

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM

AUDITED FINANCIAL STATEMENTS

AND OTHER INFORMATION

JUNE 30, 2019 AND 2018

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CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
SCHEDULE OF BOARD OF TRUSTEES AND MANAGEMENT (UNAUDITED)
JUNE 30, 2019

BOARD OF TRUSTEES

Mr. Brad Martin	Chairman
Ms. Jamie Durrett	Vice-Chairman
Ms. Betsy Kimbrough	Secretary
Mr. Wes Sumner	Treasurer
Mr. Frazier Allen	Member
Mr. Tommy Bates	Member
Mr. Charles Booth	Member
Ms. Laila Griffin	Ex-Officio
Ms. Martha Hopson	Member
Mr. Tracy Jackson	Ex-Officio
Dr. Jennifer Johnston	Member
Mr. Lawson Mabry	Member
Ms. Linda Nichols	Member
Mr. Larry Rocconi	Ex-Officio
Ms. Thomasa Ross	Member
Ms. Stacy Streetman	Ex-Officio
Ms. Eleanor Williams	Ex-Officio

MANAGEMENT

Ms. Tina Brown	Interim Executive Director
Mr. Colin McAlexander	Finance Manager



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Clarksville-Montgomery County Museum (the Museum), a component unit of the City of Clarksville, Tennessee, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the Museum as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2019, on our consideration of the Museum's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Museum's internal control over financial reporting and compliance.

Stone Rudolph & Henry, PLC

Clarksville, Tennessee

September 19, 2019

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2019 AND 2018

INTRODUCTION

The purpose of this section, Management's Discussion and Analysis ("MD&A"), is to provide a narrative that can be used in conjunction with the audited financial statements of the Clarksville-Montgomery County Museum (the "Museum"), that provides context through which the organization and its financial information can be analyzed. This includes financial information through the years ended June 30, 2019 and 2018. Historical and non-financial information may also be presented to evaluate patterns related to the fiscal year results.

MISSION

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

OVERVIEW OF OPERATIONS AND PROGRAMS

In order to fulfill its mission, the Museum operates within two properties, both owned by the City of Clarksville. The property located on South 2nd Street consists of 35,000 square feet of temporary and permanent exhibiting space, educational activities, a gift shop, and staff offices. The Museum uses this property primarily for exhibitions, educational activities, processing collections donations, facility rentals, meetings, retail, and other day to day operating activities. This property also includes the original Customs House building, built in 1898, which the Museum is named after and is listed on the National Register of Historic Places. The property located on Jefferson Street houses and helps to preserve the Museum's permanent collection, including important historic, artistic, and scientific materials. Currently, the Museum's collection consists of over 21,000 artifacts related to the Clarksville-Montgomery County region. In order to maintain operations and programming, the Museum uses a number of activities to generate revenue. Its primary funding is provided by the City of Clarksville, but other revenue streams also include grants, admissions, donations, fundraisers, sponsorships, gift shop sales, facility rentals, and income from the Gracey Trust investment. In addition, the Museum's mission could not be accomplished without its employees. During the year ended June 30, 2019, the Museum employed ten full time and sixteen part time employees. The Museum is considered a component unit of the City of Clarksville.

GOVERNANCE

The Museum is governed by a Board of Trustees, which consisted of twelve voting members and five ex-officio (non-voting) members during the year ended June 30, 2019.

OVERVIEW OF FINANCIAL STATEMENTS

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

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
YEARS ENDED JUNE 30, 2019 AND 2018

OVERVIEW OF FINANCIAL STATEMENTS (CONT'D)

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

RESULTS OF OPERATIONS AND PROGRAMS

This section of the MD&A provides a narrative for how the Museum's operations and programs during the year ended June 30, 2019 impacted the financial statements. The purpose is to provide an understanding of the primary causes of changes in the financial information between years ended June 30, 2019 and 2018. The Museum's *Statement on Net Position* and its *Budget to Actuals for Income/Expense FY 2018-2019* is also included. This information can help show how the Museum is budgeting for expected revenues and expenses, and how it is able to perform by either reaching or not reaching budgeted amounts. The Museum does not budget for depreciation, changes in market value for the Gracey Trust and donated use of property.

