

THE MUSICIANS HALL OF FAME AND MUSEUM

FINANCIAL STATEMENTS

December 31, 2022 and 2021

**The Musicians Hall of Fame and Museum
December 31, 2022 and 2021**

Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to the Financial Statements	8 - 15

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Musicians Hall of Fame and Museum
Nashville, Tennessee

Opinion

We have audited the accompanying financial statements of The Musicians Hall of Fame and Museum (a nonprofit organization), which comprise the statement 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 The Musicians Hall of Fame and Museum 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 The Musicians Hall of Fame and Museum 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 The Musicians Hall of Fame and Museum'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 judgment 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 The Musicians Hall of Fame and 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 Musicians Hall of Fame and 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.

AJG CPAs, PLLC

November 13, 2023

Brentwood, Tennessee

The Musicians Hall of Fame and Museum
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,018,245	\$ 1,129,314
Accounts receivable	16,840	4,668
Inventory	62,214	41,600
Total Current Assets	<u>1,097,299</u>	<u>1,175,582</u>
PROPERTY, EQUIPMENT AND ARTIFACTS NOT PART OF A COLLECTION		
Office and other equipment	102,827	66,193
Furniture and fixtures	189,249	170,576
Grammy Gallery buildout	386,389	386,389
Leasehold improvements	347,728	212,423
Artifacts and exhibits not part of a collection	1,002,999	915,987
Total property and equipment	2,029,192	1,751,568
Less: accumulated depreciation	(496,260)	(425,182)
Property and Equipment, Net	<u>1,532,932</u>	<u>1,326,386</u>
Total Assets	<u>\$ 2,630,231</u>	<u>\$ 2,501,968</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 25,149	\$ 30,911
Contract liabilities, customer event deposits	64,009	69,559
Refundable advance, unearned portion of conditional grant	-	455,501
Total Current Liabilities	<u>89,158</u>	<u>555,971</u>
LONG TERM LIABILITIES		
Due to related parties	<u>1,362,781</u>	<u>1,405,353</u>
NET ASSETS (DEFICIT)		
Without donor restrictions	1,178,292	540,644
With donor restrictions	-	-
Total Net Assets	<u>1,178,292</u>	<u>540,644</u>
Total Liabilities and Net Assets	<u>\$ 2,630,231</u>	<u>\$ 2,501,968</u>

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

The Musicians Hall of Fame and Museum
Statements of Activities
For the years ended December 31, 2022 and 2021

	For the Year Ended December 31, 2022		For the Year Ended December 31, 2021	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
		Total		Total
INCREASES IN NET ASSETS				
Contributions	\$ 152,517	\$ 152,517	\$ 62,630	\$ 62,630
Admission fees	956,788	956,788	580,350	580,350
Private events revenue, net of discounts	480,216	480,216	81,194	81,194
Special event revenue, awards show	48,859	48,859	-	-
Grant revenues	455,501	455,501	687,984	687,984
Gift shop sales	176,676	176,676	109,025	109,025
Other revenues	-	-	4,580	4,580
Total Support and Revenues	2,270,557	2,270,557	1,525,763	1,525,763
TOTAL INCREASES IN NET ASSETS	2,270,557	2,270,557	1,525,763	1,525,763
EXPENSES				
Program services	1,262,660	1,262,660	685,905	685,905
Management and general	370,249	370,249	261,285	261,285
Total Expenses	1,632,909	1,632,909	947,190	947,190
Change in Net Assets	637,648	637,648	578,573	578,573
Net assets, beginning of year	540,644	540,644	(37,929)	(37,929)
Net assets, end of year	\$ 1,178,292	\$ 1,178,292	\$ 540,644	\$ 540,644

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

The Musicians Hall of Fame and Museum
Statement of Functional Expenses
For the year ended December 31, 2022

