MUHAMMAD ALI MUSEUM AND EDUCATION CENTER, INC.

FINANCIAL REPORT

December 31, 2023

C O N T E N T S

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, 2023 and 2022, 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, 2023 and 2022, 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.

Certified Public Accountants and Advisors

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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 PLC

Louisville, Kentucky
June 10, 2024

MUHAMMAD ALI MUSEUM AND EDUCATION CENTER, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 1,541,063	$ 2,952,766
Accounts receivable, net of allowance for credit losses of $4,422 and zero in 2023 and 2022, respectively	22,426	15,302
Contributions receivable, net	97,156	61,000
Grant receivable	260,747	- -
Inventory	105,511	89,940
Prepaid expenses	5,935	20,833
Endowment investments	2,190,154	1,866,584
Property and equipment, net	25,612,359	26,276,106
Operating lease right-of-use asset	24,797	33,053
Total assets	$ 29,860,148	$ 31,315,584
LIABILITIES		
Accounts payable	$ 105,059	$ 86,298
Accrued expenses	193,957	211,260
Deferred revenue	62,395	54,028
Operating lease liability	24,797	33,053
Total liabilities	386,208	384,639
NET ASSETS		
Without donor restrictions	27,003,786	28,984,825
With donor restrictions	2,470,154	1,946,120
Total net assets	29,473,940	30,930,945
Total liabilities and net assets	$ 29,860,148	$ 31,315,584

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, 2023 and 2022

	December 31, 2023		
	Without Donor Restriction	With Donor Restriction	Total
Revenues and support:			
Contributions and grants	$ 1,085,252	$ 362,010	$ 1,447,262
Contributed nonfinancial assets	25,145	- -	25,145
Admissions and memberships	858,408	- -	858,408
Sales - gift shop	710,208	- -	710,208
Event space rental revenue	469,929	- -	469,929
Promotional events income, net of expenses of $198,574 in 2023 and $231,699 in 2022	258,602	- -	258,602
Investment (loss) gain, net of fees of $19,641 in 2023 and $19,490 in 2022	15,348	284,810	300,158
Interest and dividend income	67,121	38,760	105,881
Total revenues and support	3,490,013	685,580	4,175,593
Expenses:			
Program services	4,671,111	- -	4,671,111
Management and general	581,679	- -	581,679
Fundraising	379,808	- -	379,808
Total expenses	5,632,598	- -	5,632,598
Increase (decrease) in net assets before release from restrictions	(2,142,585)	685,580	(1,457,005)
Net assets released from restrictions	161,546	(161,546)	- -
Increase (decrease) in net assets	(1,981,039)	524,034	(1,457,005)
Net assets at beginning of year	28,984,825	1,946,120	30,930,945
Net assets at end of year	$ 27,003,786	$ 2,470,154	$ 29,473,940

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

December 31, 2022		
Without Donor Restriction	With Donor Restriction	Total
$ 3,501,821	$ 98,536	$ 3,600,357
78,330	- -	78,330
799,474	- -	799,474
634,798	- -	634,798
408,835	- -	408,835
180,891	- -	180,891
19,254	(368,611)	(349,357)
16,197	38,180	54,377
5,639,600	(231,895)	5,407,705
4,255,916	- -	4,255,916
620,203	- -	620,203
303,358	- -	303,358
5,179,477	- -	5,179,477
460,123	(231,895)	228,228
87,000	(87,000)	- -
547,123	(318,895)	228,228
28,437,702	2,265,015	30,702,717
$ 28,984,825	$ 1,946,120	$ 30,930,945

MUHAMMAD ALI MUSEUM AND EDUCATION CENTER, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2023 and 2022

	December 31, 2023			
	Program Services	Management and General	Fundraising	Total
Cost of sales - gift shop	$ 305,561	$ - -	$ - -	$ 305,561
Salaries	1,593,805	151,478	261,485	2,006,768
Employee benefits and taxes	303,522	28,847	49,797	382,166
Office expense	200,980	154,088	20,744	375,812
Postage and shipping	3,281	4,516	16	7,813
Printing	27,994	918	2,122	31,034
Insurance	111,820	10,628	18,345	140,793
Professional services	182,231	76,313	1,325	259,869
Public relations	14,663	- -	- -	14,663
Travel	26,295	2,179	5,625	34,099
Marketing and promotion	35,532	- -	- -	35,532
Seminars and conferences	72,617	10,895	5,401	88,913
Depreciation	1,255,718	95,300	10,589	1,361,607
Utilities	361,161	27,409	3,045	391,615
Building, supplies, and maintenance	155,818	11,825	1,314	168,957
Exhibit maintenance, materials, and services	15,291	- -	- -	15,291
Credit loss expense	4,822	- -	- -	4,822
Loss on disposal	- -	7,283	- -	7,283
Total functional expenses	$ 4,671,111	$ 581,679	$ 379,808	$ 5,632,598