Assets

The Museum's total assets decreased by \$168,727 compared to the year ended June 30, 2018. This is primarily due to accumulated depreciation, which is \$197,205 higher than the prior year. While it is a non-cash item, depreciation continues to impact the Museum's financials significantly due to numerous building projects that have occurred over the past twenty-five years. Out of the fifty items currently being depreciated, there are three items with the most significant impact on the financials, which include the building expansion in 1996, HVAC improvements performed in 2012, and building improvements in 2008, which collectively represent 62% of the accumulated depreciation total.

During the year ended June 30, 2019 the Museum added \$20,350 in leasehold improvements due to replacing an HVAC unit. The Museum also added \$33,431 in furniture and equipment by installing a new voice over IP phone system, improved point of sale software, and new archival shelving to help provide adequate storage of items donated to the Museum's permanent collection. Funding for all of these projects was secured through a combination of revenue from the City of Clarksville, the Gracey Trust investment, and an Institute for Museum and Library Services (IMLS) Grant. Due to the funding, this prevented a reduction in current assets. Current assets decreased only \$7,156; with the primary decrease occurring in unrestricted cash and cash equivalents, which decreased by \$21,067. The primary cause of the reduction in current cash assets is due to the timing of payment for two leasehold improvement projects that were completed in the year ended June 30, 2018 and renewing the annual service contract for HVAC earlier than the prior year which collectively amounts to \$16,540. Restricted assets decreased by \$18,147 due to the change in the market value of the Gracey Trust investment. The Museum receives income from the trust annually, but the principal is restricted until 2022, when

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
YEARS ENDED JUNE 30, 2019 AND 2018

Assets (Cont'd)

the Museum will receive 14.5% of the market value of the trust. The Museum's portion of the trust is currently valued at \$1,719,752. Due to volatility in the stock market during the fourth quarter of the year ended June 30, 2019, the market value for the Gracey Trust decreased \$23,349. A more conservative investment approach will be considered closer to 2021 to protect the remaining principal against further market volatility.

Liabilities

The Museum's total liabilities decreased \$48,693 compared to the fiscal year ended June 30, 2018. The primary reason this occurred is due to paying bills earlier and finishing leasehold improvement projects and paying them off earlier as well. The second primary reason is due to the Museum continuing to pay off the \$400,000 loan provided by the City of Clarksville in 1996 to help pay for the building expansion during that year. Since the year ended June 30, 2017, the Museum has focused on paying off this long term debt while simultaneously increasing its current assets. This is part of a focus on improving the short term and long term sustainability of the organization through improving liquidity. This is the third year in a row that the Museum has been able to significantly reduce its liabilities without a large reduction in its current assets. The Museum plans to pay off the remaining balance during the year ending June 30, 2020. This will provide the Museum greater flexibility with its assets moving forward.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
YEARS ENDED JUNE 30, 2019 AND 2018

Statement of Net Position

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2019	2018	2017	Dollar Change 18 to 19	Percent Change 18 to 19
Current assets	\$ 212,967	\$ 220,123	\$ 166,043	\$ (7,156)	(3.25)
Restricted assets	1,811,322	1,829,469	1,758,795	(18,147)	(0.99)
Subtotal	2,024,289	2,049,592	1,924,838	(25,303)	(1.23)
OTHER ASSETS					
Property and equipment (net of accumulated depreciation)	2,478,315	2,621,739	2,797,034	(143,424)	(5.47)
TOTAL ASSETS	4,502,604	4,671,331	4,721,872	(168,727)	(3.61)
Deferred outflows of resources	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,502,604	\$ 4,671,331	\$ 4,721,872	\$(168,727)	(3.61)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	2019	2018	2017	Dollar Change 18 to 19	Percent Change 18 to 19
Current liabilities	\$ 55,025	\$ 82,951	\$ 86,348	\$(27,926)	(33.67)
Long-term debt	10,631	31,398	61,310	(20,767)	(66.14)
TOTAL LIABILITIES	65,656	114,349	147,658	(48,693)	(42.58)
Deferred inflows of resources	-	-	-	-	-
NET POSITION					
Unrestricted	178,704	157,274	98,848	21,430	13.63
Restricted	1,811,322	1,829,469	1,758,795	(18,147)	(0.99)
Net Investment in capital assets	2,446,922	2,570,239	2,716,571	(123,317)	(4.80)
TOTAL NET POSITION	4,436,948	4,556,982	4,574,214	(120,034)	(2.63)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 4,502,604	\$ 4,671,331	\$ 4,721,872	\$(168,727)	(3.61)