	Program Services	Management and General	Total
Advertising and promotion	\$ 52,664	\$ -	\$ 52,664
Awards show expenses	121,476	-	121,476
Bank and merchant fees	37,888	-	37,888
Building supplies	37,630	-	37,630
Contract labor	36,351	-	36,351
Contributions	8,302	-	8,302
Cost of sales, gift shop	116,224	-	116,224
Depreciation expense	53,019	18,059	71,078
Dues and subscriptions	2,894	-	2,894
Employee appreciation benefits	7,003	3,770	10,773
Grammy Gallery expenses	24,216	-	24,216
Income tax expense (refund)	(4,875)	-	(4,875)
Insurance, business	28,237	3,137	31,374
Insurance, employees	17,641	6,112	23,753
Interest expense	-	42,319	42,319
Office supplies	58,653	33,569	92,222
Other operating expenses	33,266	-	33,266
Payroll taxes	31,725	13,825	45,550
Professional fees, legal and accounting	5,391	18,242	23,633
Rent, facilities	29,200	24,209	53,409
Rent, equipment and storage	4,079	-	4,079
Repairs and maintenance	38,146	12,715	50,861
Salaries and wages	510,136	180,911	691,047
Security	4,004	-	4,004
Taxes and licenses	-	7,800	7,800
Telephone, internet and website expenses	9,390	-	9,390
Travel, meals and entertainment	-	5,581	5,581
Total Expenses	<u>\$ 1,262,660</u>	<u>\$ 370,249</u>	<u>\$ 1,632,909</u>

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

The Musicians Hall of Fame and Museum
Statement of Functional Expenses
For the year ended December 31, 2021

	Program Services	Management and General	Total
Advertising and promotion	\$ 30,443	\$ -	\$ 30,443
Awards show expenses	3,000	-	3,000
Bank and merchant fees	20,506	-	20,506
Building supplies	18,198	-	18,198
Contract labor	3,964	-	3,964
Contributions	2,126	-	2,126
Cost of sales, gift shop	39,636	-	39,636
Depreciation expense	48,415	16,490	64,905
Dues and subscriptions	7,125	-	7,125
Employee appreciation benefits	5,683	3,060	8,743
Grammy Gallery expenses	437	-	437
Income tax expense (refund)	7,710	-	7,710
Insurance, business	24,506	2,723	27,229
Insurance, employees	18,857	6,534	25,391
Interest expense	-	40,053	40,053
Office supplies	16,865	9,653	26,518
Other operating expenses	5,237	-	5,237
Payroll taxes	29,517	12,863	42,380
Professional fees, legal and accounting	3,183	10,773	13,956
Rent, facilities	17,430	14,451	31,881
Rent, equipment and storage	1,079	-	1,079
Repairs and maintenance	20,781	6,927	27,708
Salaries and wages	351,163	124,532	475,695
Security	2,909	-	2,909
Taxes and licenses, other	-	11,384	11,384
Telephone, internet and website expenses	7,135	-	7,135
Travel, meals and entertainment	-	1,842	1,842
Total Expenses	<u>\$ 685,905</u>	<u>\$ 261,285</u>	<u>\$ 947,190</u>

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

The Musicians Hall of Fame and Museum
Statements of Cash Flow
For the years ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 637,648	\$ 578,573
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	71,078	64,905
Changes in operating assets and liabilities:		
Accounts receivable	(12,172)	(3,980)
Inventory	(20,614)	(25,399)
Prepaid expenses	-	4,470
Accounts payable and accrued liabilities	(5,762)	41,151
Contract liabilities, customer event deposits	(5,550)	28,685
Refundable advance	(455,501)	455,501
Cash Flows Provided (Used) by Operating Activities	<u>209,127</u>	<u>1,143,906</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(277,625)	(5,315)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principle payments on long-term debt	(42,571)	(25,000)
Net Increase (Decrease) in Cash	<u>(111,069)</u>	<u>1,113,591</u>
Net Cash, beginning of year	1,129,314	15,723
Net Cash, end of year	<u>\$ 1,018,245</u>	<u>\$ 1,129,314</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	\$ 42,434	\$ 2,692
Income taxes paid	\$ 787	\$ 1,579

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

The Musicians Hall of Fame and Museum
Notes to the Financial Statements
December 31, 2022 and 2021

Note 1. ORGANIZATION

The Musicians Hall of Fame and Museum ("the Museum") was founded on July 1, 2003, and operates as a nonprofit organization under the laws of the State of Tennessee. The Museum is a premier Nashville attraction and the only museum in the world that honors the talented musicians who played on the greatest recordings of all time. The Museum is constantly adding new exhibits from all genres of music that capture the true essence of the history of music. The Museum was closed down for a large portion of 2020 due to the COVID-19 outbreak, but hosted over 74,000 visitors in 2019 and until being shut down for COVID-19 the Museum had experienced an average growth rate in attendance of over 35% since 2014. During 2022, the Museum approximated its pre-Covid attendance amounts and hosted over 68,000 visitors in 2022 after hosting approximately 53,500 visitors in 2021.