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

December 31, 2022			
Program Services	Management and General	Fundraising	Total
$ 283,107	$ - -	$ - -	$ 283,107
1,302,773	112,408	203,619	1,618,800
286,486	24,719	44,777	355,982
87,808	86,151	28,758	202,717
5,606	4,183	185	9,974
10,645	529	2,758	13,932
109,193	8,287	921	118,401
280,002	176,009	7,567	463,578
17,509	- -	- -	17,509
4,367	502	61	4,930
40,196	- -	- -	40,196
102,247	35,236	221	137,704
1,281,152	97,230	10,803	1,389,185
336,824	25,563	2,840	365,227
100,562	7,632	848	109,042
7,439	- -	- -	7,439
- -	- -	- -	- -
- -	41,754	- -	41,754
$ 4,255,916	$ 620,203	$ 303,358	$ 5,179,477

MUHAMMAD ALI MUSEUM AND EDUCATION CENTER, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ (1,457,005)	$ 228,228
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,361,607	1,389,185
Non-cash operating lease expense	8,684	8,133
Net realized and unrealized (gains) losses on investments	(300,158)	349,357
Loss on disposal of property and equipment	7,284	41,754
Contributed property and equipment	(8,500)	(73,000)
Change in assets and liabilities, net of the effects of investing and financing activities:		
Accounts receivable, net	(7,124)	(3,396)
Contributions receivable, net	(36,156)	(49,000)
Grant receivable	(260,747)	- -
Inventory	(15,571)	(17,220)
Prepaid expenses	14,898	(6,317)
Accounts payable	18,761	(141,712)
Accrued expenses	(17,303)	53,330
Deferred revenue	8,367	11,095
Operating lease liability	(8,684)	(8,133)
Net cash provided by (used in) operating activities	(691,647)	1,782,304
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(110,179)	(181,725)
Sale of investments	86,767	164,459
Purchase of property and equipment	(696,644)	(115,718)
Net cash (used in) investing activities	(720,056)	(132,984)
Net increase (decrease) in cash	(1,411,703)	1,649,320
Cash and cash equivalents:		
Beginning of year	2,952,766	1,303,446
End of year	$ 1,541,063	$ 2,952,766

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

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 and cash equivalents

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.

NOTES TO FINANCIAL STATEMENTS

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

Accounts receivable and allowance for credit losses

The Organization operates in the museum industry, and its accounts receivable consists primarily of amounts due from events held at the museum. Accounts receivable are stated at net realizable value. The Organization uses the allowance method to account for uncollectible accounts receivable. The balance in accounts receivable as of December 31, 2023, 2022, and 2021 was $22,426, $15,302, and $11,906, respectively.

Management maintains an allowance for potential credit losses based on its assessment of the current status of the customer accounts. At each statement of financial position date, the Organization recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. Accounts receivable are usually collected within thirty days.

The allowance estimate is derived from a review of the Organization's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Organization. The Organization believes historical loss information is a reasonable starting point with which to calculate the expected allowance for credit losses as the Organization's receivables have remained consistent since the Organization's inception.

The Organization writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. Subsequent recoveries are credited to the allowance for credit losses. Change in the allowance for credit losses are as follows:

	December 31	
	2023	2022
Beginning balances	$ - -	$ - -
Provision for credit losses	4,422	- -
	$ 4,422	$ - -

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.

NOTES TO FINANCIAL STATEMENTS

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

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, 2023 and 2022.

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 $2,500. 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 5).

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, 2023 and 2022 were $25,145 and $78,330, 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, 2023 and 2022. No contributed nonfinancial assets were monetized for the years ended December 31, 2023 and 2022.

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 $35,532 and $40,196 for the years ended December 31, 2023 and 2022, 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.

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

Adoption of accounting pronouncement

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through increase in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing the Organization's exposure to credit risk and the measurement of credit losses. The Organization's financial assets subject to the guidance include trade accounts receivable. The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not material to the financial statements and primarily resulted in new and enhanced disclosures only.