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
YEARS ENDED JUNE 30, 2019 AND 2018

Revenues

Total revenues equaled \$1,380,594, during the year ended June 30, 2019, an increase of \$44,518 or 3% compared to the year ended June 30, 2018. The primary reason is due to funding for operations and building projects from the City of Clarksville, which increased \$33,684 or 5% compared to 2018. This funding allowed the Museum to increase hours for part-time employees and help cover day to day operating expenses, pertaining to repairs and maintenance, utilities, and health insurance. As a result of the increase in hours, staff had more resources to use for educational programming, increasing museum memberships, cataloging and inventorying the Museum's permanent collection, and promoting these activities with the public. The Museum also received grants from the IMLS, National Endowment for the Arts (NEA), Community Foundation of Middle Tennessee, and Bank of America during the year ended June 30, 2019, totaling \$46,444, an increase of \$35,444 in grants over the prior year ended June 30, 2018.

The Museum's membership revenue equaled \$46,463, an increase of \$7,960 over the prior year and resulting in individual members totaling almost 1,300 people. The Museum's two fundraising special events, Champagne & Chocolate and Flying High both did an exceptional job in raising \$134,263, a \$16,954 increase over the prior year. These funds helped cover the cost of the twenty-seven temporary exhibits the Museum hosted, hundreds of educational programs, and physically inventorying 6,330 collections artifacts, including conducting research, photographing, rehousing and increasing the physical and intellectual management of the Museum's permanent collection.

The biggest change in revenue occurred in donations and contributions, which dropped \$47,199 due to the Museum receiving a one-time \$30,000 contribution and a \$10,000 contribution to help build the Family Art Studio for educational programming in the fiscal year ended June 30, 2018

Expenses

Total expenses equaled \$1,591,225, during the year ended June 30, 2019, an increase of \$104,642 or 7% compared to the year ended June 30, 2018. This is primarily due to slight increases in most expense categories, but primarily in depreciation, salaries, repairs and maintenance, and consulting fees. Consulting fees increased due to the Museum's full time Executive Director, Mr. Jim Zimmer retiring in February, 2019. In March, 2019, Ms. Tina Brown was contracted as an independent consultant to serve as Interim Executive Director, helping the Museum maintain its operations and assist the Board of Trustees in searching for a new full time Executive Director. The Museum experienced a substantial increase in repairs and maintenance costs for two reasons: 1) the outsourcing of janitorial work to a 3rd party resulting in increased cleanliness of the facility for patrons and 2) there were increased repairs on HVAC units that were necessary for continued operations, programming, and maintaining proper environmental controls for artifacts on exhibit or being processed for the Museum's permanent collection. While the Museum's operating expenses were greater than its operating revenue, the primary reason is due to depreciation, a non-cash item. Overall, the budgeted expenses were not outside of budgeted limits, and were covered with minimal decrease to current assets and without decreasing the Museum's liquidity. The Museum's investment income from the Gracey Trust amounted to \$114,269, an increase of \$44,822 or 64% from the year ended June 30, 2018. Interest revenue from bank accounts also increased due to an increase in cash assets during the year ended

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
YEARS ENDED JUNE 30, 2019 AND 2018

Expenses (Cont'd)

June 30, 2019. The market value of the Gracey Trust investment dropped \$23,349 compared to the prior year, during which the market value increased \$66,772.