The Grammy Museum Gallery at the Musicians Hall of Fame and Museum is an interactive facility for our visitors. It allows guests to explore the history of the Grammy Awards and gives all ages the opportunity to be onstage and interact with every aspect of the recording process.

The Musicians Hall of Fame and Museum is a true Nashville experience, steeped in music history both past and present. There is something of interest for everyone. We educate and inspire. We cultivate creativity. *"Come See What You've Heard"*

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Museum reports information regarding its financial position and activities according to two classes of net assets (with and without donor restrictions) based upon the existence or absence of donor-imposed restrictions. Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any specified restrictions.

Basis for Accounting

The Museum uses the accrual basis of accounting whereby revenue and support are recognized when earned and expenses are recognized when incurred.

Recognition of Donor Contributions and Support

Contributions are recognized when the donor makes a promise to give to the Museum that is, in substance, unconditional. Support that is free from donor-imposed restrictions is recognized as revenues and an increase in net assets without donor restrictions in the period it is earned. Donor-restricted support is recognized as an increase in net assets with donor restrictions. When a restriction expires, either with the passage of time or fulfillment of the specific purpose of the restricted donation, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Musicians Hall of Fame and Museum
Notes to the Financial Statements
December 31, 2022 and 2021

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Classification of Net Assets

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

- Net assets without donor restrictions are not subject to donor-imposed restrictions, or the donor-imposed restriction have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Museum.
- Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Museum or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

As of December 31, 2022 and 2021, there are no net assets with donor restrictions.

Cash and Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety days of purchase. The Museum considers all investments with an original maturity of three months or less on their acquisition date to be cash equivalents.

Accounts Receivable

Accounts receivable are recorded when invoices are issued and are presented in the balance sheet net of any allowance for doubtful accounts. Management estimates accounts receivable that will not be collected based on the financial condition of its customers, prior experience, and existing economic conditions. Accounts receivable are written off when they are determined to be uncollectible. No allowance for doubtful accounts has been recorded at December 31, 2022 and 2021, because conditions for accrual of a loss contingency pursuant to the *Subsequent Measurement* subtopic of ASC 310, *Receivables*, have not been met. The Museum currently does not charge interest on any past due accounts.

Inventories

Inventory, principally consisting of gift shop merchandise is stated at cost.

Property and Equipment and Artifacts Not Part of a Collection

The Museum capitalizes acquisitions of property and equipment of \$1,000 or more. Fixed assets are recorded at cost, or in the case of contributed property, at the fair market value at the date of contribution. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is recorded in income for the period. The cost of maintenance and repairs is expensed as incurred.

The Musicians Hall of Fame and Museum
Notes to the Financial Statements
December 31, 2022 and 2021

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment and Artifacts Not Part of a Collection - Continued

Donations of property and equipment are reported as contributions at the date of the donation without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Museum reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

The Museum has not adopted a policy for implying time restrictions that expire over the useful lives of donated property and equipment if those donated assets are received without stipulations about how long the assets must be used, or are acquired with gifts restricted for those acquisitions.

No depreciation is recognized for the cost or other acquisition value of exhibits and artifacts not part of a collection, in accordance with the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification. However, in accordance with the Topic, depreciation is recognized on major preservation or restoration of artifacts and exhibits, incurred from time-to-time, using the straight-line method over 10 years

Additionally, the Museum has significant amounts of historical artifacts on display that it does not lease or own. Such artifacts are substantially owned by the Museum's chief executive officer and president. These amounts are not presented in the financial statements.

Depreciation is computed generally using the straight-line method over estimated useful lives as follows:

<u>Asset Category</u>	<u>Years</u>
Buildouts & Improvements	31.5-39
Furniture & Fixtures	5-7
Office Equipment	3-5
Leasehold improvements	10

Depreciation expense for the years ended December 31, 2022 and 2021 totaled \$71,078 and \$64,905, respectively.

Donated Service

Unpaid volunteers make contributions of time in various administrative and program functions. The value of contributed time is not reflected in the financial statements as it is not susceptible to objective measurement of valuation.

The Musicians Hall of Fame and Museum
Notes to the Financial Statements
December 31, 2022 and 2021

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses that can be directly attributed to a particular function are charged to that function.

Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Allocated expenses and method of allocation are as follows:

<u>Expense</u>	<u>Method of Allocation</u>
Depreciation expense	Square footage
Employees appreciation benefits	Time and effort
Insurance	Time and effort
Office supplies, equipment and IT resources	Time and effort
Payroll taxes	Time and effort
Professional fees, legal and accounting	Time and effort
Rent, facilities and storage	Square footage
Rent, equipment	Time and effort
Salaries and benefits - other	Time and effort
Telephone, internet and website expenses	Square footage

Advertising

The Museum uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2022 and 2021, was \$52,664 and \$30,443, respectively.

Shipping and Handling Costs

Shipping and handling costs are included in cost of sales and are not separately slated or included elsewhere in the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Musicians Hall of Fame and Museum
Notes to the Financial Statements
December 31, 2022 and 2021

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Tax Status

The Museum is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue code and similar state income tax laws. The Museum is a non-private foundation. The Museum does generate unrelated business income mostly from advertising sales, operations of a gift shop and equipment rentals in connection with private events. The Museum incurred income taxes from continuing operations of \$3,305 and \$1,579, respectively, for the years ended December 31, 2022 and 2021. The unrelated business income is also subject to Tennessee Franchise, Excise tax.

The Museum recognizes a tax position as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur.

The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

As of December 31, 2022 and 2021, the Museum has accrued no interest or penalties related to uncertain tax positions. It is the Museum’s policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Museum's Form 990, Return of Organization Exempt From Income Tax and Form 990-T, Exempt Organization Business Income Tax Return for the years ended December 31, 2022 and 2021 and 2020, are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Any penalties and interest incurred on underpayment of income tax are classified as income tax in the financial statements.

Reclassifications

Certain reclassifications have been made to the December 31, 2021 financial statements to conform to the current year's presentation. Net assets and change in net assets are unaffected due to these reclassifications.

Subsequent Events

Subsequent events have been evaluated through November 13, 2023, which is the date the financial statements were available to be issued.

Note 3. REVENUE RECOGNITION AND CONTRACTS WITH CUSTOMERS

The Museum recognizes revenue when goods and services are transferred to and controlled by its customers, and for which the Museum expects to be entitled to consideration, i.e., at the point in time when its performance obligations are satisfied. This usually occurs upon completion of the services, or as goods are sold and transferred to customers. Payment of consideration is usually due upon customers' receipt of invoices. The Museum does not ordinarily enter into contracts with customers that include components of significant financing or provide for variable consideration.

The Musicians Hall of Fame and Museum
Notes to the Financial Statements
December 31, 2022 and 2021

Note 3. REVENUE RECOGNITION AND CONTRACTS WITH CUSTOMERS - CONT.

Contracts with customers considered to be satisfied at a point in time include admission fees, private and special events revenue, and gift shop sales. Total revenue from these contracts were \$1,613,680 and \$770,569, respectively, for the years ended December 31, 2022 and 2021. The Museum does not ordinarily enter into contracts with customers that generate revenue from goods or services transferred to customers over time.

Customer deposits received for private events are recognized and presented in the statement of financial position as contract liabilities until the Museum has satisfied its performance obligations. The deposits are then recognized as revenue. As of December 31, 2022 and 2021 customer deposits totaled \$64,009 and \$69,559, respectively.

Note 4. LONG-TERM DEBT - RELATED PARTY TRANSACTIONS

Long-term debt, in the original principal amount of \$2,711,691 is payable to the Museum's chief executive officer and president. The note, dated October 27, 2016, bears interest at the annual rate of 3%. The Museum makes periodic payments as cash flow permits while interest accrues monthly. The Museum paid \$42,571 and \$25,000 in principal amounts on the debt during 2022 and 2021, respectively, together with interest of \$42,319 and \$40,053, respectively, during the years. The debt is collateralized by all assets of the Museum, including inventories and accounts receivable. As of December 31, 2022 and 2021 the amounts due to the related party total \$1,362,781 and \$1,405,353, respectively.

Prior to execution of the debt agreement, amounts payable to the chief executive officer and president were classified as unsecured advances, non-interest bearing, to be used for operating working capital and other cash requirements of the Museum.