Subsequent events

Subsequent events have been evaluated through June 10, 2024, which is the date that the financial statements were available to be issued.

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:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	$ 1,541,063	$ 2,952,766
Accounts receivable	22,426	15,302
Contributions receivable	97,156	61,000
Investments	2,190,154	1,866,584
Total financial assets	3,850,799	4,895,652
Less amounts not available to be used within one year:		
Net assets with donor restrictions	2,470,154	1,946,120
Less net assets with purpose or time restrictions to be met in less than a year	(97,156)	(61,000)
	2,372,998	1,885,120
	$ 1,477,801	$ 3,010,532

As of December 31, 2023, the Organization has $940,154 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, 2023 and 2022.

NOTES TO FINANCIAL STATEMENTS

Note 3. Contributions Receivable

Contributions receivable consist of the following as of December 31:

		2023		2022
Amounts due within:				
One year or less	$	97,156	$	61,000
One to five years		- -		- -
		97,156		61,000
Less discounts to net present value		- -		- -
Total contributions receivable	$	97,156	$	61,000

No contributions receivable were written off during the years ended December 31, 2023 and 2022.

Note 4. Grant Receivable

The Organization received a grant from the Louisville Metro Government during the year ended December 31, 2023, for purposes of replacing and installing a new escalator at the Muhammad Ali Center. Funds are provided to the Center on a reimbursement basis regarding its expenses related to the project, up to the amount of $1,000,000. As of December 31, 2023, $260,747 had been spent by the Organization, but not yet reimbursed by Louisville Metro Government, and has been recorded as a grant receivable.

Note 5. Property and Equipment

Property and equipment consisted of the following at December 31:

	2023	2022
Building	$ 38,462,529	$ 38,141,618
Museum exhibits	14,255,139	14,246,639
Office equipment	279,671	283,871
Computers and software	1,626,793	1,429,949
Leasehold improvements	12,657	12,657
Furniture, fixtures, and other	1,452,110	1,344,609
	56,088,899	55,459,343
Less accumulated depreciation	(30,476,540)	(29,183,237)
	$ 25,612,359	$ 26,276,106

Note 6. 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 3 years, some of which may include options to extend the lease for up to 5 years.

Operating lease expense was $8,684 for the year ended December 31, 2023.

	2023	2022
Supplemental cash flow information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 8,684	$ 8,684
Operating leases	2.92 years	3.92 years
Weighted average discount rate		
Operating leases	1.50%	1.50%

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2023 were as follows:

2024	$ 8,684
2025	8,684
2026	7,959
	$ 25,327
Less: imputed interest	(530)
Net lease liability	$ 24,797

Note 7. 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, 2023 was 7.85% and the line is scheduled to mature on November 13, 2024. 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, 2023 and 2022.

NOTES TO FINANCIAL STATEMENTS

Note 8. Net Assets with Donor Restrictions

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

	2023	2022
Contributions receivable	$ - -	$ 61,000
Other donor restricted contributions	280,000	18,536
Endowment investments	2,190,154	1,866,584
	$ 2,470,154	$ 1,946,120

Note 9. 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, 2023 and 2022.

Note 9. Net Asset Endowment (Continued)

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.

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, 2023 and 2022 were as follows:

	2023	2022
Endowment net assets, beginning of year	$ 1,866,584	$ 2,197,015
Investment income (loss)	323,570	(330,431)
Endowment net assets, end of year	$ 2,190,154	$ 1,866,584

Note 10. 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 $40,946 and $30,826 for the years ended December 31, 2023 and 2022, respectively.

Note 11. Concentrations

Contribution revenue under control of four donors was $1,130,000 for the year ended December 31, 2023, with undiscounted contributions receivable under control of the same four donors of zero for the year ended December 31, 2023. Contribution revenue under control of two donors was $2,500,000 for the year ended December 31, 2022, with undiscounted contributions receivable under control of the same two donors of zero for the year ended December 31, 2022.

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, 2023 are as follows:

	Balance at December 31, 2023	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Financial Assets:				
Cash and cash equivalents	$ 64,804	$ 64,804	$ - -	$ - -
Mutual funds	187,189	187,189	- -	- -
Corporate stocks	1,388,300	1,388,300	- -	- -
Corporate bonds	549,861	- -	549,861	- -
	$ 2,190,154	$ 1,640,293	$ 549,861	$ - -

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	$ - -

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,		
	2023	2022	2021
Contract liabilities			
Event rental deferred revenue	$ 62,395	$ 54,028	$ 42,933