Change in Net Position

Total net position decreased by \$120,034 or 2% to \$4,436,948 at the end of June 30, 2019. This is primarily due to depreciation and the drop in market value of the Gracey Trust investment. The total net position without donor restrictions amounted to \$178,704, an increase of \$21,430 or 13% from the year ended June 30, 2018. Total net position with donor restrictions amounts to \$1,811,322 which primarily consists of the Gracey Trust principal and \$91,670 is restricted for projects and contingencies. While the Museum's net position decreased during the year ended June 30, 2019 and 2018, when looking at the change in net position over four years, the net position has increased by \$40,409 since the end of June 30, 2015. Over this four year period, the Museum's current assets have increased by \$43,194 and its liabilities have decreased by \$136,867.

Capital Assets and Long-Term Debt

The Museum's long-term debt is solely due to the 1996 loan from the City of Clarksville for a building expansion project. The Museum anticipates paying this debt off in its entirety during the fiscal year ending June 30, 2020.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
YEARS ENDED JUNE 30, 2019 AND 2018

REVENUE	FY 2019 budget	FY 2019 actual	FY 2018 actual	Over (Under) Budget	Budget Variance
					%
Admissions	\$ 40,000	\$ 44,788	\$ 40,612	\$ 4,788	11.97
City of Clarksville	696,067	696,067	676,876	-	-
City of Clarksville – capital budget	36,000	26,336	11,843	(9,664)	(26.84)
Contributions/Donations*	10,000	4,616	51,815	(5,384)	(53.84)
Donated use of building	Non-Budgeted	330,644	330,644	330,644	-
Fundraising	154,000	134,263	117,309	(19,737)	(12.82)
Grants	42,873	46,444	11,000	3,571	8.33
Interest/Investment	76,506	115,311	70,068	38,805	50.72
Membership	40,000	46,463	38,503	6,463	16.16
Rental & Miscellaneous Inc.	20,300	14,566	16,906	(5,734)	(28.25)
Museum store sales	37,000	36,407	40,568	(593)	(1.60)
Unrealized gain (loss)	Non-Budgeted	(23,349)	66,772	(23,349)	-
TOTAL REVENUES	\$1,152,746	\$ 1,472,556	\$ 1,472,916	\$ 319,810	27.74
<u>*includes in-kind donations</u>					
EXPENSES				(Over) Under Budget	
Exhibits, Education, and Collections	\$ 89,498	\$ 60,540	\$ 49,109	\$ 28,958	32.36
Administrative and General, Supplies, Advertising, City Loan, Storage, Insurance, Printing, Professional Dues etc.	148,161	93,103	76,633	55,058	37.16
Depreciation	Non-budgeted	197,205	195,436	(197,205)	-
Fundraising	65,000	56,202	50,485	8,798	13.54
Payroll & Payroll Tax	533,332	494,945	483,769	38,387	7.20
Benefits (Health Insurance)	147,500	110,344	110,041	37,156	25.19
Accounting and Consulting Fees	19,000	47,133	20,490	(28,133)	(148.07)
Repairs and maintenance	41,255	68,783	45,178	(27,528)	(66.73)
Rent	Non-Budgeted	330,644	330,644	(330,644)	-
Utilities	92,000	107,515	107,254	(15,515)	(16.86)
Cost of Museum store sales	17,000	26,176	21,109	(9,176)	(53.98)
TOTAL EXPENSES	\$ 1,152,746	\$ 1,592,590	\$ 1,490,148	\$ (439,844)	(38.16)
CHANGE IN NET POSITION		(120,034)	(17,232)		
BEGINNING NET POSITION		\$ 4,556,982	\$ 4,574,214		
ENDING NET POSITION		\$ 4,436,948	\$ 4,556,982		

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
YEARS ENDED JUNE 30, 2019 AND 2018