Note 5. GRANTS

In August 2021, the Museum received a Shuttered Venue Operators Grant ("SVOG") of \$642,268 and a supplemental payment of \$371,161 in November 2021. This award, established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Ventures Act and amended by the American Rescue Plan Act, is to assist eligible entities who, in general, illustrated a loss of gross revenues in certain quarters during 2020 as compared to the same quarter(s) in 2019. The Museum initially recorded the grant as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional controls; this is, once measurable performance or other barrier and right of return of the SVOG no longer existed. The Museum recognized \$557,929 as grant revenue for the year ended December 31, 2021 while the remaining \$455,501 was fully utilized during 2022 and was recognized as eligible expenses were incurred.

The Musicians Hall of Fame and Museum
Notes to the Financial Statements
December 31, 2022 and 2021

Note 5. GRANTS - CONTINUED

Grant revenues for the years ending December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Shuttered Venue Operators Grant	\$ 455,501	\$ 557,929
Paycheck Protection Program Grant Revenue	-	100,055
Supplemental Employer Recovery Grant	-	30,000
Total Grant Revenues	<u>\$ 455,501</u>	<u>\$ 687,984</u>

Note 6. PAYCHECK PROTECTION PROGRAM

The Museum was granted a \$100,055 loan under the Paycheck Protection Program ("PPP") administered by a Small Business Administration ("SBA") approved partner. The Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (the "Economic Aid Act") was signed into law on December 27, 2020. The Economic Aid Act provides a second draw PPP loan to borrowers who have used the full amount of the first PPP loan. In March 2021, the Museum was granted a second draw loan from a financial institution in the amount of \$100,055. The Museum initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional controls; this is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Museum recognized \$100,055 as grant revenue for the year ended December 31, 2021. On September 28, 2021, the Small Business Administration approved the forgiveness of the second draw PPP loan.

Note 7. OPERATING LEASE

The Museum leases the first floor of the Municipal Auditorium in Nashville, Tennessee, from Metropolitan Government of Nashville and Davidson County. The leased space contains its museum exhibit hall as well as office space. The original lease is dated June 1, 2015, and is effective for 5 years through June, 2020. The lease can then be renewed for 3 additional terms of 5 years each, unless there is intent not to renew given by either party. The current lease agreement matures June 2025. The lease agreement stipulates monthly payments computed at the rate of \$1 for every ticket sold for museum admission, and for every attendee at private events held in the leased premises. For private events, lease consideration is capped at \$350, if that amount is less than the amount computed at the rate of \$1 per attendee. The Museum's rental expense under the lease was \$53,409 and \$31,881, respectively, for the years ended December 31, 2022 and 2021. Due to the nature of the variable lease agreement, the lease is exempt from ASC 842, *Leases*.

The Musicians Hall of Fame and Museum
Notes to the Financial Statements
December 31, 2022 and 2021

Note 8. COMPENSATED ABSENCES

Employees of the Museum are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. The Museum expenses paid time off when paid.

Note 9. OTHER COMMITMENT, GRAMMY GALLERY

The Museum has an agreement for consulting services with the Grammy Museum Services, LLC, Los Angeles, dated February 19, 2015, and is in connection with the operation of an interactive music museum gallery called the Grammy Gallery at Musicians Hall of Fame, located in the museum's exhibit hall. The agreement calls for a payment by the Museum to Grammy Museum Services in the amount of \$20,000 each year through March, 2021. In exchange for the consideration paid, Grammy Museum Services agrees to conduct semi-annual education workshops, training, site visits, the creation and maintenance of curricula around the museum exhibits, and updates to the content of the museum.

Note 10. CONCENTRATIONS

The Museum maintains deposits in financial institutions that at times exceed the amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC).

Note 11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Museum's financial assets available for general expenditure within one year of the date of the financial position consists of the following:

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Cash	\$ 1,018,245	\$ 1,129,314
Accounts receivable	<u>16,840</u>	<u>4,668</u>
Total financial assets available within one year	<u>\$ 1,035,085</u>	<u>\$ 1,133,982</u>

As part of its liquidity management, the Museum has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 12. COVID 19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel and forced closures for certain type of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets in the United States. Effective March 13, 2020, the Museum discontinued operation, including closing the restaurants and cancellations of events that were scheduled. The Museum reopened its retail and event venues on July 2, 2020 and during 2022 was finally able to get back to pre-Covid operational and attendance levels.