closed, from which they continue to collect payments, the Tribute Campaign which began in 2016 and the Ali in All of Us initiative which began in 2017. These campaigns raised \$2,350,768 as of December 31, 2022 and 2021. As of December 31, 2022 and 2021, restricted undiscounted contributions receivable related to these campaigns totaled zero and \$12,000, respectively. Costs associated with these campaigns are expensed as incurred.

NOTES TO FINANCIAL STATEMENTS

Note 12. Fair Value of Financial Instruments

U.S. GAAP provides a framework for fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methodology for measuring fair value specifies a three-tier hierarchy of valuation techniques based upon whether the inputs to those valuation techniques are based on quoted prices of identical assets or liabilities (Level 1), significant other observable inputs (Level 2), or significant other unobservable inputs that reflect an organization's own assumptions of market participant valuation (Level 3).

The following methods and assumptions were used by the Organization in estimating the fair value disclosures of financial instruments:

The carrying amounts of cash and cash equivalents approximate fair value due to the short-term nature of these investments.

Mutual funds and corporate stocks are valued at fair value based on quoted market prices for identical securities in active markets that the Organization has the ability to access at the measurement date.

Corporate bonds are valued at fair value based on quoted market prices for similar securities in active markets that the Organization has the ability to access at the measurement date.

Fair values of assets measured on a recurring basis at December 31, 2022 are as follows:

	Balance at December 31, 2022	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Financial Assets:				
Cash and cash equivalents	\$ 41,591	\$ 41,591	\$ --	\$ --
Mutual funds	166,840	166,840	--	--
Corporate stocks	1,120,097	1,120,097	--	--
Corporate bonds	538,056	--	538,056	--
	\$ 1,866,584	\$ 1,328,528	\$ 538,056	\$ --

NOTES TO FINANCIAL STATEMENTS

Note 12. Fair Value of Financial Instruments (Continued)

Fair values of assets measured on a recurring basis at **December 31, 2021** are as follows:

	Balance at December 31, 2021	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Financial Assets:				
Cash and cash equivalents	\$ 103,560	\$ 103,560	\$ --	\$ --
Mutual funds	207,385	207,385	--	--
Corporate stocks	1,365,958	1,365,958	--	--
Corporate bonds	521,772	--	521,772	--
	<u>\$ 2,198,675</u>	<u>\$ 1,676,903</u>	<u>\$ 521,772</u>	<u>\$ --</u>

Note 13. Revenue from Contracts with Customers

The Organization's revenues have been presented on a disaggregated basis in the accompanying statements of activities. Membership dues are recognized as membership services and are provided over a period of time. The transaction price is determined by the cost of the membership and is allocated to the performance obligations as membership services are provided. Ticket sales for admissions, gift shop sales, rental revenue, and special events revenue are recognized at a point in time. The transaction price is determined by the selling price and is allocated to the performance obligation once the sale or event takes place.

Under ASU 2014-09, the timing of recognition of revenue for each performance obligation may differ from the timing of the customer billing, creating a contract asset or contract liability. The Organization has no contract assets. Contract liabilities are classified as deferred revenue. Contract liabilities were as follows for the years ended:

	December 31,		
	2022	2021	2020
Contract liabilities			
Event rental deferred revenue	<u>\$ 54,028</u>	<u>\$ 42,933</u>	<u>\$ 59,170</u>