CLOSING REMARKS

Overall, the Museum accomplished many aspects of its mission during the year ending June 30, 2019. The IMLS grant helped the Museum add another 2,248 ft. of storage space, store an additional 400 artifacts, and rehouse 90% of the textiles in the Museum's permanent collections storage facility. The NEA "Art 4 Us" educational programming grant helped over 400 elementary, middle, and high school registrants have access to free seminars lead by professional artists. Over twenty seven temporary exhibits were hosted, which ranged from award-winning, national artists to revisiting the historical relevance of the tornado that changed the landscape of Clarksville forever in 1999. The Museum also utilized more of its restricted cash assets from prior years for projects related to the Family Art Studio and a puppet tree area in the educational wing of the Museum, called "Explorer's Landing". All of this was done while improving the short and long term sustainability of the Museum by reducing the Museum's liabilities without a significant decrease in its total current assets and cash. The Museum continues to experience increased repairs and maintenance costs. Cost-cutting measures are being explored and multi-year maintenance plans are being created to help anticipate the timing repairs that will be needed and preventing them from becoming more expensive. As the organization looks towards the future, leadership will be identifying new ways to raise revenue, including a dedicated fundraising position, building and maintaining community relationships, and a new Executive Director.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2019</u>	<u>2018</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 157,023	\$ 178,090
Accounts receivable	19,926	18,106
Grants receivable	10,000	-
Prepaid expenses	3,983	-
Inventory	22,035	23,927
Total current assets	<u>212,967</u>	<u>220,123</u>
<u>RESTRICTED ASSETS</u>		
Cash and cash equivalents	91,570	86,368
Investments	1,719,752	1,743,101
Total restricted assets	<u>1,811,322</u>	<u>1,829,469</u>
<u>PROPERTY AND EQUIPMENT</u>		
Leasehold improvements	4,880,544	4,860,194
Furniture and equipment	217,511	184,080
Total property and equipment	<u>5,098,055</u>	<u>5,044,274</u>
Less: Accumulated depreciation	<u>(2,619,740)</u>	<u>(2,422,535)</u>
Net property and equipment	<u>2,478,315</u>	<u>2,621,739</u>
 Total assets	 4,502,604	 4,671,331
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>-</u>	<u>-</u>
 Total assets and deferred outflows of resources	 <u>\$ 4,502,604</u>	 <u>\$ 4,671,331</u>

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

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2019	2018
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 22,900	\$ 42,683
Accrued and withheld taxes	2,886	7,781
Accrued vacation	8,477	12,385
Current portion of long-term debt	20,762	20,102
Total current liabilities	55,025	82,951
<u>LONG-TERM DEBT</u>		
Note payable	10,631	31,398
Total liabilities	65,656	114,349
<u>DEFERRED INFLOWS OF RESOURCES</u>	-	-
<u>NET POSITION</u>		
Net investment in capital assets	2,446,922	2,570,239
Restricted:		
Expendable: restricted for projects	91,570	86,368
Nonexpendable	1,719,752	1,743,101
Unrestricted	178,704	157,274
Total net position	4,436,948	4,556,982
Total liabilities, deferred inflows of resources and net position	\$ 4,502,604	\$ 4,671,331

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>OPERATING REVENUES</u>		
City of Clarksville	\$ 722,403	\$ 688,719
Grants	46,444	11,000
Donated use of building	330,644	330,644
Memberships	46,463	38,503
Donations and contributions	4,616	51,815
Admissions receipts	44,788	40,612
Fundraising	134,263	117,309
Gift shop sales	36,407	40,568
Rental and miscellaneous income	14,566	16,906
Total operating revenues	<u>1,380,594</u>	<u>1,336,076</u>
<u>OPERATING EXPENSES</u>		
Administrative and general	11,718	2,248
Advertising	13,721	9,059
Cost of gift shop sales	26,176	21,109
Depreciation	197,205	195,436
Dues and memberships	6,837	5,454
Education	823	102
Employee benefits	110,344	110,041
Exhibits	43,151	41,344
Fees	2,876	3,357
Fundraising	56,202	50,485
Insurance	21,891	21,061
Legal, accounting and consulting fees	47,133	20,490
Other	17,150	11,342
Payroll taxes	36,692	34,446
Postage	253	46
Printing and reproduction	10,863	7,049
Rent	336,045	335,445
Repairs and maintenance	68,783	45,178
Salaries	458,253	449,323
Supplies	17,594	16,294
Travel and entertainment	-	20
Utilities	107,515	107,254
Total operating expenses	<u>1,591,225</u>	<u>1,486,583</u>
<u>OPERATING LOSS</u>	<u>(210,631)</u>	<u>(150,507)</u>

(Continued)

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

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONT'D)
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Investment income	114,269	69,447
Interest income	1,042	621
Unrealized gain (loss)	(23,349)	66,772
Interest expense	<u>(1,365)</u>	<u>(3,565)</u>
Total non-operating revenues (expenses)	<u>90,597</u>	<u>133,275</u>
 <u>CHANGE IN NET POSITION</u>	 (120,034)	 (17,232)
 <u>NET POSITION - BEGINNING</u>	 <u>4,556,982</u>	 <u>4,574,214</u>
 <u>NET POSITION - ENDING</u>	 <u>\$ 4,436,948</u>	 <u>\$ 4,556,982</u>

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers	\$ 127,658	\$ 119,683
Cash received from contributors	909,906	878,186
Cash payments to suppliers of goods and services	(631,326)	(506,036)
Cash payments to employees for services	(462,161)	(451,644)
Net cash provided by (used in) operating activities	<u>(55,923)</u>	<u>40,189</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest received	1,042	621
Investment income received	114,269	69,447
Net cash provided by investing activities	<u>115,311</u>	<u>70,068</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Purchases of leasehold improvements and equipment	(53,781)	(20,141)
Payments on long-term debt	(20,107)	(28,963)
Interest paid	(1,365)	(3,565)
Net cash used in capital and related financing activities	<u>(75,253)</u>	<u>(52,669)</u>
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	(15,865)	57,588
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>264,458</u>	<u>206,870</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 248,593</u>	<u>\$ 264,458</u>

(Continued)

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

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
STATEMENTS OF CASH FLOWS (CONT'D)
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>RECONCILIATION OF OPERATING LOSS</u>		
<u>TO NET CASH PROVIDED BY (USED IN)</u>		
<u>OPERATING ACTIVITIES</u>		
Operating loss	\$ (210,631)	\$ (150,507)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	197,205	195,436
Changes in:		
Accounts receivable	(1,820)	(8,318)
Grants receivable	(10,000)	3,000
Prepaid expense	(3,983)	4,872
Inventory	1,892	52
Accounts payable	(19,783)	(5,572)
Accrued and withheld taxes	(4,895)	3,547
Accrued vacation	(3,908)	(2,321)
Net cash provided by (used in) operating activities	<u>\$ (55,923)</u>	<u>\$ 40,189</u>

During the years ended June 30, 2019 and 2018, the Museum received free use of facilities from the City of Clarksville with an estimated value of \$330,644. The in-kind rent was accounted for as a noncash operating activity.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. Summary of Significant Accounting Policies

Reporting Entity

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

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

Use of Estimates

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

Concentration of Credit Risk

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

Measurement Focus/Basis of Accounting

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

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

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2019 AND 2018

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

Cash and Cash Equivalents

The Museum considers all liquid investments purchased with a maturity of 90 days or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. Cash payments for interest were \$1,365 and \$3,565 for the years ended June 30, 2019 and 2018, respectively.

Uncollectible Accounts

Bad debts are charged to the related revenue account using the direct-write-off method, which is not materially different from the allowance-for-bad-debt method. Bad debt expense charged to the related revenue accounts for the years ended June 30, 2019 and 2018 was \$2,000 and \$0-, respectively.

Restricted Net Position

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

Inventories

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

Property and Equipment

Property and equipment are valued at cost for assets purchased. All assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years are capitalized. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. The Museum's collections are comprised of private documents such as letters, diaries, business ledgers, and other artifacts that shed light on the history of the region. All collections are donated to the Museum and are not recorded because the value of such items is not readily determinable. Upon deaccession, items of collection are returned to the donor or destroyed if they are no longer of value. Donated collections are never sold. The Museum deaccessioned approximately 100 items during the year ended June 30, 2019 and had no deaccessions during the year ended June 30, 2018.

Accrued Compensated Absences

Vacation benefits are accrued as earned and charged to salaries.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2019 AND 2018

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

Tax-Exempt Status

The Museum is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Museum is not subject to federal income tax except on unrelated trade or business income under Section 511 of the Internal Revenue Code. However, the Museum does file the information returns required by the Internal Revenue Service (the IRS). The Museum has not been determined to be a private foundation by the IRS. The Museum is no longer subject to federal or state income tax examinations by tax authorities for fiscal years ended before June 30, 2016.

Revenues and Support

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

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

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

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

Contributions of noncash assets and the use of facilities are recognized as economic resources and are recorded at their fair values in the period received. During the year ended June 30, 2019, the Museum received approximately 975 hours of non-skilled and 1,482 hours of skilled volunteer services valued at approximately \$9,038 and \$36,070, respectively. During the year ended June 30, 2018, the Museum received approximately 1,233 hours of non-skilled and 1,538 hours of skilled volunteer services valued at approximately \$11,430, and \$36,645, respectively. None of these services were recognized as income or expense in these financial statements.

Budgets and Budgetary Accounting

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

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2019 AND 2018

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

Budgets and Budgetary Accounting (Cont'd)

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

Date of Management's Review

Subsequent events have been evaluated through September 19, 2019, which is the date the financial statements were available to be issued.

2. Investments and Other Deposits

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

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

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

Following is a schedule of the Museum's investments and other deposits at June 30, 2018:

	Fair Value/ Carrying Value	Cost	Average Credit Quality/Rating	Percent of Total
Common stocks	\$ 1,713,543	\$ 1,383,272	n/a	98.30
Money market fund	<u>29,558</u>	<u>29,558</u>	n/a	<u>1.70</u>
	<u>\$ 1,743,101</u>	<u>\$ 1,412,830</u>		<u>100.00</u>

At June 30, 2019 and 2018, cash and other deposits included bank balances of \$272,014 and \$278,964, respectively, all of which was insured by the FDIC or collateral was pledged by the State of Tennessee Bank Collateral Pool.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2019 AND 2018

2. Investments and Other Deposits (Cont'd)

Total investment income of \$90,919 and \$136,219 for the years ended June 30, 2019 and 2018, respectively, consisted of investment earnings of \$114,269 and \$ 69,447 for the years ended June 30, 2019 and 2018, respectively, and a net increase (decrease) in fair value of investments of \$(23,349) and \$66,772, respectively. As described in Note 6, substantially all of the Museum's investments are held by a trustee and are not registered in the name of the Museum.

3. Funding Sources

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

4. Property and Equipment

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

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

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

A summary of changes in property and equipment for the year ended June 30, 2018 is as follows:

<u>Property and Equipment</u>	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>
Leasehold improvements	\$ 4,840,053	\$ 20,141	\$ -	\$ 4,860,194
Furniture and equipment	169,516	-	-	169,516
Vehicles	14,564	-	-	14,564
Total property and equipment	<u>\$ 5,024,133</u>	<u>\$ 20,141</u>	<u>\$ -</u>	<u>\$ 5,044,274</u>

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2019 AND 2018

4. Property and Equipment (Cont'd)

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
<u>Accumulated Depreciation</u>				
Leasehold improvements	\$ 2,062,840	\$ 190,535	\$ -	\$ 2,253,375
Furniture and equipment	149,694	4,901	-	154,595
Vehicles	<u>14,565</u>	<u>-</u>	<u>-</u>	<u>14,565</u>
Total accumulated depreciation	<u>\$ 2,227,099</u>	<u>\$ 195,436</u>	<u>\$ -</u>	<u>\$ 2,422,535</u>

5. Related Party Transactions

The building which houses the Museum was leased from the City of Clarksville for \$1 per year for 25 years beginning May 1, 2008. The warehouse which houses the Museum's artifacts was leased from the City of Clarksville for \$1 per year for 10 years beginning June 1, 2008. The fair rental value of the building and warehouse was \$330,644 for each of the years ended June 30, 2019 and 2018 and was recognized as rent expense. The fair rental value of the building and warehouse was determined by considering the age and condition of the buildings and the cost of rental space for property in the same vicinity. The Museum has completed significant renovation of the building with funds from various grants.

6. Endowment Fund

A significant bequest was made to the Museum in fiscal year 1991 from the Estate of Finley Gracey. During the years ended June 30, 2019 and 2018, the Museum received \$114,268 and \$69,447, respectively, of investment income from the trust established under this bequest. The Museum will receive 14.5% of the annual income from the trust for thirty years. After thirty years, the same percentage of accrued income and principal will be distributed to the Museum. The Museum's portion of the funded principal balance of the trust at June 30, 2019 and 2018, was \$1,719,752 and \$1,743,101, respectively. This amount represents 14.5% of the fair value of the assets of the trust.

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

2019	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Common stocks	\$ 1,397,513	\$ 271,704	\$ 338	\$1,668,879
Money market fund	<u>50,763</u>	<u>110</u>	<u>-</u>	<u>50,873</u>
	<u>\$ 1,448,276</u>	<u>\$ 271,814</u>	<u>\$ 338</u>	<u>\$1,719,752</u>
2018	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Common stocks	\$ 1,383,272	\$ 333,193	\$ 2,922	\$1,713,543
Money market fund	<u>29,558</u>	<u>-</u>	<u>-</u>	<u>29,558</u>
	<u>\$ 1,412,830</u>	<u>\$ 333,193</u>	<u>\$ 2,922</u>	<u>\$1,743,101</u>

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2019 AND 2018

7. Long-Term and Other Debt

At June 30, 2019, the Museum had an outstanding balance of \$31,393 on an unsecured promissory note dated January 1, 2006 with the City of Clarksville. The note will mature on December 31, 2020. Interest is charged on the unpaid balance of the loan at a fixed annual rate of 3.28%. Monthly payments of \$1,789 of principal and interest are due on the last day of each month.

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

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

Following are the changes in long-term debt for the year ended June 30, 2018:

	Balance			Balance	Estimated Amount Due Year Ending
	<u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Note payable	\$ 80,463	\$ -	\$ 28,963	\$ 51,500	\$ 20,102

Future payments on long-term debt are as follows:

<u>Year ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 20,762	\$ 710
2021	10,631	101
Total	<u>\$ 31,393</u>	<u>\$ 811</u>

8. Defined Contribution IRA Plan

The Museum administers a defined contribution individual retirement account (IRA) plan sponsored by American Funds Service Company. Employee contributions were \$-0- for the years ended June 30, 2019 and 2018. The Museum made no employer contributions during either year.

9. Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2019 AND 2018

9. Fair Value Measurements (Cont'd)

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Museum has the ability to access.

Level 2: Inputs to the valuation methodology include:

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

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

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

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

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

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

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2019 AND 2018

9. Fair Value Measurements (Cont'd)

The following table sets forth by level, within the fair value hierarchy, the Museum's assets at fair value as of June 30, 2018:

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Common stocks	\$ 1,713,543	\$ -	\$ -	\$ 1,713,543
Total	\$ 1,713,543	\$ -	\$ -	\$ 1,713,543

10. Commitments and Contingencies

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

11. Related Entity

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

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

<u>Grantor/Program Title</u>	<u>Grant Number Or Pass Through Grantor's Contract Number</u>	<u>Federal CFDA Number</u>	<u>Accrued Receivable July 1, 2018</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued Receivable June 30, 2019</u>
<u>Institute of Museum and Library Sciences</u>						
Collections Conservation	MA-30-18-0330-18	45.301	\$ -	\$ 32,069	\$ 32,069	\$ -
<u>National Endowment for the Arts</u>						
Visual Arts Programming	1847061-59-18	45.024	-	-	10,000	10,000
Total expenditures of federal awards			<u>\$ -</u>	<u>\$ 32,069</u>	<u>\$ 42,069</u>	<u>\$ 10,000</u>

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019 AND 2018

Note A – Basis of Presentation

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Clarksville-Montgomery County Museum (the Museum), a component unit of the City of Clarksville, Tennessee, as of and for the year ended June 30, 2019, and the related notes to the financial statements, as listed in the table of contents, which collectively comprise the Museum's basic financial statements and have issued our report thereon dated September 19, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Stone Rudolph & Henry, PLC

Clarksville, Tennessee

September 19, 2019

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

There were no prior year findings reported.